

**REPORT OF THE BOARD OF DIRECTORS**  
**of the company "THE AZUR SELECTION S.A."**

(According to the provisions of article 27 paragraph 1 seq. of Law 4548/2018)

On the proposed abolition of the pre-emption right of the existing shareholders, in accordance with the provisions of Greek Law 4548/2018 and the items on the agenda of the EXTRAORDINARY GENERAL MEETING of the shareholders of 06.02.2025, in accordance with the 14.01.2025 Invitation of the company named **"THE AZUR SELECTION S.A."** (hereinafter the "Company").

**A. INTRODUCTION**

This report has been prepared in the context of the obligation of the Board of Directors of the Company, pursuant to paragraph 1 seq. of article 27 of Greek Law 4548/2018, to present and analyse in writing the reasons for the proposed abolition of the pre-emption rights of the Company's existing shareholders in the context of (a) Granting authority to the Board of Directors of the Company to decide on (a) the increase(s) of the Company's share capital pursuant to article 24 par. 1 (b) of Law 4548/2018, up to the amount of fifteen million euros (15.000.000,00€) for a period of three (3) years from the date of the decision of the Extraordinary General Meeting and (b) the abolition of the Company's existing shareholders' pre-emption rights pursuant to article 27 par. 4 of Law 4548/2018 in favour of "LDA CAPITAL GROUP, LLC" in execution of the relevant terms of the Company's agreement with the aforementioned investment entity and (b) Adoption of capitalization measures of the Company - in accordance with article 56 of Law 4548/2018 - for the issuance of the Company's Share Purchase Securities ("Warrants" on shares - "warrants") and their allocation to "LDA CAPITAL GROUP, LLC" in execution of the relevant terms of the Company's agreement with the aforementioned investment entity with the abolition of the Company's existing shareholders' pre-emption rights in accordance with the provisions of article 27 of Law 4548/2018, all the above in execution of the Company's agreement with the investment entity "LDA CAPITAL LIMITED", and according to the items on the agenda of the Extraordinary General Meeting of Shareholders for 06.02.2025, as contained in the Company's Invitation of 14.01.2025.

In addition, the Board of Directors of the Company, in the process of assessing and evaluating the financial data for the purpose of providing the necessary information to the Shareholders in its advisory role in the decision-making process of the Company's supreme statutory board, has taken all necessary measures to ensure the most effective conditions for the optimal formation of the corporate will and to facilitate the decision-making and sovereign authority of the General Meeting.

In particular, with regard to the proposed measure of abolishing the pre-emption rights of the Company's existing shareholders in the context of (a) Granting authority to the Board of Directors of the Company to decide on (a) the increase(s) of the Company's share capital pursuant to article 24 par. 1 (b) of Law 4548/2018, up to the amount of fifteen million euros (15.000.000,00€) for a period of three (3) years from the date of the decision of the Extraordinary General Meeting and (b) the abolition of the Company's existing shareholders' pre-emption rights pursuant to article 27 par. 4 of Law 4548/2018 in favour of "LDA CAPITAL GROUP, LLC" in execution of the relevant terms of the Company's agreement with the aforementioned investment entity and (b) Adoption of capitalization measures of the Company - in accordance with article 56 of Law 4548/2018 - for the issuance of the Company's Share Purchase Securities ("Warrants" on shares - "warrants") and their allocation to "LDA CAPITAL GROUP, LLC" in execution of the relevant terms of the Company's

agreement with the aforementioned investment entity with the abolition of the Company's existing shareholders' pre-emption rights in accordance with the provisions of article 27 of Law 4548/2018, in execution of the Company's agreement with the investment entity "LDA CAPITAL LIMITED", and in accordance with the agenda of the Company's Invitation of the Extraordinary General Meeting dated 14.01.2025, the Board of Directors provides with this report all the information necessary for the full understanding of the shareholders, of the reasons for the abolition of their pre-emption rights in relation to their participation in the aforementioned issues and in particular the reason for choosing the Board of Directors to abolish the pre-emption rights in relation to item (a) per above, of the potential impact of the relevant issues of ordinary share rights and new ordinary warrants, on their shareholding position.

