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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 8

The Management Board submits the following report on the acquisition of treasury shares including the use of treasury shares under exclusion of subscription rights pursuant to § 71 (1) no. 8 in conjunction with § 186 (4) AktG as follows:

“The proposed resolution of the Management Board and the Supervisory Board provides, on the basis of § 71 (1) no. 8 AktG, for the Company to be authorised by the Annual General Meeting to acquire treasury shares in the amount of up to 10% of the current share capital for a maximum of five years. The granting of the authorisation is in accordance with common corporate practice and shall be for the maximum period of five years permitted by law. Under agenda item 8, it is therefore proposed that the Company be authorised until 10 March 2026 to acquire treasury shares in the amount of up to 10% of the share capital existing at the time of the resolution or – if lower – of the share capital existing at the time of the respective exercise of the present authorisation.

In deciding on the use of treasury shares, the Management Board will be guided solely by the interests of the shareholders and the Company. The Management Board will report to the Annual General Meeting on any utilisation of the proposed authorisation.

In addition to the acquisition via the stock exchange, the Company shall be given the opportunity to acquire own shares by means of a public purchase offer or a public invitation to submit offers for sale. In this variant, each shareholder of the Company willing to sell can decide how many shares and, if a price range is set, at what price he or she would like to offer them. If the quantity offered at the fixed price exceeds the number of shares demanded by the Company, an allocation of the acceptance of the offers to sell must be made. It shall be possible to provide for a preferential acceptance of small offers or small parts of offers up to a maximum of 100 shares. This possibility serves to avoid fractional amounts when determining the quotas to be acquired and small residual amounts and thus to facilitate the technical settlement. A de facto impairment

of small shareholders can also be avoided in this way. In addition, the redemption can be carried out according to the ratio of shares offered (tender quotas) instead of according to shareholding quotas, because the acquisition procedure can be technically handled in this way within an economically reasonable framework. Finally, it should be possible to provide for rounding according to commercial principles in order to avoid arithmetical fractions of shares. In this respect, the acquisition quota and the number of shares to be acquired by individual tendering shareholders may be rounded as necessary to represent the acquisition of whole shares from a technical point of view. The Management Board considers the exclusion of any further tender rights of the shareholders to be objectively justified and reasonable vis-à-vis the shareholders.

Furthermore, the Company is also authorised to carry out the acquisition by means of tender rights made available to the shareholders. These tender rights will be structured in such a way that the Company will only be obliged to acquire whole shares. To the extent that tender rights cannot be exercised thereafter, they shall lapse. This procedure treats shareholders equally, but facilitates the technical processing of the share buyback.

For the resale of acquired own shares, the law generally provides for the sale via the stock exchange. According to the provisions of § 71 (1) no. 8 AktG, the Annual General Meeting may also authorise the Company to sell shares in a form other than via the stock exchange. Accordingly, the Management Board shall be authorised, in addition to the sale on the stock exchange, to sell the shares by way of an offer to all shareholders, in which case the subscription right for fractional amounts shall be excluded. Without the exclusion of the subscription right for fractional amounts, the technical execution of the sale and the exercise of the subscription right would be considerably more difficult.

In addition, the Annual General Meeting may resolve on another sale by applying § 186 (3) and (4) AktG mutatis mutandis. Accordingly, the sale of the acquired treasury shares in the cases listed under lit. e) of the proposed resolution shall also be able to take place under exclusion of the shareholders' subscription rights.

In this respect, the resolution provides for the authorisation of the Management Board, with the consent of the Supervisory Board, to sell the acquired own shares in a way other than via the stock exchange or by offer to all shareholders if the acquired own shares are sold for cash at a price that is not significantly lower than the stock exchange price of shares of the Company of the same class and features at the time of the sale. According to the current state of discussion, a possible discount from the current stock exchange price of up to 10% of the stock exchange price is considered permissible. With this authorisation, use is also made of the option to exclude subscription rights permitted in § 71 (1) no. 8 AktG in corresponding application of § 186 (3) sentence 4 AktG. Overall, the asset and voting right interests of the shareholders are adequately safeguarded in the event of a sale of treasury shares to third parties with the exclusion of shareholders' subscription rights on the basis of § 71 (1) no. 8 AktG. The authorisation is limited

to a total of no more than 10% of the existing share capital of the Company. This limit may not be exceeded either at the time the authorisation becomes effective or at the time it is exercised. The shares mentioned in the proposed resolution shall be counted towards this limit of 10% of the share capital, in particular such shares from authorised capital granted under exclusion of subscription rights. For shareholders interested in maintaining their voting rights, there is in principle the possibility of acquiring a corresponding number of additional shares on the stock exchange. The Management Board and the Supervisory Board are of the opinion that this framework for action serves the interests of the Company, taking into account the Company's strategy, and is also appropriate taking into account the interests of the shareholders. In particular, by limiting the number of shares to be sold and the obligation to set the selling price of treasury shares close to the stock exchange price, shareholders are adequately protected against a dilution of the value of their shares.

