CECONOMY

Extraordinary General Meeting of CECONOMY AG on 12 April 2022

Written report of the Management Board of CECONOMY AG on Agenda Item 2 of the Extraordinary General Meeting of CECONOMY AG on 12 April 2022 regarding the reason for the complete exclusion of the statutory subscription right of the shareholders of CECONOMY AG pursuant to § 186 (4) sent. 2 German Stock Corporation Act and §§ 221 (4) sent. 2, 186 (4) sent. 2 German Stock Corporation Act

Below, the management board of CECONOMY AG (**"Company"**, and together with the Company's consolidated subsidiaries, **"CECONOMY Group"**) presents its written report on the reasoning for the complete exclusion of the statutory pre-emptive rights of the Company's shareholders (**"Shareholders"**) in the context of the resolution proposed to the Company's general meeting (**"General Meeting"**) by the Company's management board (**"Management Board"**) and by the Company's supervisory board (**"Supervisory Board"**) under item 2 of the agenda for the extraordinary General Meeting of the Company on 12 April 2022, in accordance with section 186(4) sentence 2 of the German Stock Corporation Act (Aktiengesetz – AktG (**"Stock Corporation Act"**)) as well as section 221(4) sentence 2 and section 186(4) sentence 2 Stock Corporation Act (**"Exclusion of Pre-emptive Rights"**). To this end, the discussion below commences with a description of the planned transaction with Convergenta Invest GmbH (**"Transaction"**) along with an explanation of and justification for the exchange ratio (see section I. below). This then directly leads into the Management Board's report concerning the reasoning for the Exclusion of Pre-emptive Rights (see section II. below).

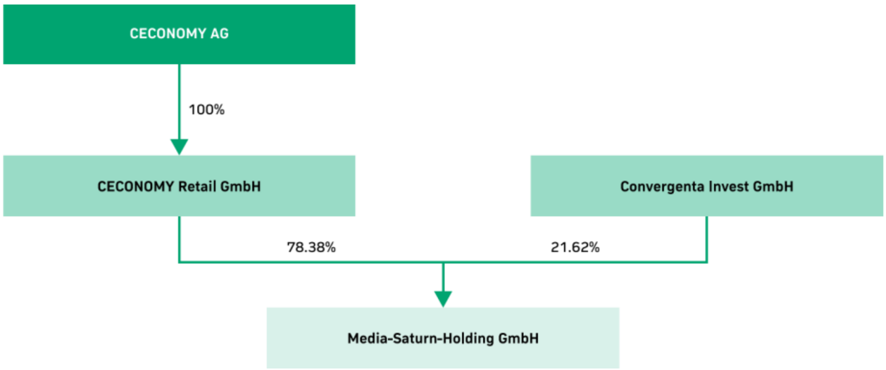
I. Presentation of the Transaction

1. Overview

a) Corporate structure prior to the Transaction

The resolution proposed by the Management Board and Supervisory Board under agenda item 2 serves to effect, in the context of the planned Transaction, the Company's acquisition of the minority stake held by Convergenta Invest GmbH (**"Convergenta"**, and together with the Company, **"Parties"**) in Media-Saturn-Holding GmbH (**"MSH"**). With the Transaction, the Parties aim to reorganise the shareholder base of MSH and to achieve, among other things, a stronger focus on the operating business and the realisation of considerable synergies based on a simplified corporate structure and governance.

The current shareholder structure of MSH existing prior to the Transaction can be illustrated as follows:



In addition to a simplification of the above structure and related operative advantages as well as holding cost savings (of around EUR 1 million in 2021/22 and subsequently around EUR 4 million annually), the Transaction will make the Company's tax-loss carry-forwards, which amount to around EUR 1,149 million (corporate income tax), around EUR 1,495 million (trade tax) and around EUR 132 million (corporate income tax/trade tax due to interest carry-forwards) as at 30 September 2021, structurally usable. Subject to the Transaction being closed in the 2021/22 financial year and the necessary structural measures being implemented in time, the Management Board expects that the closing of the Transaction will already have a positive effect on earnings per share in the Company, on a fully diluted basis, from year one (see in particular item d) below of this report).

b) Reorganisation of the Company's corporate structure by the Transaction

To implement the Transaction, the Parties concluded the following on 14 December 2020: (i) an agreement in principle concerning the Transaction (**"Agreement in Principle"** (Grundsatzvereinbarung)); (ii) a Share Purchase, Contribution and Transfer Agreement (**"Contribution Agreement"** (Einbringungsvertrag)); and (iii) a subscription agreement regarding EUR 151 million convertible bonds (**"Subscription Agreement"** (Begebungsvertrag)). After the Transaction was not carried out in the 2020/21 financial year (see item 1.4.b) below of this report), on 9 November 2021 the Parties entered into an amendment agreement to the transaction documentation of 14 December 2020 (**"Amendment Agreement"**) in which the Agreement in Principle, Contribution Agreement and Subscription Agreement were amended and restated in order to continue the implementation of the Transaction (the amended versions together the **"Transaction Agreements"**). The conclusion of the Amendment Agreement did not entail any modifications to key economic and legal points of the Transaction. The Transaction Agreements furthermore provide that Convergenta will contribute the Contribution Shares (as defined below) to the Company as a contribution in kind in return for the granting of new ordinary shares, the issuance of convertible bonds and a cash payment in the amount of EUR 130 million.

Among other things, the consummation of the Transaction Agreements is subject to the adoption by the General Meeting of the resolution proposed under agenda item 2. Thus the Management Board and Supervisory Board propose that the General Meeting specifically resolves as follows under agenda item 2 in the context of a uniform resolution:

- The Company's share capital of currently EUR 918,845,410.90, divided into (subject to the conversion of the preference shares into ordinary shares pursuant to agenda item 4)

356,743,118 no-par value ordinary bearer shares (no-par value shares) of the Company (**"CECONOMY Ordinary Shares"**) and 2,677,966 no-par value non-voting bearer preference shares (no-par value shares) (**"CECONOMY Preference Shares"**, and together with the CECONOMY Ordinary Shares, **"CECONOMY Shares"**), each such share with a notional value in the share capital of approximately EUR 2.56, will be increased by EUR 321,602,593.27 to EUR 1,240,448,004.17 by issuing 125,800,000 new no-par value ordinary bearer shares (no par-value shares) of the Company, each such share with a notional value in the share capital of approximately EUR 2.56 and full dividend rights from 1 October 2021 (**"New Shares"**), in return for a contribution in kind (**"Capital Increase through Contributions in Kind"**). The New Shares will be issued at the lowest issue price. The difference between the issue price of the New Shares and any higher equity investment value of the non-cash contributions is to be allocated to the capital reserves in accordance with section 272 (2) no. 4 German Commercial Code (Handelsgesetzbuch – HGB) as far as possible.

The statutory pre-emptive right of the Shareholders to the New Shares shall be excluded. The New Shares will be issued for the purpose of acquiring the Contribution Shares (as defined below).

