

## **Report of the Executive Board on agenda item 8 in accordance with section 203 para. 2 sentence 2 in conjunction with section 186 para. 4 sentence 2 AktG on the exclusion of subscription rights with regard to authorised capital**

The proposed authorised capital 2023 is intended to enable Deutsche EuroShop AG to quickly take advantage of any opportunities that may arise even at very short notice in the interests of the Company and its shareholders in a market environment characterised by strong competition for attractive properties. To this end, the Company needs the usual and necessary instruments for listed companies to raise capital.

After partial utilisation, the authorised capital 2022 resolved by the Annual General Meeting on 30 August 2022 under agenda item 8 and laid down in section 5 of the articles of association still amounts to EUR 3,854,353.00. This amount is far below the volume of increase permitted by law and opens up only limited options for action for the Company. In order to provide the Company with an adequate amount of authorised capital also in the future, the existing authorised capital 2022 shall be cancelled and replaced by new authorised capital 2023.

As regards its structure, the proposed authorised capital 2023 basically corresponds to the previously authorised capital 2022. Accordingly, in cases in which the issue price of the new shares is not significantly lower than the stock exchange price as well as in cases in which new shares are to be issued against contributions in kind, e.g., when acquiring real estate or companies, the shareholders' subscription right shall be excluded as before to compensate for fractional amounts and in accordance with section 186 para. 3 sentence 4 AktG. However, the possibility to exclude subscription rights to the extent necessary to give the holders of convertible bonds and/or warrant bonds a subscription right to new shares is newly provided for. Apart from that, the limitation of the aforementioned possibilities to exclude subscription rights to a total of 10 percent of the share capital is now omitted. Finally, according to the proposed resolution, the authorised capital 2023 relates to a volume that equals around 50 percent of the share capital of Deutsche EuroShop AG existing at the time of publication of the invitation, i.e., EUR 38,232,159 and is thus significantly higher than before. The authorised capital 2023 shall apply until 28 August 2028.

When the authorised capital is utilised, the shareholders are generally entitled to subscription rights. Instead of being issued directly to the shareholders, the new shares may also be taken over by one or more credit institutions determined by the Executive Board subject to the obligation to offer them to the shareholders for subscription (indirect subscription right). The intermediation of credit institutions or another company that meets the requirements of section 186 para. 5 sentence 1 AktG facilitates the processing of the share issue merely in technical terms.

In certain cases, which are listed below, the shareholders' subscription rights may be excluded as already outlined:

a) Exclusion of subscription rights for fractional amounts

The Executive Board shall have the possibility, with the consent of the Supervisory Board, to exclude subscription rights for fractional amounts (proposed section 5 lit. a) of the articles of association). Fractional amounts can be the result of the respective issue volume and the subscription ratio. The exclusion of subscription rights for fractional amounts makes it possible to exercise the proposed authorisation for creating round amounts. Such a reasonable and customary exclusion facilitates the technical processing of subscription rights.

b) Exclusion of subscription rights in the case of certain capital increases against cash contributions

The Executive Board shall have the possibility, with the consent of the Supervisory Board, to exclude subscription rights in the case of capital increases against cash contributions if the shares are issued at a price that is not significantly lower than the stock exchange price at the time the issue price is finally determined (proposed section 5 lit. b) of the articles of association). In such a case, the Executive Board will make efforts to set any discount on the stock exchange price as low as possible according to the market conditions prevailing at the time of the placement.

The number of shares issued to the exclusion of subscription rights pursuant to section 186 para. 3 sentence 4 AktG must not exceed a total of 10 percent of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Shares that are issued or are to be issued to service subscription rights from convertible or warrant bonds shall be taken into account for the purpose of this number, provided that the Bonds are issued, to the exclusion of subscription rights, during the term of this authorisation in analogous application of section 186 para. 3 sentence 4 AktG; also shares that are sold during the term of this authorisation on the basis of an authorisation to use treasury shares pursuant to section 71 para. 1 no. 8, section 186 para. 3 sentence 4 AktG, to the exclusion of subscription rights, are to be taken into account for the purpose of this number;

By the above standards, the interest of the shareholders in being protected against dilution of their holdings is taken into account in accordance with statutory provisions. Since the issue price per new share is very close to the stock market price and the capital increase is limited in volume, to the exclusion of the subscription rights, each shareholder has the opportunity, in principle, to purchase the number of shares which is needed for maintaining its quota of participation via the stock exchange at almost the same conditions. At the same time, it will be easier for the Company to obtain corporate financing by raising equity capital. Deutsche EuroShop AG will be enabled to cover any capital requirements that may arise at short notice. Such requirements may arise, for example, due to short-term market opportunities or refinancing requirements. High consideration must be paid, in particular, if capital is invested in shopping centres that further increase the enterprise value of Deutsche EuroShop AG. The exclusion of subscription rights does not only help the Company to act more promptly, but also to place the shares at a price close to the stock exchange price, usually at a lower discount than in the case of subscription right issues. In addition, such a placement can be used to attract new groups of shareholders. It is therefore ensured that, in accordance with the legal valuation of section 186 para. 3 sentence 4 AktG, both the financial interests and the voting interests are adequately safeguarded in the case of a utilisation of the authorised capital, to the exclusion of the subscription rights, whereas the Company gains further freedom for acting in the interest of all shareholders.

c) Exclusion of subscription rights in case of anti-dilution protection

Furthermore, the Executive Board shall have the possibility, with the consent of the Supervisory Board, to exclude subscription rights to the extent necessary to grant subscription rights to the holders of convertible bonds or warrant bonds already issued, provided that the Terms and Conditions of the Bonds so determine (proposed section 5 lit. c) of the articles of association). In order to facilitate placement on the capital market, such Bonds have an anti-dilution protection which provides that the holders of such Bonds may be granted a subscription right to new shares in subsequent share issues to which shareholders are entitled. They are thus placed in the same position as if they were already shareholders. In order to be able to attach such anti-dilution protection to the Bonds, the shareholders' subscription rights to these shares must be excluded.

d) Exclusion of subscription rights in case of capital increases against contributions in kind

Finally, the Executive Board, shall have the possibility, with the consent of the Supervisory Board, to exclude subscription rights in the case of capital increases against contributions in kind (proposed section 5 lit. d) of the articles of association). As in the past, the Company intends to acquire shopping centres, properties, companies, parts of companies or participations as a measure to further increase the value of the Company. It is often required to pay high considerations for them, which put a strain on the liquidity of the Company if they are to be paid in money rather than shares. Some sellers insist on receiving shares as consideration, as this may be more favourable for them, or they agree to receiving shares as consideration. The possibility of using shares as an acquisition currency gives the Company the necessary freedom to use such acquisition opportunities quickly and flexibly and even engage in major transactions against transfer of shares. For this purpose, it must be possible to exclude shareholders' subscription rights in the interest of the Company. Since such an acquisition must be made at short notice, it cannot wait until a decision of the next Annual General Meeting, which takes place only once a year. For this purpose, authorised capital must be available, which the Executive Board - with the consent of the Supervisory Board - can access quickly.

The Executive Board will cautiously examine on a case-by-case basis, whether or not to use its authorisation to carry out capital increases to the exclusion of subscription rights. It will use this opportunity only if, in the opinion of the Executive Board and the Supervisory Board, this is in the interest of the Company and thus, its shareholders.

The Executive Board will report on the utilisation of the authorised capital to the exclusion of subscription rights at the respectively next Annual General Meeting.

Hamburg, July 2023

The Management Board