Deutsche EuroShop

Amended management proposal on agenda item 6 with an updated Executive Board report on exclusion of subscription rights

6. Cancellation of existing authorised capital and creation of new 2010 authorised capital and related amendments to the Articles of Association

As determined by the resolution of the Annual General Meeting on 21 June 2007, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a total of €17,187,499 on one or several occasions until 20 June 2012 by issuing up to 17,187,499 no-par value registered shares against cash or non-cash contributions. Following share capital increases in July 2009 and February 2010, this authorised capital has already been partly used. As a result, authorised capital of €7,447,919.00 is still available. The Company's share capital totals €44,114,578.00. The law permits authorised capital totalling half of the value of the share capital.

The Executive Board and the Supervisory Board consequently propose that the existing authorised capital be cancelled and that a resolution be passed for the creation of new authorised capital totalling €22,057,289.00 for the maximum time period of five years. The Executive Board and the Supervisory Board shall propose the following:

(a) Cancellation of existing authorised capital

The unutilised authorised capital totalling €7,447,919.00 approved by the Annual General Meeting in 2007 pursuant to Article 5 of the Articles of Association will be cancelled as soon as this resolution becomes effective through entry in the commercial register with effect for the future.

(b) Authorisation

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a total of €22,057,289.00 (in words: twenty two million fifty seven thousand two hundred and eighty nine) on one or several occasions until 16 June 2015 by issuing no-par value registered shares against cash or non-cash contributions (authorised capital 2010).

If capital is increased, shareholders are to be granted a subscription right. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- for fractional amounts;
- if the issue price of the new shares at the time of the final setting of the issue price is not significantly lower than the listed share price of the Company offering the same conditions, and the shares issued pursuant to Articles 203 (1) and (2) and 186 (3) sentence 4 of the German Stock Companies Act (AktG) do not exceed ten per cent of the share capital even after multiple increases. This maximum limit shall include shares sold or issued on the

basis of other authorisations with exclusion of subscription rights, directly or indirectly pursuant to Article 186 (3) sentence 4 of the AktG. *The maximum limit of ten out of a hundred of the share capital is also to be applied to the proportion of the share capital represented by shares which holders of convertible bonds are entitled to purchase if the subscription rights of shareholders pursuant to Article 221 (4) sentence 2, and Article 186 (3) sentence 4 AktG are excluded on issue;*

- if capital is increased against non-cash contributions, in particular in connection with the acquisition of companies, parts of companies, shareholdings, real estate, capital assets or other assets, up to an amount of 20% of the existing share capital both at the time that the authorisation becomes effective and the time that the authorisation is exercised.

The Executive Board is also authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and all other details of the shares and the terms of issue.

The Supervisory Board is authorised to revise the Articles of Association in accordance with the implementation of the increase in the share capital or to reword the Articles after expiry of the authorisation.

(c) Amendment to the Articles of Association

Article 5 of the Articles of Association will be removed in full and rewritten as follows:

"§ 5
The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a total of €22,057,289.00 (in words: twenty two million fifty seven thousand two hundred and eighty nine) on one or several occasions until 16 June 2015 by issuing no-par value registered shares against cash or non-cash contributions (2010 authorised capital).

If capital is increased, shareholders are to be granted a subscription right. The Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in the following cases:

- *for fractional amounts;*

- *if the issue price of the new shares at the time of the final setting of the issue price is not significantly lower than the listed share price of the Company offering the same conditions, and the shares issued pursuant to Articles 203 (1) and (2) and 186 (3) sentence 4 of the German Stock Companies Act (AktG) do not exceed ten per cent of the share capital even after multiple increases. This maximum limit shall include shares sold or issued on the basis of other authorisations with exclusion of subscription rights, directly or indirectly pursuant to Article 186 (3) sentence 4 of the AktG. The maximum limit of ten out of a hundred of the share capital is also to be applied to the* *proportion of the share capital represented by shares which holders of convertible bonds are entitled to purchase if the subscription rights of shareholders pursuant to Articles 221 (4) sentence 2, 186 (3) sentence 4 AktG are excluded on issue;*

- *if capital is increased against non-cash contributions, in particular in connection with the acquisition of companies, parts of companies, shareholdings, real estate, capital assets or other assets, to an amount of 20% of the existing share capital both at the time that the authorisation becomes effective and the time that the authorisation is exercised.*

The Executive Board is also authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and all other details of the shares and the terms of issue.