- The Company will issue convertible bonds with an aggregate principal amount of EUR 151 million, divided into 1,510 bearer bonds ranking pari passu among themselves, each with a nominal value of EUR 100,000.00 (**"Convertible Bonds"**), in return for a contribution in kind. The Convertible Bonds grant their holders conversion rights to initially a total of up to 27,859,778 new no-par value ordinary bearer shares (no par-value shares) of the Company, each such share with a notional value in the share capital of approximately EUR 2.56 (**"Conversion Shares"**), for the issuance of which the Conditional Capital 2022/I (as defined below) is to be created. The initial conversion price will be EUR 5.42 for each Conversion Share.

  The statutory pre-emptive rights of the Shareholders to the Convertible Bonds shall be excluded. The Convertible Bonds will be issued for the purpose of acquiring the Contribution Shares (as defined below) which are to be contributed.

- As the substance of the contribution in kind for purposes of the Capital Increase through Contributions in Kind and the issuance of the Convertible Bonds, Convergenta shall contribute to the Company the following shares in MSH as well as fractional rights to a share in MSH (**"Contribution in Kind"**):

  - Shares with serial numbers 16 to 27, i.e. a total of twelve shares, having an total nominal value of DM 15,134,680.00 (**"C/M Shares"**), which corresponds to approximately 21.62% of the share capital of MSH, and

  - Partial rights to the share with serial number 34 and having a nominal value of DM 50.00 (**"Ce/Co Share"**) in an amount totalling DM 17.00 (this joint ownership to the Ce/Co Share held by Convergenta, together with the C/M Shares, **"Contribution Shares"**), which is equivalent to an interest of 34.00% in the Ce/Co Share.

- Exclusively Convergenta shall be admitted to subscribe for the New Shares and to take over the Convertible Bonds.

- In addition to the issue of the New Shares and Convertible Bonds, the Company is required to make a cash payment to Convergenta totalling EUR 130 million, payable in two tranches, as consideration for the Contribution Shares. The Capital Increase through Contributions in Kind and the issuance of the Convertible Bonds will be made by way of a mixed Contribution in Kind in view of this additional payment obligation of the Company extending beyond the granting of the New Shares and Convertible Bonds.

- The Company's share capital will be conditionally increased by up to EUR 89,476,079.21 by issuing up to 35,000,000 new no-par value ordinary bearer shares (no par-value shares) of the Company, each such share with a notional value in the share capital of approximately EUR 2.56 (**"Conditional Capital 2022/I"**). The Conditional Capital 2022/I will serve exclusively to grant shares to the holders of the Convertible Bonds to be newly issued.

As consideration for the acquisition of the Contribution Shares, the Company shall

- issue to Convergenta 125.8 million New Shares that will be created as part of the proposed Capital Increase through Contributions in Kind, subject to the Exclusion of Pre-emptive Rights (**"Stock Component"**),

- issue to Convergenta the Convertible Bonds with an aggregate principal amount and issue price of EUR 151 million (market value at the time the Transaction Agreements were concluded on 14 December 2020: EUR 160 million), which have a maturity of five years, a conversion premium of approximately 30%, an interest rate of 0.05% p.a. and an initial conversion price of EUR 5.42, initially convertible into up to approximately 27.9 million Conversion Shares, subject to the Exclusion of Pre-emptive Rights, which will be backed by the Conditional Capital 2022/I that is to be created (**"Convertible Bond Component"**), and

- pay Convergenta a cash component in the total amount of EUR 130 million, payable in no more than two tranches (**"Cash Component"**, and together with the Stock Component and the Convertible Bond Component, **"Total Consideration"**).

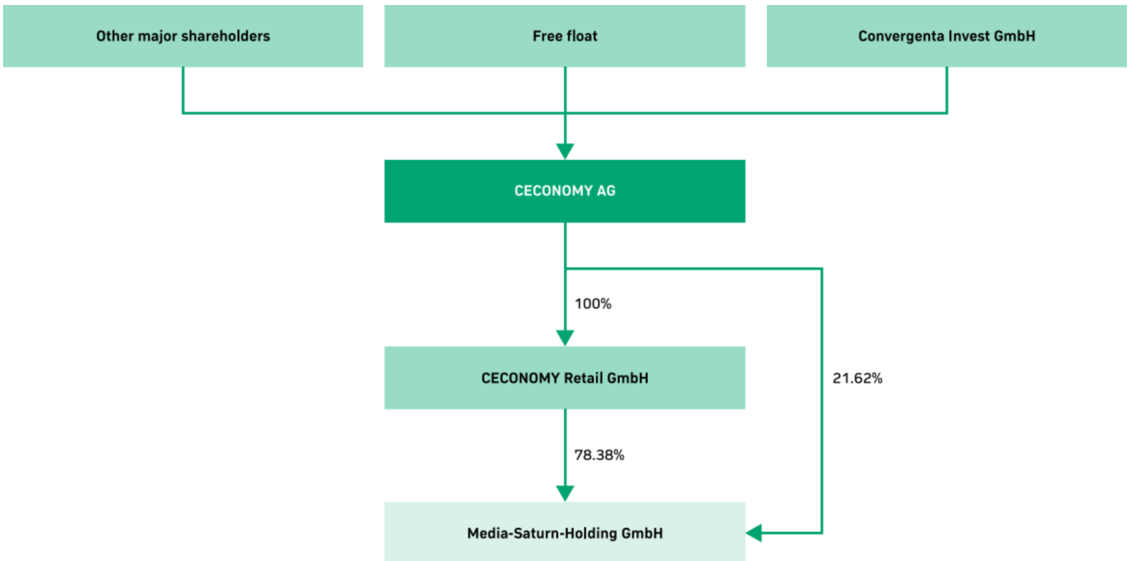
Taking as a basis the three-month, volume-weighted average price of the CECONOMY Ordinary Share on the basis of Bloomberg data (**"3M-VWAP"**) for the period before 14 December 2020, i.e. the date on which the Transaction Agreements were originally concluded (i.e. from the opening price on 14 September 2020, to the closing price on 11 December 2020), which equals approximately EUR 4.17, a consideration amounts to around EUR 815 million. The 3M-VWAP of EUR 4.17 also constitutes the reference price, on the basis of which the conversion premium of approximately 30% was calculated, thus resulting in the initial conversion price of EUR 5.42.

After the planned Transaction was announced through an ad hoc announcement by the Company after the close of trading on 14 December 2020, the price of the CECONOMY Ordinary Share (XETRA) rose from a closing price of EUR 4.096 on 14 December 2020, to a closing price of EUR 5.125 on the following day, 15 December 2020. This represents a price surge of approximately 25%. On the subsequent days, the price of the CECONOMY Ordinary Share continued to rise, recording an increase of around 40% at closing on Friday, 18 December 2020, as compared to the closing price of 14 December 2020, before the Transaction was announced.

c) Corporate structure following the Transaction

It is intended that, based on the conclusion of the Transaction Agreements and of the adoption by the General Meeting of the resolution set out under agenda item 2, as well as the implementation of same, Convergenta will transfer to the Company the Contribution Shares such that the Company will (directly and indirectly) increase its stake in MSH to a total of 100% and Convergenta, a minority shareholder thus far, will exit completely from MSH. In return, it is intended to make Convergenta a major shareholder in the Company before the conversion right is exercised, with Convergenta holding a stake of at least approximately 26.07% in the CECONOMY Ordinary Shares then issued and an interest of at least approximately 25.93% in the Company's share capital. Convergenta aims to acquire a stake of up to 29.90% in the CECONOMY Ordinary Shares.

