

DEUTSCHE KONSUM REIT-AG
(Incorporated in the Federal Republic of Germany)
(Registration number HRB 13072)
FSE Share Code: A14KRD
JSE Share Code: DKR
ISIN: DE000A14KRD3
LEI: 529900QXC6TDASMCSU89
("DKR" or "the Company")

SECONDARY LISTING OF DKR ON THE MAIN BOARD OF THE JSE LIMITED ("JSE")
BY WAY OF AN INTRODUCTION AND ABRIDGED PRE-LISTING STATEMENT

1. INTRODUCTION

- 1.1. DKR is a German property company with REIT status in Germany, that invests in convenience retail properties in well-established micro locations in the central and regional areas of Germany outside of major cities. DKR has a listing on the Prime Standard on the Frankfurt Stock Exchange, as well as listings on the Berlin Stock Exchange and the Xetra trading system. The Frankfurt Stock Exchange is also an approved exchange under the JSE Listings Requirements for secondary listing purposes. DKR listed on the Prime Standard on the Frankfurt Stock Exchange on 28 February 2017, on the Berlin Stock Exchange on 15 December 2015 and the Xetra trading system on 15 December 2015. The Company has a market capitalisation of approximately EUR 546 million (ZAR 9.67 billion).
- 1.2. As of the date of this announcement, the DKR real estate portfolio consisted of 165 convenience retail properties with a gross lettable area of approximately 901,016 m² and a market value of EUR 829 million. Following the transfer of seven new property acquisitions that have been notarised but will only transfer after the listing (as identified in paragraph 4.5.3 below), the DKR real estate portfolio will consist of 172 convenience retail properties with a gross lettable area of approximately 958,747 m² and a market value of approximately EUR 880 million.
- 1.3. The JSE has granted DKR a secondary listing of all its issued ordinary no par value shares ("Shares") on the Main Board of the JSE by way of an introduction ("Listing") under the abbreviated name "DKR", share code "DKR" and ISIN DE000A14KRD3 with effect from the commencement of trade on Monday, 8 March 2021 ("Listing Date"). The Company will be listed in the "Retail REITS" sector.
- 1.4. The abridged Pre-listing Statement appearing below is not an invitation to the public to subscribe for securities but is issued in compliance with the JSE Listings Requirements, for

the purpose of providing information to the public with regard to the Company.

2. DISTRIBUTION OF PRE-LISTING STATEMENT

- 2.1. DKR has distributed a pre-listing statement regarding the Listing containing detailed information regarding the Company ("Pre-listing Statement"). The Pre-listing Statement is available at the Stellenbosch and Johannesburg offices of PSG Capital, at the addresses set out in the "Corporate Information" section of the Pre-listing Statement and on the Company's website at <https://www.deutsche-konsum.de/en/>.
- 2.2. Terms appearing in title case in this announcement and that are not otherwise defined herein, shall bear the meanings assigned to them in the Pre-listing Statement.

3. SALIENT DATES AND TIMES RELATING TO THE LISTING

The salient dates and times relating to the Listing are set out below:

2021	
Pre-listing Statement distributed on	Monday, 22 February
Abridged Pre-listing Statement published on SENS on	Monday, 22 February
Listing of Shares on the main board of the JSE expected at commencement of trade (09:00) on	Monday, 8 March

Notes:

- The above dates are subject to change. Any such change will be announced on SENS.
- All references to dates and times are to local dates and times in South Africa.

4. ABRIDGED PRE-LISTING STATEMENT OF DKR

4.1. BRIEF OVERVIEW OF DKR

- 4.1.1. DKR is a property company that specialises in the ownership of convenience retail real properties, with tenants that supply goods and services to local residents for daily needs. The business essentially comprises of the acquisition, leasing and management of convenience retail properties in well-established micro locations in the central and regional areas of Germany outside of major cities.