## **B. MAIN PART OF THE REPORT**

### **1. THE AGENDA OF THE RELEVANT INVITATION**

For the purpose of facilitating the assessment of this report, the relevant excerpt with the items of the agenda of the Invitation of the forthcoming Extraordinary General Assembly of the Company dated 14.01.2025 is provided in its entirety, which is as follows:

*1) Granting authority to the Board of Directors of the Company to decide on (a) the increase(s) of the Company's share capital pursuant to article 24 par. 1 (b) of Law 4548/2018, up to the amount of fifteen million euros (15.000.000,00€) for a period of three (3) years from the date of the decision of the Extraordinary General Meeting and (b) the abolition of the Company's existing shareholders' pre-emption rights pursuant to article 27 par. 4 of Law 4548/2018 in favour of "LDA CAPITAL GROUP, LLC" in execution of the relevant terms of the Company's agreement with the aforementioned investment entity.*

*2) Adoption of capitalization measures of the Company - in accordance with article 56 of Law 4548/2018 - for the issuance of the Company's Share Purchase Securities ("Warrants" on shares - "warrants") and their allocation to "LDA CAPITAL GROUP, LLC" in execution of the relevant terms of the Company's agreement with the aforementioned investment entity with the abolition of the Company's existing shareholders' pre-emption rights in accordance with the provisions of article 27 of Law 4548/2018.*

### **2. PURPOSE OF ISSUANCE**

The forthcoming issue of share securities (ordinary shares and warrants) is proposed within the framework of an express contractual obligation undertaken by the Company towards the investment entity "LDA CAPITAL LIMITED" (hereinafter "the **Investor**") in relation to the intended purpose of its financing, in accordance with the relevant provisions of the said Company's contract, the information provided to the Shareholders at the General Assembly of the Company of 06.02.2025 and its previous Announcements for the purpose of informing the public investors.

It is expressly clarified that the issue of share securities (ordinary shares and warrants) serves exclusively the above purpose and does not concern: a) the acquisition of other (listed) companies, b) the participation in a share capital increase of other companies and c) the repayment of loans used in the acquisition of other companies, but the strengthening of the Company's equity and the financing of its operations, in accordance with the relevant provisions of the relevant investment agreement, which was disclosed to the investing public with the announcement of October 28, 2024.

The above contractual obligation was positively evaluated by the Company's management for all the reasons set forth herein, hence the Board of Directors of the Company, by virtue of its decision of 14.01.2025, convened the forthcoming General Assembly of 06.02.2025, in order to decide, inter alia, on the issuance of the warrants and to grant authority to the Board of Directors to decide in the future on the issuance(s) of new shares with the simultaneous abolition of the pre-emption rights of the existing shareholders in such issuances, in accordance with the relevant proposal of the Board of Directors, and drafted this report.

### **3. THE UTILIZATION OF CORPORATE INCOME IN GENERAL**

The Shareholders have entered into an agreement with the Investor in order to secure the financing of the Company in order to (a) strengthen the Company's equity through the issuance of common share warrants and the issuance of new common shares in the future, and (b) ensure, through the total funding of the Investor, the development of the statutory activities of the Company.

### **4. SPECIAL USE OF CORPORATE INCOME**

During the three-year period 2022 up to the end of 2024, the Company has proceeded with the restructuring and enrichment of its statutory activities with the full operation of two new tourist units in the city of Volos and on the island of Meganissi, the signing of contracts for the start of construction of a new unit in the region of Achaia and the divestment with sale of a tourist unit under construction on the island of Mykonos. The tourism growth enjoyed by Greece and the tourism boom observed in the post-Covid era are reflected in the Company's revenues and make it imperative to accelerate the Company's investment plans in the tourism sector within the three-year timeframe of the contractual relationship with the Investor, as well as the subsequent flow of funds from financing, which (together with the funds resulting from the exercise of its rights) will be used primarily to serve its investment activity in the aforementioned tourism market and in particular in the establishment and operation of high-quality hotel units (luxury hospitality).