The corporate structure prevailing once the Transaction has been implemented can be illustrated as follows:



Effective for a period of six months after implementation of the Capital Increase through Contributions in Kind, but not beyond 31 December 2022, Convergenta has entered into an obligation to not acquire any additional CECONOMY Shares or to take any other measures that would result in it gaining control within the meaning of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG (**"Securities Takeover Act"**)). In addition, Convergenta has undertaken to sell no more than up to 4% of the issued CECONOMY Ordinary Shares until the expiry of six months after the implementation of the Capital Increase through Contributions in Kind, at the longest until 31 December 2022.

Under the resolution proposed under agenda item 2 to the General Meeting concerning the planned Transaction, the right of the Shareholders to subscribe for the newly issued New Shares and Convertible Bonds shall be excluded. The reasoning for this Exclusion of Pre-emptive Rights forms the subject matter of the present report from the Management Board in accordance with section 186(4) sentence 2 Stock Corporation Act as well as section 221(4) sentence 2 and section 186(4) sentence 2 Stock Corporation Act.

2. Parties involved

a) CECONOMY AG

aa) Registered office and registration with the commercial register

The Company is a listed German stock corporation (Aktiengesellschaft – AG) having its registered office in Dusseldorf, Germany. It is registered with the commercial register of Dusseldorf Local Court (Amtsgericht Düsseldorf) under the number HR B 39473. The business address of the Company is Kaistrasse 3, 40221 Dusseldorf, Germany.

bb) Business purpose

The Company's objects are:

- Trading activities of all kinds related to the operation of retailing enterprises, mail order, wholesale trade and sales channels based on new electronic media;
- Manufacturing and development of products that may be the object of commerce and of services;
- Execution of real-estate transactions of all kinds including property development;
- Services, in particular in connection with trading, consumer goods and logistics as well as trade-related digital business models;
- Brokering of financial services for, through or by affiliates and subsidiaries;
- Asset management.

The Company may do all such things and carry on all such business as may seem directly or indirectly conducive to the attainment of the Company's objects or are directly or indirectly related thereto. Any business requiring specific governmental permits, licences or approvals may not be transacted until after such permits, licences or approvals have been granted. The Company may establish, form, acquire, manage or purchase equity interests in, whether by minority shareholding or otherwise, or sell or dispose of any such enterprises in Germany and abroad active in the business areas specified above.

The Company may confine its activities to one or some of the business areas specified above. The Company may also conduct its activities indirectly through subsidiaries, associated and joint venture companies, in whole or in part. In particular, it may leave its operations to subsidiaries and/or hive them down to subsidiaries, in whole or in part. It may also confine itself to the activities of a management holding and/or otherwise to the administration of its own assets.

cc) Share capital

The share capital of the Company currently registered with the commercial register amounts to EUR 918,845,410.90 and is divided into 356,743,118 CECONOMY Ordinary Shares and 2,677,966 CECONOMY Preference Shares. The CECONOMY Shares are admitted for trading on the regulated market (regulierter Markt) of the Dusseldorf Stock Exchange (Börse Düsseldorf) and on the regulated market (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with simultaneous admission to the sub-segment of the regulated market (regulierter Markt) with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse); they are traded under ISIN DE0007257503 (CECONOMY Ordinary Shares) and ISIN DE0007257537 (CECONOMY Preference Shares).

dd) Shareholder structure

Based on the voting rights notifications pursuant to section 33 et seqq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG (**"Securities Trading Act"**)), which were transmitted to the Company by 15 February 2022 the date of the present report, the following Shareholders directly and/or indirectly hold 3.00% or more of the current total number of voting rights pursuant to section 41 Securities Trading Act, which amounts to 356,743,118 (= total number of issued CECONOMY Ordinary Shares):

Entity subject to the notification requirement	Reported number of voting rights (not including instruments)	In %
Franz Haniel & Cie. GmbH	81,015,280	22.71 %
Meridian Stiftung	53,913,363	15.11 %
freenet AG	32,633,555	9.15 %
Prof. Otto Beisheim Stiftungen	23,515,334	6.59 %
Giovanni Agnelli B.V.	18,496,794	5.18 %
Morgan Stanley	10,867,825	3.05 %
Free float (below 3 %)	***136,300,967***	***38.21 %***
TOTAL	**356,743,118**	**100.00 %**

(**Note:** The percentages shown in the tables in this report have been rounded according to standard commercial practice. Therefore, the percentages in the tables do not exactly add up to 100.00%.)

(**Note:** The voting rights notifications submitted so far relate to a total number of voting rights pursuant to section 41 Securities Trading Act of 359,421,084 (= total number of all CECONOMY Shares issued), including the preference shares which have been previously eligible to vote. In this respect, it cannot be ruled out that voting rights notifications submitted up to now also relate to preference shares. In the absence of any information to the contrary, this report assumes that all reported shares are CECONOMY Ordinary Shares).

(**Note:** According to information available to the Management Board, Convergenta currently holds a small stake in the Company. However, no voting rights notifications pursuant to section 33 et seqq. Securities Trading Act have been transmitted by Convergenta to the Company in the past.)

Taking into account all the currently issued 359.421.084 CECONOMY Shares (i.e. including the non-voting CECONOMY Preference Shares), the Company's shareholder structure is as follows:

Entity subject to the notification requirement	Reported number of voting rights (not including instruments)	In %
Franz Haniel & Cie. GmbH	81,015,280	22.54 %
Meridian Stiftung	53,913,363	15.00 %
freenet AG	32,633,555	9.08 %
Prof. Otto Beisheim Stiftungen	23,515,334	6.54 %
Giovanni Agnelli B.V.	18,496,794	5.15 %
Morgan Stanley	10,867,825	3.02 %
Free float (below 3 %)	***138,978,933***	***38.67 %***
TOTAL	**359,421,084**	**100.00 %**

ee) Management Board and Supervisory Board

The members of the Management Board are Dr Karsten Wildberger (Chief Executive Officer and Labour Director) and Mr Florian Wieser (Chief Financial Officer). Dr Karsten Wildberger replaced Dr Bernhard Düttmann as Chairman of the Management Board with effect from 1 August 2021. Mr Florian Wieser replaced Ms Karin Sonnenmoser as Chief Financial Officer with effect from 1 May 2021.

The Supervisory Board, which is subject to joint co-determination by employees and shareholders, currently comprises the following 20 members: Mr Thomas Dannenfeldt (Chairman of the Supervisory Board), Ms Sylvia Woelke (Deputy Chair of the Supervisory Board), Ms Katrin Adt, Mr Wolfgang Baur, Mr Kirsten Joachim Breuer, Ms Karin Dohm, Ms Daniela Eckardt, Ms Sabine Eckhardt, Mr Thomas Fernkorn, Dr Florian Funck, Mr Ludwig Glosser, Ms Doreen Huber, Mr Jürgen Kellerhals, Ms Stefanie Nutzenberger, Ms Claudia Plath, Mr Jens Ploog, Dr Lasse Pütz, Dr Fredy Raas, Mr Jürgen Schulz and Mr Christoph Vilanek. Mr Thomas Dannenfeldt replaced Mr Jürgen Fitschen as Chairman of the Supervisory Board on 17 February 2021.

ff) Business model

The Company is an omnichannel platform for concepts and brands in the field of consumer electronics. The companies in the Company's portfolio have billions of consumer contacts each year and offer products, services and solutions designed to make living in the digital world as easy and enjoyable as possible. As the central management holding company of the CECONOMY Group, the Company covers basic functions such as finance, accounting, controlling, legal and compliance. The focus of the operating business is on the MediaMarktSaturn Retail Group (**"MMSRG"**), which includes the MediaMarkt and Saturn brands. The Company and MMSRG have had a uniform management structure since August 2021. The key activities of the Company are bundled – indirectly via the wholly-owned subsidiary CECONOMY Retail GmbH (**"CECONOMY Retail"**) – within MSH. MSH is a fully consolidated subsidiary of the Company and as the holding company of MMSRG responsible for the latter's operative management.