- 4.1.2. DKR's investment focus throughout Germany is on attractive convenience retail properties with established track records in their respective locations as suppliers of goods and services to local residents for daily needs, with a strong focus on non-cyclical tenants with strong credit ratings, such as large German food retailers, retail warehouse stores, drugstores and the like, which are considered to be largely independent of the economic cycle and which significantly reduces the risk of tenants failing to renew their lease agreements in respect of such properties.
- 4.1.3. DKR acts as a professional investor in this niche area, as the investment value per property, generally up to EUR 25 million, is in many instances too high for private investors or too low for institutional investors. Operating in this niche area, creates an efficient property acquisition process for the Company, with little competition from competing bidders, who would ordinarily drive up the purchase price of similar properties in major cities. DKR has a particularly streamlined administrative structure which allows for efficient decision making. The experience of DKR's management and their existing network, as well as the flat structure of the business, facilitates quick decision making, which further enhances the acquisition process.
- 4.1.4. Strategic asset and portfolio management, as well as targeted and value-adding investments, has enabled DKR to reduce vacancies and enter into strong lease renewals, which has historically led to an increase in the value of its portfolio. In this respect, properties with higher vacancies and short rental contract maturities are deliberately bought, in order to allow DKR to exploit value-adding opportunities.
- 4.1.5. Through the growth and refinement of its real estate portfolio, DKR is able to achieve economies of scale with regard to ongoing administrative and management costs, as well as in relation to borrowing costs, which further enhances returns to Shareholders. This results in a highly profitable, low-risk and efficiently financed real estate portfolio of institutional quality, which generates sustainable and attractive dividends from non-institutional individual properties and allows the Company to take full advantage of the tax benefits of the Company's REIT status.
- 4.1.6. DKR was registered as a REIT in Germany on 13 January 2016. The primary benefits of the REIT status are that the Company is exempt from the payment of income tax at company level and capital gains tax on the disposal of properties.

4.1.7. Although the Company is a REIT registered in Germany, it is not a South African tax resident and does therefore not qualify as a REIT for South African tax purposes. As such, the special taxation regime applicable to REIT's in South Africa does not apply in the current instance.

4.2. STRATEGY AND VALUE PROPOSITION

4.2.1. The Company's investment strategy consists of the three-pronged investment approach set out below:

- the acquisition of high-yield convenience retail properties, with a tenant-mix that focuses on the supply of goods and services to local residents for daily needs, with a strong focus on non-cyclical tenants such as major German food retailers;
- the creation of value in relation to properties acquired by the Company, through a focused active asset management regime;
- the transformation of individual properties into an efficient real estate portfolio of institutional quality, with high and sustainable yields, allowing the Company to take full advantage of its REIT status.

4.2.2. Through the growth and refinement of the real estate portfolio in accordance with the above strategy, DKR is able to achieve economies of scale with regard to ongoing administrative and management costs, as well as in relation to borrowing costs which further enhances returns to Shareholders. This results in a highly profitable, low-risk and efficiently financed real estate portfolio of institutional quality, which generates sustainable and attractive dividends from non-institutional individual properties and allows the Company to take full advantage of the tax benefits of the Company's REIT status.

4.2.3. In summary, DKR has been strategically positioned to provide a significantly de-risked business model with a property portfolio that provides high-yielding and non-cyclical cashflows through the acquisition and letting of German convenience retail properties, financed in part with institutional debt at low debt costs. DKR has also adopted a lean management structure in an institutional and transparent REIT company. Collectively, this positions DKR as an attractive investment opportunity with positive and sustainable cashflow generation underpinned with real assets.

4.3. RATIONALE FOR LISTING

The Company's rationale for the Listing is to:

- 4.3.1. establish a positive relationship and reliable track record with the South African market;
- 4.3.2. raise capital in a new market to fund further acquisitions in due course;
- 4.3.3. increase the liquidity and tradability in the Company's Shares;
- 4.3.4. provide investors on the JSE with an opportunity to participate in the Company's income and capital growth potential;
- 4.3.5. provide investors on the JSE with an additional local platform to invest and trade in the Company's Shares; and
- 4.3.6. further diversify the Company's shareholder base.

4.4. PROSPECTS

- 4.4.1. Despite the current COVID-19 pandemic, the Company has shown resilience in a large part due to its investment strategy. The Company's investment focus on non-cyclical retail tenants, such as large German food retailers, retail warehouse stores, drugstores and the like which provide 'essential' services and goods to consumers have made it resilient to the impact of the lockdowns in Germany. These non-cyclical retailers which form a significant portion of the tenant base of the Company were excluded from the mandatory lockdowns in Germany applicable to 'non-essential' retail stores and accordingly have continued to generate rental income for the Company during the COVID-19 pandemic. In relation to the Company's tenants which are in a more precarious position with regards to the lockdowns in Germany, the Company is holding individual discussions with such tenants to find commercial solutions that both help the tenants economically and protect the Company's interests. By way of example, the standard approach in respect of such tenants is to reduce or waive rents during the lockdown period and negotiate extended lease terms so that the Company can still achieve a suitable return over the long term. Furthermore, the Company does not currently see any declines in the supply of its prospective acquisition pipeline that will impact the further growth of the Company's property portfolio. To the contrary, the Company has seen an increase in interest in their food-anchored properties.