### **5. THE STRENGTHENING OF THE COMPANY'S ASSET POSITION**

The absorption of the funds from the financing aspect, as well as those resulting from the exercise of the Investor's rights on the securities (warrants) issued by the aforementioned investment activities at a much lower cost for the Company compared to bank lending, will also lead to a strengthening of the Company's asset position, firstly from the capital inflow per se and further from the added value of the assets that will be created during the execution of the Company's investment programme.

Furthermore, the participation of the Investor is expected to lead to the upgrading of the Company's credit rating, thus facilitating access to bank financing when it becomes cost-effective. The Company will also benefit from the synergies and partnerships that the Investor may secure for it.

### **6. EVALUATION OF ALTERNATIVE SOURCES OF CAPITAL AND FINANCING**

With regard to the entry of the Investor in the Company, the latter will become a minority shareholder by acquiring part of the shares and voting rights, not exceeding 19.90% of the total shares and voting rights, undertaking to participate in share capital increases up to the amount of (15,000,000) fifteen million euros within a period of (3) three years from the date of the decision of the Extraordinary General Assembly. The main option of financing the Company by the above-mentioned investment entity requires, in accordance with international standards for similar

agreements, the Investor to obtain leverage by issuing warrants, which entitles the investor to acquire additional shares through the exercise of such options (warrants).

These rights, which incorporate the warrants, relate to a broader conceptual type of financial product with complex properties, internationally recognised and any agreement involving the issue of such securities constitutes a participatory capital project and an acceptable form of investment under the applicable legislation of the French Securities and Exchange Commission, which supervises the stock markets on which the Company's shares are listed, as well as other European securities and exchange commissions including the Hellenic Capital Market Commission and Greek Legislation.

The contract in question, which includes the specific agreement on the issue of the securities in question (warrants), functions in this respect as a preference agreement with the Investor.

As an alternative to the aforementioned financing of the Company by the Investor, the following options were examined and evaluated by the Board of Directors: a) bank borrowing, and b) share capital increase.

Both of them were not considered appropriate under the current circumstances, for the following reasons:

(a) The Company incurred significant losses in the fiscal year 2023 as a result of the reduction of goodwill resulting from the sale of the tourist unit under construction on the island of Mykonos. However, disregarding these losses since the Company's operating results are improving on an annual basis including the previous fiscal year, domestic and foreign banking institutions have consented to provide financing but the amount of such financing as well as the high interest rate environment make this option unprofitable for the Company's business plan.

b) Taking into account the intentions of the Company's shareholders who hold more than 5% of the paid-up capital of the Company to participate in a capital increase, it would not be possible to raise the significant funds that the Investor intends to pay to the Company as described above, which are necessary for the Company to strengthen its market position and to be able to develop its operations.

Any attempt to increase the Company's capital, if not successfully completed, would damage the Company's financial image.

## **7. TERMS OF ISSUANCE**

The Company has undertaken a contractual obligation towards the Investor based on the aforementioned agreement (terms 2.1 and 2.2) to issue new shares and warrants under the conditions set out in the following extracts of the relevant articles of the agreement:

### **A) Issue of new shares**

***" The Issuer undertakes to procure that its main shareholder(s) will exercise their voting rights in such a manner so as to convene the Shareholders' Meeting once or more than once, as the case may be under the requirements of the Act and Greek law, every year and for the entire term of this Agreement and the Commitment Period, and/or to authorize the Board of Directors under article 24 paragraph 1 limbs b) and c) of the Act and to vote so that:***

***(a) one or more share capital increase(s) through the issuance of new Shares to be approved by the respective Shareholders' Meeting or the Board of***

***Directors in favor of the Investor by waiving the pre-emption rights of the existing shareholder(s) for the maximum nominal amount of shares to be issued to EUR 15,000,000... "***