Furthermore, the resolution provides for an authorisation of the Management Board to offer or use the acquired treasury shares in whole or in part in the context of business combinations as well as in the acquisition of companies, parts of companies or participations in companies or other assets, in particular receivables (also against the Company). The Company shall be in a position to carry out targeted acquisitions of companies or participations as opportunities arise within the scope of its corporate purpose as defined in its Articles of Association. Owners of companies and participations often expect shares in the acquiring company as consideration for the sale of the company or participation, especially in an international context. With the proposed authorisation, the Company will be in a position to quickly and flexibly use any existing treasury shares as consideration for specific acquisition projects in which it may be in competition with other interested parties and thus, under certain circumstances, to be able to dispense with an otherwise necessary increase of the share capital against contributions in kind. The granting of shares for the acquisition of other assets is also in the interest of the Company if the acquired assets are useful for the Company's activities or beneficial for the Company's financial, asset or earnings situation and an acquisition against cash payment is not possible or not possible at reasonable conditions. These types of use also require, from a legal technical point of view, that the shareholders' subscription rights to the Company's own shares are excluded to this extent, which is provided for in the resolution.

If bonds with warrants or convertible bonds exist or will be issued in the future, it may make sense to satisfy the subscription rights resulting from such bonds not by means of a capital increase, but wholly or partly with treasury shares. Therefore, a corresponding use of the acquired treasury shares under exclusion of subscription rights is provided for. The proposed resolution does not create a new authorisation to issue bonds. It merely serves the purpose of granting the Company the possibility of servicing option or conversion rights or obligations of the Company, which were or will be established on the basis of other authorisations of the Annual General Meeting, with own shares instead of using the conditional or authorised capital otherwise provided for, if this is in the interest of the Company in individual cases after examination by the Management Board and the Supervisory Board.

Furthermore, the Management Board shall be authorised, with the consent of the Supervisory Board, to offer treasury shares for purchase to persons who are or were employed by the Company or one of its affiliated companies. This is an authorisation to issue so-called employee shares. The proposed exclusion of subscription rights is a prerequisite for the issue of such employee shares. According to the German Stock Corporation Act, the use of own shares for the issue of employee shares is also permissible without authorisation by the Annual General Meeting (§ 71 (1) no. 2 AktG), but then only for the issue to employees within one year after acquisition (§ 71 (3) sentence 2 AktG). In contrast, the Management Board is authorised here to use the own shares as employee shares without observing a time limit. The Management Board decides on the conditions of issue within the scope of the discretion granted by § 71 (1) no. 2 AktG. In particular, it may offer the shares for purchase below the current stock exchange price within the scope of what is customary and reasonable in order to create an incentive for the purchase. The use of existing treasury shares instead of a capital increase or a cash payment may make economic sense; the authorisation is intended to increase flexibility in this respect.

Moreover, the treasury shares acquired on the basis of this authorisation resolution may be redeemed by the Company without a new resolution of the Annual General Meeting. Pursuant to § 237 (3) no. 3 AktG, the Annual General Meeting of the Company may resolve to redeem its fully paid-up no-par value shares, even without this necessitating a reduction of the share capital of the Company. The proposed authorisation expressly provides for this alternative in addition to the redemption with a capital reduction. Through a redemption of treasury shares without a capital reduction, the arithmetical share of the remaining no-par value shares in the share capital of the Company automatically increases. The Management Board shall therefore also be authorised to make the necessary amendment to the Articles of Association with regard to the number of no-par value shares that changes as a result of a redemption.

Based on the above considerations, the Management Board and the Supervisory Board believe that the proposed authorisation to acquire treasury shares is in the interest of the shareholders and may justify the exclusion of shareholders' subscription rights in individual cases. The Management Board and the Supervisory Board will therefore examine and consider in each individual case whether the granting of treasury shares under exclusion of subscription rights is in the overriding interest of the Company.”

Potsdam, January 2021

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The Management Board