4.4.2. Notwithstanding the short-term impact of the COVID-19 pandemic, given the efficient implementation of the investment strategy and the strong pipeline of acquisitions, the Management Board and Supervisory Board are of the view that the long-term prospects of the Company are very encouraging. This is further enhanced by the fact that each new acquisition will contribute towards the economies of scale of the Company and thereby positively impact profitability. The Management Board and Supervisory Board are also confident that the Company will deliver sustainable income and capital growth for Shareholders going forward.

4.5. SUMMARY OF DKR PROPERTY PORTFOLIO

4.5.1. The property portfolio of the DKR Group on Listing (excluding the New Property Acquisitions as defined in paragraph 4.5.3 below), is summarised as follows:

Number of properties owned by DKR	Portfolio at market value (as per Independent Property Valuer)	Portfolio at book value*	Annualised rent	Average rental per m ² / per month
165	EUR 829.1 million	EUR 841.4m ²	EUR 64.9 million	EUR 6.37
Average Property Yield /	Initial Gross Yield**	Gross lettable area (GLA) m ²	Vacancy (% of rentable area)	Portfolio value per m ²
7.97%	10.5%	901,016	10.1%	EUR 920.2
Average portfolio escalations (like-for-like as at 30-Sep-2020)	Weighted average lease term (years)***	Sectors	Geographic profile	
0.9%	5.6	Convenience Retail	Micro locations in the central and regional areas of Germany outside of major cities	

Notes:

* The DKR property portfolio is appraised annually as at 30 June. The book value of the DKR properties consists of: (i) all of the properties owned by DKR as at the last annual property valuation date of 30 June 2020 which were accounted for at the appraiser's fair value as at 30 June 2020; and (ii) all of the properties purchased by DKR after 30 June 2020 up until the Last Practical Date (excluding the New Property Acquisitions), at the purchase price thereof plus transaction costs. More-over the book values also include leaseholds which were accounted for as finance leases which capitalised the rights of use of the properties. The book values also include capitalised expenditures (Capex) which have been invested in the properties after the 30 June 2020

valuation. In the next regular property valuation (i.e. as at 30 June 2021), the book values will be updated to reflect the latest fair values provided by the appraiser as at 30 June 2021.

** Initial gross yield, being the annualised in-place-rental divided by the purchase price of an acquired property (without including additional costs such as real estate transfer taxes, notary fees and the like).

*** Calculated as including all fixed term lease agreements but excluding all lease agreements which do not have fixed terms and which may be terminated by either party thereto on notice.

4.5.2. The DKR real estate portfolio is comprised of convenience retail properties located in well-established micro locations in the central and regional areas of Germany outside of major cities.

4.5.3. DKR has entered into agreements to acquire seven new properties in respect of which ownership has not, as at the Last Practicable Date, transferred to DKR ("New Property Acquisitions"). The property portfolio of DKR immediately following the transfer of ownership of the New Property Acquisitions, can be summarised as follows:

Number of properties owned by DKR	Portfolio at market value (as per Independent Property Valuer)	Portfolio at book value*	Annualised rent	Average rental per m ² / per month
172	EUR 880.5 million	EUR 889.9m ²	EUR 69.2 million	EUR 6.73
Average Property Yield	Initial Gross Yield**	Gross lettable area (GLA) m ²	Vacancy (% of rentable area)	Portfolio value per m ²
7.99%	10.4%	958,747	10.5%	EUR 918.4
Average portfolio escalations (like-for-like as at 30-Sep-2020)	Weighted average lease term (years)***	Sectors	Geographic profile	
0.9%	5.5	Convenience Retail	Micro locations in the central and regional areas of Germany outside of major cities	

4.6. DIVIDEND POLICY

According to the German-REIT law, DKR is required to distribute at least 90% of distributable profits for the applicable period, calculated according to German GAAP (which is diminished by the regular depreciation of the properties by the amount of 3% per annum in accordance with German GAAP and German-REIT law). The

Company may however distribute dividends exceeding 90% of distributable profits for the applicable period based on German-GAAP (up to 100% thereof).