Apart from MMSRG, the Company also holds the following direct and indirect interests:

- 80% in DTB Deutsche Technikberatung GmbH, a company providing professional technical assistance for the home;
- 2% in PMG Retail Market Ltd. (**"PMG"**), a joint venture with Greek company Olympia Group Ltd. (**"Olympia Group"**);
- approximately 24.30% in Fnac Darty S.A. (**"Fnac Darty"**), the leading French retailer of consumer electronics and household appliances;
- 15% in PJSC "M.video" (**"M.video"**), Russia's market leader in consumer electronics;
- approximately 6.61% in METRO PROPERTIES GmbH & Co. KG (**"MPKG"**); and
- approximately 0.99% in the current METRO AG (**"METRO"**).

gg) Strategy

The Company finds itself in a rapidly changing environment. Digitalisation has now extended to nearly all areas of private and public life. The needs of the various customer groups are changing accordingly.

The pace at which digital technology is advancing necessitates the right products, the right advice and associated services. This is the only way that customers can fully exploit the potential of digital trend.

Starting position

Digitalisation and innovation

As a long-term trend, one of the effects of digitalisation is that in-store businesses and online and mobile retail are blending into each other and customers expect a satisfactory shopping experience across all channels. Innovative options such as payment without cash registers, in-store navigation and virtual reality experiences can help ensure that these expectations are met. The products themselves are also becoming more innovative and interconnected. Customers' need for advice and direct contact partners when comparing, purchasing and operating consumer electronics is increasing accordingly. Customers want the benefits offered by the products while investing as little time as possible.

Changes in customers' everyday lives

The trend towards greater digitalisation in the day-to-day is also being driven by the COVID-19 pandemic. Although the potential changes to society are not definitively predictable, it is amplifying certain trends that have influenced the consumer electronics market for years. For example, more and more companies are implementing flexible working. Setting up a workplace at home and working remotely has become a reality for many employees, at least since the pandemic. Digital equipment for schools and their students has also become a big issue in the public's consciousness. Home schooling has presented challenges for many parents. The way people spend their leisure time at home has changed in the past year, along with the associated use of digital devices for entertainment and support in their day-to-day lives. In a pandemic, the safest ways to stay informed, interact socially and communicate are digital. Older people in particular need help here in order to participate in the digital world.

The Company's strategic approach is based on meeting these varying requirements in the form of the right products and the corresponding advice and services, regardless of channel.

Strategic approach

In a technology-driven world, the Company's vision is to be the first choice – for consumers as well as business partners – as a trusted retailer with tailored solutions. This is founded on an omnichannel model focused on the customer experience.

At the same time, sustainability is an essential part of the corporate strategy, which is why a holistic sustainability strategy is being developed and consistently implemented. Sustainability is to be integrated into all of the Company's processes in accordance with the United Nations Sustainable Development Goals, namely by amending internal processes, reducing the company's emissions and shaping working conditions.

There are three key pillars to the Company's strategy:

1. Create an efficient organisation & structure

The transformation into a customer-centric, omnichannel-driven company is assisted by the creation of an efficient organisation and structure that allows group-wide initiatives to be rolled out faster and more consistently. This is based on the new organisational structure (**"Operating Model"**) unveiled in August 2020, which focuses on harmonized management structures and centralized processes across all countries. The new target organisation is intended to simplify the standardisation of processes, increase efficiency in the country organisations and simultaneously reduce costs. In addition, regional country clusters will be formed, with certain countries combined in terms of organisation.

The stores will be relieved of administrative tasks so that they can direct their efforts more intensively towards customers. The relocation of these activities to the headquarters of the country organisations also supports the central management of important processes, including product range management, purchasing and logistics. The company will provide employees with additional digital tools in order to further improve service quality and efficiency and to make many activities easier for them. The use of technology and data analytics also ensures fast and efficient processes.

2. Build a unique value proposition

The Company employs an omnichannel model in order to offer customers a unique value proposition and thus increase their satisfaction and loyalty. This is based primarily on three factors: Firstly, a seamless omnichannel experience, including in the form of personalised customer experiences, both online and in store. Secondly, an optimised supply chain, including centralised procurement and continuous improvements in logistics, which in turn means higher availability of goods and faster delivery times. Thirdly, the performance promise is based on optimised category management, which aligns product range more closely to customer needs.

3. Accelerate growth path through the development of further offers and services

The Company's in-store and digital platforms, combined with high customer acceptance, are also a springboard for additional growth opportunities. In addition to the expansion of product range categories to innovative new areas of technology, relationships with business customers and manufacturers will thus come further to the fore in the future. Special B2B initiatives promote opportunities to sell to potentially underserved customer segments such as small and medium-sized enterprises. In addition, the Company's own sales channels are being successively opened up to external providers via the marketplace model in Germany and other countries.

Outlook

The Company is well prepared for the challenges of the next few years; the transformation to efficient structures and a unique value proposition is in full swing. The measures to implement the strategy are currently being specified further. The main focus is on the acceleration of the (digital) transformation of the omnichannel model and the further improvement of the customer experience.

hh) Business performance and situation of the Company and the CECONOMY Group

Financial year 2020/21 was the second year in a row that was characterised by the COVID-19 pandemic. From mid-December 2020 until June 2021, The Company and MMSRG faced restrictions even more severe than in the year before. After a very strong first quarter, which was driven by high customer demand and dynamically growing online business, the Company again had to close many stores across Europe, for several months in the core market Germany alone. This impacted business performance considerably, especially in the second and third quarters.

Nevertheless, the Company and MMSRG stayed on course. The business model proved very resilient. Despite the long-lasting restrictions in response to COVID-19, the Company successfully increased sales for the financial year to EUR 21.4 billion and realised positive total sales growth adjusted for currency effects and portfolio changes compared with the pre-pandemic level. The Company also demonstrated stability of earnings and generated adjusted EBIT at the previous year's level (2019/20: EUR 236 million). The Company thus achieved the business targets for financial year 2020/21 formulated in August. This means that, measured against the extraordinarily difficult conditions, the Company and MMSRG performed well overall in the past financial year.

The omnichannel strategy, the close integration of the online business with brick-and-mortar stores, was a crucial competitive advantage during the lockdowns. In financial year 2020/21, online sales grew extremely strongly by nearly 65 per cent. The Company thus compensated for the decline in brick-and-mortar business caused by store closures as a result of COVID-19.