The Supervisory Board is authorised to revise the Articles of Association in accordance with the implementation of the increase in the share capital or to reword the Articles after expiry of the authorisation."

To ensure that the cancellation of the previously authorised capital does not become effective without the new authorised capital taking its place, the Executive Board is also instructed to enter the above resolution on the cancellation of the previously authorised capital into the commercial register only when it has been ensured that immediately after entry of the cancellation, the resolution on the creation of the new authorised capital and the corresponding amendment to the Articles of Association are also entered in the commercial registry.

The cancellation of the old authorised capital and the authorisation of the new capital will consequently take place by means of a common resolution by the Annual General Meeting, which can also only be entered as a common entry in the commercial register.

Report of the Executive Board on the exclusion of subscription rights in accordance with agenda item 6

As determined by the resolution of the Annual General Meeting on 21 June 2007, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital of the Company by up to a total of €17,187,499 on one or several occasions until 20 June 2012 by issuing up to 17,187,499 no-par value registered shares against cash or non-cash contributions. Following share capital increases in July 2009 and February 2010, this authorised capital has already been partly used. As a result, authorised capital of €7,447,919.00 is still available. The Executive Board and the Supervisory Board consequently propose that the existing authorised capital be cancelled and that a resolution be passed for the creation of new authorised capital totalling €22,057,289.00 for the maximum time period of five years.

In the case of utilisation of the 2010 authorised capital through capital increases, shareholders will in principle have a subscription right.

The Executive Board should, with the approval of the Supervisory Board, be able to exclude subscription rights if the shares pursuant to Article 203 (1) and (2) and Article 186 (3) sentence 4 of the AktG are issued at a price that at the time of the final setting of the issue price is not significantly below the share price. The Executive Board will attempt to keep any discount on the stock market price as low as possible. The authorisation enables the Company to cover any capital needs, including at short notice, so that it is able to flexibly take advantage of any opportunities that arise in the Company's areas of activity. The exclusion of subscription rights enables the Company to act quickly and place the shares at a price close to the market price, i.e. without the usual rights issue discount. Such a capital increase may not exceed ten per cent of the share capital. This maximum of 10% of the share capital which may be excluded from subscription rights includes shares which on the basis of an authorisation pursuant to Article 71 (1) No. 8 in connection with Article 186 (3) sentence 4 of the AktG are sold without granting a right of subscription to shareholders. *Moreover, this amount includes the share capital apportionable to shares which holders of convertible bonds are entitled to purchase if the subscription rights of shareholders pursuant to Article 221 (4) sentence 2 and Article 186 (3) sentence 4 of the AktG are excluded on issue.*

Through this limitation, account is taken of shareholders' need for protection against dilution of their stock. As the new shares should be placed at a price close to the market price, shareholders wishing to maintain their proportionate holding in the Company can buy the requisite number of shares at approximately the same conditions on the stock market.

Subscription rights are also to be excluded by the Executive Board, with the approval of the Supervisory Board, for fractional amounts. Subscription rights are primarily excluded for reasons of practicability and easier implementation of the respective issue. Fractional amounts can result from the respective issue volumes and the subscription ratio. The value of a fractional amount apportionable to each share is generally low, while the expense of an issue without such an exclusion is significantly higher.

Subscription rights are also to be excluded by the Executive Board, with the approval of the Supervisory Board, for capital increases against non-cash contribution. In the interests of the shareholders, this exclusion is also limited to an amount of 20% of the existing share capital both at the time that the authorisation becomes effective and the time that the authorisation is exercised. In the future, as in the past, we want to be able to purchase shopping centres, land, companies, parts of companies and shareholdings so that our enterprise value continues to increase. In many cases, very high considerations have to be paid for this, which has an adverse effect on the liquidity of our Company when we pay in cash rather than in shares. Sometimes sellers too insist on receiving shares as consideration as this can be more favourable to them, or they agree to payment in the form of shares.

The possibility of using shares as acquisition financing gives the Company the necessary scope to take quick and flexible advantage of the acquisition opportunities that arise and enables it to acquire major shareholdings itself in return for the transfer of shares. For this, the shareholders' subscription right needs to be able to be excluded. As such an acquisition has to take place at short notice, it cannot generally be agreed by the Annual General Meeting, which takes place once a year. The Executive Board requires authorised capital that it can access quickly – with the agreement of the Supervisory Board. This is the purpose of this resolution on the creation of 2010 authorised capital.