4.7. MANAGEMENT

- 4.7.1. DKR is managed by its Management Board as well as its Supervisory Board. The Management Board and the Supervisory Board perform separate functions but work together closely, for the benefit of the Company to ensure responsible management of the Company.
- 4.7.2. The leadership of the Company has more than 50 years of combined experience in the German real estate industry.
- 4.7.3. The Management Board consists of three executive directors, appointed by the Supervisory Board in terms of the Articles of Association of the Company in accordance with three-year fixed term contracts (other than in respect of the CEO). The Management Board is the operative management of the Company and represents the Company in transactions with third parties. It develops the strategic direction of the Company, coordinates such strategy with the Supervisory Board and ensures the implementation thereof. The Management Board also ensures proper risk management within the Company.
- 4.7.4. The Supervisory Board consists of six independent directors, appointed by the shareholders of the Company at the annual general meeting of the Company. The role of the Supervisory Board is to advise and supervise the Management Board and to oversee the implementation of corporate governance.
- 4.7.5. The asset management and property management functions of the Company are outsourced to third parties, the details of which are contained in the Pre-listing Statement.

4.8. SECONDARY LISTING ON THE JSE

The JSE has granted the Company a secondary listing of all its issued ordinary Shares as a Retail REIT on the Main Board of the JSE by way of an introduction, under the abbreviated name "DKR", share code "DKR" and ISIN DE000A14KRD3 with effect from the commencement of trade on Monday, 8 March 2021. The Company will be listed in the "Retail REITS" sector.

4.9. SHARE CAPITAL

The issued share capital of the Company, on the Last Practicable Date, is as set out below:

	Number of Shares	EUR
Issued share capital	35 155 938	35 155 938
Treasury Shares	-	-
Total	35 155 938	35 155 938

4.10. COMPOSITION OF THE BOARD

The names, ages, business addresses and capacities of the Directors of the Company are provided below:

Names	Capacity	Age	Business address	Date of appointment
Management Board				
Rolf Elgeti	Chief executive officer of the Company	44	August-Bebel-Street 68, 14482 Potsdam, Germany	23 December 2014
Alexander Kroth	Chief investment officer of the Company	38	August-Bebel-Street 68, 14482 Potsdam, Germany	1 July 2017
Christian Hellmuth	Chief financial officer of the Company	41	August-Bebel-Street 68, 14482 Potsdam, Germany	1 July 2017
Supervisory Board				
Hans-Ulrich Sutter	Chairman of the supervisory board of the Company	72	August-Bebel-Street 68, 14482 Potsdam, Germany	November 2014
Achim Betz	Deputy chairman of the supervisory board of the Company	46	August-Bebel-Street 68, 14482 Potsdam, Germany	November 2014
Johannes C. G. Boot	Non-executive Director of the Company	52	August-Bebel-Street 68, 14482 Potsdam, Germany	April 2016
Nicholas Cournoyer	Non-executive Director of the Company	62	August-Bebel-Street 68, 14482 Potsdam, Germany	April 2016
Kristian Schmidt-Garve	Non-executive Director of the Company	49	August-Bebel-Street 68, 14482 Potsdam, Germany	March 2018
Cathy Bell-Walker	Non-executive Director of the Company	50	August-Bebel-Street 68, 14482 Potsdam, Germany	5 March 2020

4.11. Public shareholders

The free-float (public spread) of DKR on the Frankfurt Stock Exchange at the Last Practicable Date amounts to 40.64%. The DKR free-float meets the Frankfurt Stock Exchange requirements and exceeds the minimum free-float requirement of the JSE of 20%. In terms of German securities law, all holdings below a threshold of 3% (three percent) constitutes free-float (public spread).

5. COPIES OF THE PRE-LISTING STATEMENT

Copies of the Pre-listing Statement are available in English only and may, from Monday, 22 February 2021 until the Listing Date, be obtained from the registered office of the Company and from the Sponsor, at the addresses set out in the "Corporate Information" section of the Pre-listing Statement. A copy of the Pre-listing Statement will also be available on the Company's website (<https://www.deutsche-konsum.de/en/>).

22 February 2021

PSG Capital Proprietary Limited: JSE Sponsor and Transaction Adviser

Cliffe Dekker Hofmeyr Incorporated: Legal Adviser