***and/or***

***(b) the respective Shareholders' Meeting further authorises the Board of Directors of the Issuer to increase the share capital, determine, within the statutory time limitations, the subscription price or any other terms of such issuance, issue the New Shares, all according to the specific provisions and conditions set out by the Act, the applicable law and this Agreement."***

#### **B) Issuance of ordinary shares (warrants)**

***"..." In particular, subject to what is provided herein in consideration for the Investor entering this Agreement, the Issuer hereby undertakes to procure the convening of a General Meeting of the Issuer's shareholders under the requirements of the Act within one (1) month from the execution of this Agreement so that the General Meeting of the Issuer's shareholders with the qualified quorum and majority provided in art. 130 and 132 of the Act shall either (i) authorise directly the issuance of Warrants having the characteristics described in Schedule 3, or (b) grant an authorisation to the Issuer's Board of Directors to proceed with such issuance by virtue of art. 56 para 2 and analogically ar. 25 para. 2 the Act"..."***

- Based on the above, the Company is proposed to issue in favor of the Investor a total number of (733,559) seven hundred thirty-three thousand five hundred fifty-nine share options (warrants), at an exercise price of 3.625 euros per share warrant, in accordance with articles 56 - 58 of Greek law 4548/2018.
- Each warrant will grant option to acquire (1) one common registered share of the Company and will carry a one-time exercise price adjustment in the six months following issuance.
- In particular, for the purpose of avoiding the creation of issues with the asset value of the warrants and the asset rights of each beneficiary from specific events and/or unexpected changes, the terms of issuance of the warrants (especially the ratio of shares per security and the exercise price) may be adjusted, pursuant to a relevant decision of the Board of Directors, in the event of the occurrence of certain corporate transactions - acts.
- The warrants will be issued in registered form.
- The warrants may (i) be freely transferred or assigned by the Investor to one or more companies of the Investor's group and (ii) not be transferred or assigned to third parties without the prior written consent of the Company.

- The warrants will not be admitted to trading on any financial market.
- The Investor or any transferee of warrants has the right, and may exercise it at any time within three (3) years from the date of issue to exercise all or part of the Warrants into new Company's shares.
- The agreed nominal value of the total 733,559 warrants does not refer to the warrants themselves; it rather grants the right to acquire a respective nominal value, in this case the value agreed with the Investor (3.625 Euro per warrant). This nominal value is greater than the one of the existing Company's shares (1 Euro) and it has not been set arbitrarily; on the contrary, it is within the general limitation providing that the beneficiary investor has actually paid the equivalent contribution until the lapse of the exercising period as well as it does not infringe the limitations provided in article 58 para 2 of Greek law 4548/2018..
- Any payment made in connection with the issuance and/or exercise of the warrants shall be made in cash or by wire transfer to a bank account notified by the receiving party.
- The new shares to be issued upon exercise of the warrants will be common and registered shares, subject to all the provisions of the Articles of Association and the resolutions of the General Assembly of the shareholders of the Company or the resolutions of the Board of Directors of the Company. The new shares will be admitted to trading on Euronext Access from the date of issue, will carry immediate and current dividend rights and will be fully identical and interchangeable with the existing Company's shares.
- During the period in which the rights represented by the warrants may be exercised and upon full payment of the warrants' exercise price, the Company shall create a special (non-distributable) reserve equal to the amount deposited with the Company on the exercise date, in accordance with article 58 of Greek law 4548/2018.

## **8. ABOLITION OF THE PRE-EMPTION RIGHTS OF THE EXISTING SHAREHOLDERS**

In view of the issuance of the above securities, both future share capital increases by issuing new common registered shares and the issuance of warrants, it is proposed to exclude the pre-emptive right of the old shareholders for reasons that concern, on the one hand, the corporate interest (as defined above), which is identical to that of the issuance of new shares and warrants in favor of the specific investor, and on the other hand, the promotion of the corporate purpose, similarly for the aforementioned reasons. Additionally, according to international standards for similar agreements, the exclusion of the pre-emptive right of existing shareholders in favor of the Investor,

beyond the Company's undertaken relevant obligation, serves and ensures the attraction of capital and investors from abroad who in any case do not belong (before any such agreement) to the existing share list.

