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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 9

With regard to the acquisition of treasury shares using derivatives under exclusion of subscription rights, the Management Board submits the following report pursuant to § 71 (1) no. 8 AktG in conjunction with § 186 (4) AktG as follows:

"In addition to agenda item 8 of the Annual General Meeting, the authorisation under agenda item 9 shall also permit the acquisition of own shares with limited use of derivatives in the form of put and call options or a combination of both. Through this additional alternative course of action, the Company expands its possibilities to optimally structure the acquisition of own shares. It may be advantageous for the Company to sell put options or to acquire call options instead of directly acquiring shares in the Company.

When granting a put option, the Company grants the acquirer of the put option the right to sell shares in the Company to the Company at a price specified in the put option (exercise price). The Company is thus obliged to acquire the number of shares specified in the put option at the exercise price. In return, the Company receives an option premium when the put option is granted. If the put option is exercised, the option premium paid by the purchaser of the put option reduces the total consideration paid by the Company for the acquisition of the share. From the Company's point of view, the share buyback using put options offers the advantage that the exercise price is already determined on the option's trade date. The liquidity, on the other hand, does not flow out until the exercise date. If the option is not exercised because the share price on the exercise date is above the strike price, the Company cannot acquire its own shares in this way. However, it retains the option premium received on the trade date.

When acquiring a call option, the Company receives, against payment of an option premium, the right to purchase a predetermined number of shares at a predetermined price (exercise price) from the seller of the option. Exercising the call option makes economic sense for the Company if the price of the Company's share is higher than the strike price, as it can then buy the shares at the lower strike price. By acquiring call options, the Company can hedge against rising share prices and only has to acquire as many shares as it actually needs at the later date. In addition, the Company's liquidity is protected, as the fixed purchase price for the shares only has to be paid when the call options are exercised.

The option premium to be paid by the Company in the case of call options and to be received by the Company in the case of put options may not be significantly higher or lower than the theoretical market value of the respective options determined in accordance with recognised financial mathematical methods, the determination of which must take into account, among other things, the agreed exercise price. Due to the described determination of the option premium and the permissible exercise price, which is more closely limited in the resolution and which is intended to enable the Company to acquire call and/or put options with a longer term even in a volatile market environment, the shareholders are not economically disadvantaged in the acquisition of treasury shares using put and call options. Since the Company pays or receives a fair market price, shareholders not involved in the option transactions do not suffer any significant disadvantage in terms of value. This corresponds to the position of the shareholders in a share buyback via the stock exchange, where not all shareholders can actually sell shares to the Company. In this respect, it is justified, also in consideration of the underlying rationale of § 186 (3) sentence 4 AktG, to conclude the option transactions, for example, with an independent credit institution, since these cannot be carried out with all shareholders and the asset interests of the shareholders are safeguarded due to price fixing close to the market.

The derivative transactions shall be concluded with an enterprise operating pursuant to § 53 (1) sentence 1 or § 53b (1) sentence 1 or (7) of the German Banking Act (Kreditwesengesetz - KWG). Both in the case of a call option and in the case of a put option, the respective contracting party may, upon exercise of the option, only deliver shares which it has previously acquired in compliance with the principle of equal treatment. A corresponding obligation must be part of the transaction in the case of the conclusion of a put option transaction. In the case of the conclusion of a call option agreement, the Company may only exercise the option if it is ensured that the respective contractual partner, upon exercising the option, only delivers such shares that were previously acquired in compliance with the principle of equal treatment. By the fact that the respective contractual partner of the option transaction only delivers such shares which were acquired under the aforementioned conditions, the requirement of equal treatment of the shareholders is satisfied. In this respect, it is justified, also in consideration of the underlying rationale of § 186 (3) sentence 4 AktG, that a claim of the shareholders to conclude derivative transactions with the Company is excluded. This exclusion enables the Company to conclude derivative transactions even at short notice, which would not be possible if such derivative transactions were offered to all shareholders. This gives the Company the necessary flexibility to react quickly to market situations.

When acquiring own shares by using put or call options, shareholders shall only be entitled to tender their shares to the extent that the Company is obliged to take delivery of the shares under the options. Otherwise, the use of put or call options in the context of the repurchase of own shares would not be possible and the associated advantages for the Company would not be achievable. After careful consideration of the interests of the shareholders and the interests of the Company, the Management Board considers the non-granting or restriction of the right to tender shares to be justified due to the advantages resulting from the use of put or call options for the Company.

All share purchases using put or call options are limited to shares amounting to a maximum of 5% of the share capital existing at the time of the resolution of the Annual General Meeting on this authorisation. With regard to a possible exclusion of subscription rights when using the acquired treasury shares, reference is made to the report of the Management Board on agenda item 8 of the Annual General Meeting pursuant to § 71 (1) no. 8 in conjunction with § 186 (4) AktG."

Potsdam, January 2021

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The Management Board