

Report by the Executive Board of Deutsche EuroShop Aktiengesellschaft, Hamburg to explain details disclosed in the Management Report and Group Management Report, in accordance with section 120 (3) of the German Public Limited Companies Act (*Aktiengesetz – “AktG”*) and sections 289 (4, 5) and 315 (4) of the German Commercial Code (*Handelsgesetzbuch – “HGB”*)

Following the implementation of the Second Act to Amend the German Act Regulating the Transformation of Companies (*Umwandlungsgesetz*), the Executive Board is obliged, pursuant to section 120 (3) sentence 2 of the AktG and within the scope of discussions on the formal approval of the Executive Board by the General Meeting, to submit an explanatory report regarding disclosures in the Management Report and Group Management Report required pursuant to sections 289 (4) and 315 (4) of the HGB. The Executive Board submits the following report in this respect:

Disclosures in the Management Report and Group Management Report required pursuant to sections 289 (4) and 315 (4) of the HGB are made under the heading “Other disclosures”. These disclosures are explained below, according to the sequence prescribed by law:

1. The capital amounts to exactly € 34,374,998.00 (rounded: € thousands 34,375), and is divided into 34,374,998 notional no-par value shares. The shares are issued as registered shares. Each share has a notional interest in the share capital of € 1.00.
2. The Company’s Executive Board is not aware of any restrictions which might affect voting rights or the transfer of shares. In particular, the registered shares are not subject to limited transferability (*Vinkulierung*).
3. Deutsche EuroShop AG, Hamburg, is the parent company of Deutsche EuroShop Group. The Company’s shares are traded at several exchanges, including the Frankfurt Stock Exchange. As at 31 December 2008 Alexander Otto held a stake of 12.45% (2007: 12.28%). Aside from these shareholdings, there is no direct or indirect shareholding which would exceed 10% of voting rights.
4. There are no shares carrying special rights, which would permit the holder to exercise control.
5. Employees do not hold any shares via employee share ownership programmes, nor are there any related controls over voting rights.
6. The appointment and removal of members of the Executive Board is carried out in accordance with sections 84 and 85 of the AktG and Article 7 of the Memorandum and Articles of Association, according to which the Supervisory Board is responsible for appointing members of the Executive Board, and also for removing them from office.

Amendments to the Memorandum and Articles of Association are carried out in accordance with sections 179 and 133 of the AktG and Article 13 of the Memorandum and Articles of Association, according to which resolutions passed by the General Meeting require a simple majority of all votes cast. Where a majority of the capital eligible to vote is required, a simple majority of capital is sufficient, unless determined otherwise by the Memorandum and Articles of Association or mandatory statutory provisions.

Under Article 13 of the Memorandum and Articles of Association, the Supervisory Board is also authorised to amend the Memorandum and Articles of Association, provided that any such amendments are restricted to wording only. This authorisation may also include amendments to the Memorandum and Articles of Association to reflect newly adopted statutory provisions which are mandatory for the Company.

7. Under Article 5 of the Memorandum and Articles of Association, the Executive Board is authorised to increase, on one or more occasions, the Company's share capital by up to a maximum total amount of € 17,187,499.00 via the issuance of up to 17,187,499 registered notional no-par value shares for contribution in cash or in kind, subject to the approval of the Supervisory Board. This authority will expire on 20 June 2012. Subject to approval by the Supervisory Board, the Executive Board may exclude shareholders' pre-emptive rights in certain cases (authorised capital).

Furthermore, the Executive Board is authorised, subject to approval by the Supervisory Board, to issue, up to 21 June 2011, convertible debt securities having a maximum term of seven years, in an aggregate nominal amount of up to € 150 million, and to grant conversion rights to bearers or holders of such debt securities with regard to a maximum number of 7,500,000 registered notional no-par value shares of the Company, equivalent to a share in the equity capital of up to € 7,500,000.00, subject to the terms of convertible debt securities to be determined by the Executive Board, and to be approved by the Supervisory Board. In this context, subject to approval by the Supervisory Board and further subject to certain conditions, the Executive Board may exclude shareholders' pre-emptive rights. For this purpose, the Company's share capital is subject to a conditional capital increase of up to € 7,500,000.00 by means of issuing up to 7,500,000 new shares (Article 6 of the Memorandum and Articles of Association – Conditional capital).

8. The Company has not entered into any material agreements which are subject to change of control clauses triggered in the event of a takeover offer.
9. The Company has not entered into any compensation agreements with members of the Executive Board, or any other staff members, in the event of a takeover offer made for the Company.
10. The Executive Board has laid down measures for the determination of risk fields, the risk coverage and the communication of risks, the assignment of responsibilities and duties as well as their documentation. Due to the small number of staff of the Company the Executive Board is actively integrated into the control management systems and risk management systems. Perceptions are used for the accounting process and as well for the reporting to the Supervisory Board.

Where the Management Report and Group Management Report do not contain disclosures regarding various issues which must be disclosed pursuant to sections 289 (4, 5) and 315 (4) of the HGB, such issues were either not applicable during the 2008 financial year or the statutory provisions apply by default.

Hamburg, June 2009

The Executive Board



Claus-Matthias Böge



Olat G. Borkers