Characteristically for the entire financial year, the Company saw continuously high customer demand both in-store and online in countries that were not or were less severely affected by COVID-19 restrictions. Business performance was particularly good in Italy, Spain and Turkey.

At the same time, the Company and MMSRG also made further progress on their journey to becoming a thoroughly customer-oriented company. For example, new store formats were introduced and the logistics network continued to be strengthened. MMSRG also expanded its range of services – in the stores and in the online shops.

In addition, the Company reorganised its financing structure in the reporting period and additionally committed to its own sustainability targets within this framework. The CECONOMY-Group is solidly and fully financed for the years to come. The KfW credit facility, which the Company did not have to utilise at any time, was replaced (see below under item 1.2.a)jj) of this report).

The Management Board is convinced that the Company and MMSRG are well equipped for the future. The group has laid key foundations in order to make consistent use of its growth opportunities in the post-COVID world. The Company and MMSRG will stick to the path they have set out on: The Company will continue to press ahead with the digitalisation of its business model, expand the range of services in a targeted manner, and align all processes to the customers. The Company and MMSRG will continue to do everything to fulfil their ambition to be the first choice in the consumer electronics market – on all channels.

ii) Corporate strategy opportunities of the Company

Opportunities for the Company's future success are increasingly arising with regard to the exploration of new and innovative business areas. Customer's requirements and behaviours are constantly changing as advances are made in digitalisation and thus opening up new business areas in various sectors such as Smart Home, E-Sports, Healthcare and E-Mobility. The Company sees potential in new business models that offer customers excellent added value, fit in with the Company's strategy and build on the operating processes' existing strengths. This includes the expansion of the service portfolio with concepts in the stores, online and in customers' homes. The exploration of such new, innovative business areas and services is actively promoted by observing the changes in customer needs, identifying new trends and developing innovative ideas. The Company is also continuously examining new concepts, strategic partnerships and acquisitions. New business areas can thus be occupied appropriately. As previously, CECONOMY intends to continue to encourage local and national market consolidation. The withdrawal of competitors would provide opportunities for further gains in market share. To this end, competitors are being analysed continuously and any opportunities that arise are always reviewed. In financial year 2020/21, for example, 17 stores were acquired from Worten Equipamentos do Lar S.A. and reopened under the MediaMarkt brand. Furthermore, additional potential is seen in the repositioning of country organisations and subsidiaries that are operating in a difficult economic or highly competitive environment. In addition, a dialogue is maintained with relevant start-ups in order to gain insights into new business areas and develop innovative ideas.

The Company is very well known in the countries where the CECONOMY Group is represented. Leading positions have been achieved in many markets, which must be further consolidated and extended. Ongoing transformation and repositioning measures, including within the reorganisation and efficiency programme and the introduction of the Operating Model, are aimed at improving the market position, making processes and decision-making channels more efficient and increasing profitability. Further opportunities arise, for example, from the consistent implementation of the business model transformation. This particularly relates to focus issues such as category management, supply chain, online and Services & Solutions and the international expansion of successful marketplace activities. The experience gained from the COVID-19 pandemic will be used in a targeted way for the further expansion of necessary processes and structures, especially for the full implementation of an omnichannel sales model. The Company is enhancing the customer-centric business models in ongoing business transformation projects. The aim is to generate opportunities from a persuasive customer value proposition that places CECONOMY in a unique position both in B2C and B2B. For this purpose, focus groups are analysed in order to focus strictly on customer needs. Another potential benefit for the Company is that the organisational overhaul of the CECONOMY Group and MMSRG that will result from the planned Transaction promises to lower its applicable tax load ratio (see below under item I.3.d) of the present report). All relevant options are being reviewed from an economic, legal and tax perspective.

A possible (further) reversal of the impairment taken on the investment in Fnac Darty S.A. was included as a new opportunity. As the stock exchange price of the investment accounted for using the equity method was significantly above amortised cost on the closing date of the half-year report, an expert assessment was commissioned. As a result of the expert reassessment, a reversal of the impairment on the investment in Fnac Darty S.A. of EUR 150 million was recognised as of 31 March 2021. Further, future potential reversals of impairment on the investment in Fnac Darty S.A. of a maximum of EUR 118 million and further potential value increases continue to be recognised as an opportunity.

The importance of sustainability as an issue is unchanged and, given current trends, its global importance will continue to grow. Customers, employees, investors, politicians and society have growing expectations, which the Company intends to fulfil. To this end, a holistic sustainability strategy was developed and consistently implemented. As well as increasing the attractiveness of the brand, offering and private labels, sustainability is giving rise to a plethora of new business models for the Company. These include the creation of a more sustainable product mix in the areas of circular economy business models, high-quality customer advice and education on sustainable consumption, and measures to reduce the CO2 emissions of the Company's own operations. The major significance for the Company and the binding commitment to a better carbon footprint and a wider range of sustainable products is supported by the fact that the Company was one of the first European retail companies to join the European Commission's "Green Consumption Pledge Initiative", a voluntary initiative launched as part of the European Climate Pact. At the same time, the Company also committed to its sustainability targets under its syndicated revolving credit facilities, which include a pricing mechanism linked to the achievement of its targets. These opportunities and social engagement can have a positive influence on the Company's reputation. This is expected to help to increase sales in the medium term. Moreover, the Company believes that a sharper focus on sustainability has a positive influence on the share. The Company is to become more attractive to sustainability-oriented investors in particular and thus gain access to improved conditions.

jj) Financing structure

The Company, CECONOMY Retail and Convergenta are parties, among other things, to a shareholders' agreement dated 11 May 2020 which relates in particular to a loan agreement (as most recently amended and confirmed by the amendment agreement dated 12 May 2020) between parties including the Company, KfW and other financing banks (**"Old Revolving Credit Facility Agreement"**). The Old Revolving Credit Facility Agreement for a total amount of EUR 2.68 billion was entered into and restated in mid-May 2020 during the "first wave" of the COVID-19 pandemic. Apart from a facility in the amount of EUR 1.7 billion involving the German development bank KfW, this included the credit facilities of the Company existing up to then ("back-up facility") in the amount of EUR 980 million. The facility involving the KfW was never utilised during its existence. With effect from 9 August 2021, the entire Old Revolving Credit Facility Agreement was terminated. The Old Revolving Credit Facility Agreement contained certain restrictions in relation to the implementation of the Transaction which ceased to apply once the Old Revolving Credit Facility Agreement expired.

The loans under the revolving credit facility in the Old Revolving Credit Facility Agreement were replaced by a new syndicated revolving credit facility in the amount of EUR 1.06 billion which is tied to sustainability criteria ("**New Revolving Credit Facility Agreement"**). In addition to this, the Company issued a EUR 500 million five-year unsecured bond in June 2021.

Neither the bond nor the New Revolving Credit Facility Agreement contain restrictions in relation to the implementation of the Transaction as set out in the Amendment Agreement. The same applies to the documentation from 2017 underlying the outstanding promissory note bond.

b) CECONOMY Retail GmbH

CECONOMY Retail, a company having its registered office in Dusseldorf, Germany, is an intermediate holding company of the CECONOMY Group and is registered with the commercial register of Dusseldorf Local Court (Amtsgericht Düsseldorf) under the number HR B 44806. The business address of CECONOMY Retail is Kaistrasse 3, 40221 Dusseldorf, Germany.