The achievement of agreements with investors with a similar business focus and scope clearly and effectively serves the achievement of the Company's strategic objectives, as in the agreement to raise funds for financing the Company, the investment horizon of the respective plan becomes a dominant and directly related element of the agreement to the interests of the investor. Consequently, for the exclusion of the pre-emptive right of existing shareholders with regard to the upcoming issuance of securities, the reasons that concern the issuance itself as above apply. Given the significant benefit to the Company from securing the necessary financing for its activities, there is no room left to explore alternative and, in particular, milder options for existing shareholders other than the exclusion of their pre-emptive right, a consequence that is, however, more than offset by the medium-term increase in the value of their shares during the general operation of the investment contract signed between the Investor and the Company and the implementation of the Company's investment programs. Based on the above data, both the future share capital increase by issuing new common registered shares and the issuance of warrants, which will be covered by the Investor, are considered to be entirely appropriate to serve the corporate purpose, namely the implementation of the Company's investment programs through the securing of the necessary financing funds, which could not otherwise be found on reasonable and favorable terms for the Company.

Furthermore, it was chosen and proposed as the best solution to grant the Board of Directors of the Company the power to decide on future share capital increases and the abolition of the preemptive right of existing shareholders, in order to quickly process the procedures for increasing the Company's share capital with the aim of enabling the Company to raise funds from the Investor at the time it needs them, avoiding the time-consuming procedures of convening general meetings. It goes without saying that the Board of Directors of the Company, in each decision to increase the share capital, will prepare a report pursuant to article 27, paragraph 4, of Law 4548/2018, justifying the terms of the increase (and the exercising price).

## **9. CONCLUSION**

In light of the above, the Board of Directors, after due consideration and evaluation of the parameters and financial data of the present case, considers that the abolition of the pre-emption rights of the existing shareholders, both in the context of the issue of warrants and the future share capital increase through the issue of new ordinary registered shares, serves the corporate interest, is not a disproportionate measure in relation to the achievement of the purpose of the direct financing of the Company and is reasonable and necessary for the achievement of the above-stated objectives.

Furthermore, especially with regard to the price at which the Investor may acquire new shares through the exercise of the warrants:

(a) Warrants are an international incentive for financing companies, as they give the investor the opportunity to acquire, on favourable terms, an additional number of shares at a future date. It should be noted that there is no sufficient comparative sample of terms from similar agreements in the wider Greek market (where the issue of securities for the benefit of an investor for the purpose of financing is rarely found) to fully evaluate the terms of the issue of warrants.

(b) Under the terms of the transaction, the Investor agreed to pay the exercise price of the shares to be issued upon exercise of the warrants (subject to any adjustment due to corporate actions), plus 35% of the trading price determined at the time of signing the agreement which will result in future cash inflows to improve the Company's equity and fund future business activities.

We consider that the agreed terms are objectively within reasonable limits, in accordance with international standards, both in terms of the agreed exercise price (based on the nominal value of the Company's share) and the period of time within which the Investor may exercise the warrants as mentioned above.

In view of the above, it is clear that the abolition of the pre-emption rights of the existing shareholders, in order to enable the financing by the Investor, will allow on the one hand the commercial and economic growth of the Company and on the other hand the increase of employment positions. The Company will continue its commercial activity with significant growth potential in the near future. Therefore, the abolition of the pre-emption rights of existing shareholders, as discussed above, is an appropriate and necessary measure to promote the Company's interests.

Therefore, the Board of Directors proposes the abolition of the pre-emption right of the existing shareholders in the context of the issue of the warrants and the future issue of new ordinary shares for the execution of the agreement with the investment entity "LDA CAPITAL LIMITED", as aforesaid and, in general, the approval of the relevant items on the agenda of the forthcoming General Assembly of the Company of 06.02.2025.

This report will be duly and promptly published as required by law.

Athens 14.01.2025

THE CHAIRMAN OF THE BOARD OF DIRECTORS.

Georgios Arvanitakis