The object of CECONOMY Retail is to manage and promote trading companies and service providers that are specifically active in the following areas:

- Trading businesses of all kinds related to the operation of retailing enterprises, mail order, wholesale trade and sales channels based on new electronic media;
- Manufacturing and development of products that may be the object of commerce and of services;
- Execution of real-estate transactions of all kinds including property development;
- Services in the fields of food and beverage and tourism;

- Arrangement of financial services for, through or by affiliates and subsidiaries and the implementation of such services via such companies; and

- Asset management.

CECONOMY Retail is entitled to engage in any and all activities and dealings that appear to be directly or indirectly suited to serving the company's objects or that are directly or indirectly connected thereto. It also can become active in the aforementioned fields on its own. Dealings requiring special government permits may not be pursued until such permits have been duly issued. CECONOMY Retail may establish, acquire, manage or sell off enterprises in Germany and abroad insofar as they are active in the above-specified lines of business; it may also limit itself to becoming a capital investor or minority shareholder in such enterprises. It may bring enterprises in which it holds a stake under its centralised management, or it may limit itself to merely administering its shareholdings.

The share capital of CECONOMY Retail registered with the commercial register amounts to EUR 501,000,100.00 and is divided into five shares with different nominal values. All the shares in CECONOMY Retail are held by the Company.

c) Convergenta Invest GmbH

Convergenta is a German investment and holding company under the (indirect) ownership of Ms Helga Kellerhals and Mr Jürgen Kellerhals. Ms Kellerhals and her late husband Mr Erich Kellerhals, who died in 2017, were the founders of the very first MediaMarkt store. Mr Jürgen Kellerhals is the son of Mr Erich Kellerhals and Ms Helga Kellerhals.

Convergenta has its registered office in Bad Wiessee and is registered with the commercial register of Munich Local Court (Amtsgericht München) under the number HR B 188629. The business address of Convergenta is Wiesseer Strasse 130, 83707 Bad Wiessee, Germany.

The object of Convergenta is to manage its own assets as well as to acquire investments in enterprises of all kinds.

The share capital of Convergenta registered with the commercial register amounts to EUR 1,025,000.00 and is divided into two shares. According to the most recent list of shareholders on file with the commercial register, these shares are held as follows:

- The share with serial number 1 having a nominal value of EUR 906,480.00, which corresponds to approximately 88.44% of Convergenta's share capital, is held by Convergenta Invest und Beteiligungs GmbH, which has its registered office in Salzburg, Republic of Austria, and is registered with the Register of Companies (Firmenbuch) of the Republic of Austria under the Register No. 249854h (**"CIB"**). The share capital of CIB registered with the Register of Companies (Firmenbuch) amounts to EUR 1,000,000.00. Of this, according to the Register of Companies (Firmenbuch), a capital contribution of EUR 550,000.00, i.e. approximately 55%, is attributable to Ms Helga Kellerhals and a capital contribution of EUR 450,000,00, i.e. approximately 45%, is attributable to Mr Jürgen Kellerhals.

- The share with serial number 2 having a nominal value of EUR 118,520.00, which corresponds to approximately 11.56% of Convergenta's share capital, is held by JKV European Investments S.A., which has its registered office in Luxemburg, Grand Duchy of Luxemburg, and which is registered with the commercial register & Register of Companies (Registre de Commerce et des Sociétés) of the Grand Duchy of Luxemburg under Register Number B83.500 (**"JKV"**). According to the Registre des bénéficiaires effectifs (Register of Beneficial Owners) of the Grand Duchy of Luxemburg, all shares of JKV are held by Mr Jürgen Kellerhals.

d) Media-Saturn-Holding GmbH

MSH is a fully consolidated, indirect subsidiary of the Company and is also the holding company of MMSRG responsible for the latter's operative management. Convergenta and CECONOMY Retail, in its capacity as a fully owned subsidiary of the Company, are co-shareholders in MSH.

aa) Registered office and registration with the commercial register

MSH has its registered office in Ingolstadt, Germany, and is registered with the commercial register of Ingolstadt Local Court (Amtsgericht Ingolstadt) under the number HR B 1123. The business address of MSH is Wankelstrasse 5, 85046 Ingolstadt, Germany.

bb) Share capital and shareholder structure

The share capital of MSH registered with the commercial register amounts to DM 70,000,000.00 (Deutschmarks) and is divided into 34 shares with various nominal values. The shares in MSH are held as follows:

- The shares with serial numbers 1 to 15 as well as 28 to 33, i.e. a total of 21 shares having an total nominal value of DM 54,865,270.00, are held by CECONOMY Retail. This corresponds to approximately 78.38% of the share capital of MSH.

- The shares with serial numbers 16 to 27, i.e. a total of twelve shares having an total nominal value of DM 15,134,680.00, i.e. the C/M Shares, are held by Convergenta. This corresponds to approximately 21.62% of the share capital of MSH.

- The share with serial number 34 with a nominal value of DM 50.00, i.e. the Ce/Co Share, is held jointly (in the sense of joint ownership according to section 18 of the German Limited Liability Companies Act (GmbH-Gesetz – GmbHG) by CECONOMY Retail and Convergenta, with the following applying:

  - CECONOMY Retail holds partial rights to the Ce/Co Share in the total amount of DM 33.00, which is equivalent to an interest of 66.00% in the Ce/Co Share.

  - Convergenta holds fractional rights to the Ce/Co Share in the total amount of DM 17.00, which is equivalent to an interest of 34.00% in the Ce/Co Share.

cc) Business purpose

The object of MSH is to manage assets, to acquire investments in enterprises of all kinds, as well as to render operational management services, management services and other services.

dd) Corporate bodies

The managing directors of MSH are the members of the Company’s Management Board, i.e. Dr Karsten Wildberger (CEO) and Mr Florian Wieser (CFO).

Besides the shareholders’ meeting, MSH also has an advisory board which advises the managing directors of MSH in carrying out their tasks and takes decisions on certain measures and transactions requiring prior consent. The advisory board of MSH currently consists of Dr Anna-Karina Bonacker, Mr Simon Printz, Mr Marc Schmidt, Mr Erich Schuhmacher and Dr Jörg Ritter.

3. Key benefits of the Transaction

a) Simplifying the corporate governance

The planned Transaction will serve to simplify the corporate structure of the CECONOMY Group in that MSH will become a fully owned subsidiary of the Company. Convergenta, for its part, will become the Company’s largest shareholder. This will obviate the need to coordinate with Convergenta at the level of MSH as the holding company of MMSRG responsible for the latter’s operative management, and thus optimise and accelerate (decision-making) processes within the CECONOMY Group, among other things. This in turn will make it easier to steer MMSRG and to efficiently implement relevant projects and realise business opportunities, while also enabling the performance of effective and cost-oriented financial management. Ultimately, the Transaction is intended to allow the proper focus to be placed on the operating business as well as on the implementation of the initiated transformation and strategy.

b) The Company as the central management holding company of the CECONOMY Group

In addition to reducing the complexity entailed by the current structure while optimising processes, the Transaction will also establish the Company as the central management holding company of the CECONOMY Group for the current shareholders as well as for Convergenta. By “rolling up” Convergenta’s holding from the level of MSH up to the level of the Company (**"Roll-Up"**), Convergenta will be placed in the same position going forward as the existing shareholders; this will enable it to participate in the future growth of the CECONOMY Group just like all of the Company’s other shareholders. After the implementation of the Capital Increase through Contributions in Kind, Convergenta would hold a stake of at least approximately 26.07% in the CECONOMY Ordinary Shares issued at that point and at least around 25.93% in the share capital of the Company; this stake could be further increased through the conversion of the Convertible Bonds and the issuance of the Conversion Shares to Convergenta. Convergenta aims to be a long-term shareholder of the Company with a stake of up to 29.90% in the CECONOMY Ordinary Shares to be issued in future. A portion of the stake that Convergenta will hold in the Company in the future in a volume of around 21.9% (or 22.1% if the current preference shares have not been converted into ordinary shares) of the total CECONOMY Ordinary Shares issued by the Company will be subject to a holding period (lock-up) of six months as of closing of the Transaction, but not beyond 31 December 2022.

c) Ensuring that the resolved conflict with Convergenta endures

The Transaction is intended to ensure that the resolution of the historic conflict between the Company and Convergenta continues in the long term. After the Transaction Agreements were entered into on 14 December 2020, all the pending legal disputes and proceedings between Convergenta on the one hand and the Company, CECONOMY Retail and MSH on the other which had not yet been finally and conclusively adjudicated by a court of law, or would not have been so adjudicated in the near term, were ended. The Roll-Up will also serve to eliminate the complex need to confer with Convergenta at the level of MSH as an operational management and holding company of MMSRG and to accelerate and simplify (decision-making) processes within the CECONOMY Group.

d) Significant value creation

Once the Transaction has been closed, it is intended to implement structural measures (**"Follow-up Restructuring"**) which are currently being reviewed in detail (see also clause I.4.e) below of this report). The Follow-up Restructuring is intended to create significant value by opening up and ensuring the ability to exploit tax losses. These loss carry-forwards amount to around EUR 1,149 million (corporate income tax), around EUR 1,495 million (trade tax) and around EUR 132 million (corporate income tax/trade tax due to interest carry-forwards) as at 30 September 2021. Furthermore, as a result of the Transaction it will also be possible to use the ongoing annual losses at the level of CECONOMY for tax purposes, meaning that a further annual tax benefit can also be expected. Additional tax-related optimisation potentials will arise from the deductibility of the Company's costs (due to the conversion of dividends into taxable income) as well as holding cost savings. Subject to the Transaction being closed in this financial year and any structural measures being implemented in time, the Management Board expects that the Transaction will have a positive effect on the earnings per CECONOMY Share, on a fully diluted basis, from year one. How long the tax loss carry-forwards will be utilised depends on how business develops.

Enabling and ensuring the long-term usability of existing tax-loss carry-forwards are subject to the proviso of the existing loss carry-forwards of the Company not dropping away, whether partially or as a whole, in the context of the intended Transaction or after it has been implemented. To cite an example, the loss carry-forwards would drop away in their entirety in the event of what is known as a "detrimental acquisition of an ownership interest" in the Company within the meaning of section 8c(1) sentence 1 of the German Corporate Income Tax Act (Körperschaftssteuergesetz – KStG). In the view of Management Board, no such acquisition of an ownership interest has taken place. In addition, the Company has not been subjected to a tax audit for eleven assessment periods. In this regard, it cannot be ruled out that the amount of the exploitable loss carry-forwards may be reduced in the context of the tax audit. In the view of the Management Board, based on the current status of proceedings there could be additional potential for loss carry-forwards; the Management Board assesses the overall risk entailed by a tax audit as being low as far as the amount is concerned. Finally, there is the possibility that the spin-off of METRO could be retrospectively classified as not being tax-neutral, which would result in a significant amount of loss carry-forwards dropping away. However, the Management Board takes the view that in this regard as well, the risk is low. Above and beyond the tax-related potential to create added value, the Company aims to achieve holding cost savings (worth around EUR 1 million in 2021/22 and after that around EUR 4 million each year).

As a result, the Transaction not only holds out the prospect of potential value for the Company – it also promises to have a bullish effect on the future trend of the value and price of CECONOMY Shares that ultimately will benefit all shareholders. Due to Convergenta's Target Shareholding, the Transaction will lead to changes in the Company's shareholder base, meaning that as a result of the division of METRO this change in Shareholders could itself trigger property transfer tax at METRO Properties GmbH & Co. KG for which the Company is liable. The value of the possible property transfer tax is currently estimated at approximately EUR 40 million. However, according to the Management Board's assessment, it can be assumed that the Transaction will not result in the relevant (i.e. detrimental) threshold being exceeded in the Company's shareholder base.

e) Financing the Transaction through a mix of New Shares, Convertible Bonds and limited cash funds as a liquidity-saving, low-debt option

Given that the consideration for the Transaction has been structured so as to consist predominantly of New Shares from the proposed Capital Increase through Contributions in Kind and the issuance of Convertible Bonds that optionally can be converted into Conversion Shares, in conjunction with a merely limited Cash Component in the total amount of EUR 130 million, this means that the liquidity of the Company will not be unduly encumbered and that its balance-sheet indebtedness will be kept within limits. This is in line with the Company's conservative financing strategy.

While the Exclusion of Pre-emptive Rights associated with the Capital Increase through Contributions in Kind and the issuance of the Convertible Bonds will lead to a proportional dilution for the existing Shareholders in terms of their ownership interest in the Company. At the same time, however, Convergenta's share in the earnings of MSH for the period, which is projected to be in excess of EUR 40 million annually in the coming three years, can be reported as part of the earnings for the period accruing to the Shareholders in future, and thus will be an additional benefit besides the value-creation potential.

f) The Transaction continues to be supported by the CECONOMY Key Shareholders

The Company has informed the Shareholders Haniel, Meridian Stiftung, freenet AG and Prof. Otto Beisheim Stiftungen (jointly referred to as the **"CECONOMY Key Shareholders"**) about the Transaction and the continued implementation of the Transaction by means of the resolution of the General Meeting proposed under agenda item 2. They indicated, in each case individually and independently of one another, that they support the Transaction and that they each will exercise their voting rights accordingly at the extraordinary General Meeting.

g) Investors have reacted positively to the Transaction's announcement

The aforementioned benefits are corroborated by the positive reaction of investors to the public announcement of the planned Transaction. In the wake of the announcement of the planned Transaction by the ad hoc announcement of the Company after the close of trading on 14 December 2020, the price of the CECONOMY Ordinary Share (XETRA) rose from a closing price of EUR 4.096 on 14 December 2020, to a closing price of EUR 5.125 on the following day, 15 December 2020. This represents a price surge of approximately 25%. On the subsequent days, the price of the CECONOMY Ordinary Share continued to rise, recording an increase of around 40% at closing on Friday, 18 December 2020, as compared to the closing price of 14 December 2020, before the Transaction was announced.

4. Description of the Transaction

a) Background of the Transaction

The current structure of MMSRG forms the background of the Transaction.

The articles of association of MSH provide that resolutions as a rule require more than 80% of the votes cast in order to be adopted by the shareholders' meeting of MSH; this means that as a result of the Contribution Shares, which are equivalent to approximately 21.62% of the share capital of MSH, Convergenta has a blocking minority with regard to certain resolution topics to be addressed by the shareholders' meeting of MSH. In addition, an advisory board has been in place at MSH since 2012, which has decision-making power over a specified list of resolution topics and which currently consists of three members delegated by CECONOMY Retail and two members delegated by Convergenta. Due to these shareholder rights and this specific corporate governance, the Company and Convergenta are forced to a certain extent to coordinate with each other with respect to MSH and MMSRG. In the past, all this has led to recurring conflicts (some of which were significant), which culminated in more than 20 court proceedings that have meanwhile ended; these went all the way to the Federal Court of Justice (Bundesgerichtshof – BGH) in some cases, but have now been brought to a close. Thus far, total costs of approximately EUR 8.1 million have been incurred by the Company and by CECONOMY Retail as a result of the conflict between the shareholders.

The specific structure of the Company's (indirect) majority shareholding in MSH and the longstanding conflict between the Company and Convergenta, in its capacity as minority shareholder of MSH, hinders the realisation of cost synergies that could be obtained by a more efficient steering of MMSRG, as well as the efficient implementation of relevant projects and business opportunities and of an effective and cost-oriented financial management system. Moreover, the current structure also hinders or prevents the realisation of tax efficiencies and leads to excess administrative costs. All of these circumstances have been perceived in the past, not least by analysts and investors, as a drag factor for the CECONOMY Group and for the Company's share price.

Intensive discussions and negotiations between the Company and Convergenta on how to solve the shareholder conflict and reorganise MSH's shareholder base culminated on 14 December 2020 in the conclusion of the Transaction Agreements between the Company and Convergenta as the contractual basis of the Transaction. The Transaction is intended to streamline the overall current structure, realise value-creation potentials and to reorganise the shareholder structure at MSH while bringing about a final resolution to the many years of conflict between the Company and Convergenta.

b) History

On 14 December 2020, the resolutions of the Management Board and Supervisory Board regarding the implementation of the Transaction and notarisation of the Transaction Agreements were adopted. The Company subsequently published an ad hoc disclosure in which the Company announced the conclusion of the Transaction Agreements and the Transaction. The ad hoc disclosure contained information stating that the consummation of the Transaction among other things required a resolution by the Company's General Meeting approving these actions.

On 17 February 2021, the Company's Annual General Meeting then approved the Transaction under what was then agenda item 8 with a majority of 98.94% of votes cast (by the ordinary and preference shareholders) (**"First GM Resolution"**).

Following the First GM Resolution, individual shareholders brought nullity actions and actions to set aside against the First GM Resolution before Dusseldorf Regional Court (Landgericht Düsseldorf). The Company subsequently filed an application for the approval of entry of the resolutions in the commercial register according to section 246a Stock Corporation Act before Dusseldorf Higher Regional Court (Oberlandesgericht Düsseldorf). In the application for the approval of entry of the resolutions the Company submitted an application for declaration that the legal actions brought by the claimants against the First GM Resolution before Dusseldorf Regional Court do not stand in the way of the Capital Increase through Contributions in Kind resolved and the Conditional Capital resolved being entered in the commercial register and that defects in the First GM Resolution do not affect the validity of the entry. Convergenta joined the proceedings for approval of the resolutions as an intervening party on the side of the Company.

On 8 July 2021, Dusseldorf Higher Regional Court stated its legal opinion during the oral hearing in the proceedings for approval of the resolutions that alongside a vote by all the shareholders (i.e. ordinary shareholders and preference shareholders with voting rights) separate votes according to share classes would also have been required. The Company published an ad hoc disclosure the same day pointing out that it believed that there was no longer sufficient certainty that the Transaction could be performed in the 2020/21 financial year. The Company also pointed out that it still intended to close the Transaction.

On 15 July 2021, the Company published another ad hoc disclosure announcing that in view of the legal opinion held by Dusseldorf Higher Regional Court it was considering presenting the Transaction to a General Meeting to be resolved on once again, it being necessary in particular to further evaluate whether the Shareholders should possibly vote in their relevant share classes as well or whether the (outstanding) preference dividends of the Company's preference shareholders should first be satisfied in full. Furthermore, the Company pointed out that against this background it would also withdraw the application for the approval of entry of the resolutions in the commercial register filed at Dusseldorf Higher Regional Court but that it nevertheless still intended to implement the Transaction. Finally, the ad hoc disclosure pointed out that the Company no longer assumed that it would still be able to close the Transaction in the 2020/21 financial year.

On 5 November 2021, the Company published another ad hoc disclosure in which it announced that it would be presenting the Transaction to the General Meeting once again for resolution. The Company added that this resolution would take place in an extraordinary General Meeting, subject to the resolution by the 2022 Annual General Meeting regarding a dividend distribution in the amount of around EUR 63 million. This dividend distribution will be used to (i) satisfy the claims to dividends by holders of preference shares for the financial year ending on 30 September 2021 and in relation to all claims to preference dividends and (ii) make a dividend payment in the amount of EUR 0.17 per share to the ordinary shareholders. In addition, it was pointed out in the ad hoc disclosure that the Company was seeking to close the Transaction in the ongoing 2021/22 financial year if possible.

On 9 February 2022, the Company's Annual General Meeting resolved on use of the net profit for the 2020/21 financial year under agenda item 2. In the context of this, it was resolved that the net profit for the 2020/21 financial year in the total amount of EUR 85,668,402.39 would be used as follows:

- distribution of a subsequent dividend per preference share in the amount of EUR 0.17 for financial year 2017/18; for 2,677,966 dividend-bearing preference shares this comes to EUR 455,254.22;

  - distribution of a subsequent dividend per preference share in the amount of EUR 0.17 for financial year 2018/19; for 2,677,966 dividend-bearing preference shares this comes to EUR 455,254.22;

  - distribution of a subsequent dividend per preference share in the amount of EUR 0.17 for financial year 2019/20; for 2,677,966 dividend-bearing preference shares this comes to EUR 455,254.22;

  - distribution of a dividend per preference share in the amount of EUR 0.23 for financial year 2020/21; for 2,677,966 dividend-bearing preference shares this comes to EUR 615,932.18;

  - distribution of a dividend per ordinary share in the amount of EUR 0,17 for financial year 2020/21; for 356,743,118 dividend-bearing ordinary shares this comes to EUR 60,646,330.06;

  - profit brought forward EUR 23,040,377.49.

The resolved dividend and the subsequent preference dividends were paid out to the Shareholders on 14 February 2022. Thus, the preference shareholders in principle no longer have any voting rights.

c) Structure

Under the Transaction, the Contribution Shares shall be contributed to the Company by Convergenta by way of the Contribution in Kind in return for the Total Consideration being granted to Convergenta, which consists of the Stock Component, the Convertible Bond Component and the Cash Component.

The following key steps are planned in order to further implement the Transaction:

- Adoption of a resolution by the Management Board to conclude the Amendment Agreement, already on 5 November 2021;
- Consent of the Supervisory Board to conclusion of the Amendment Agreement; already granted on 5 November 2021;
- Conclusion of the Amendment Agreement, already done on 9 November 2021;
- Resolution of the Management Board, already effected on 25 November 2021, and the Supervisory Board, already effected on 13 December 2021, regarding the proposal made to the extraordinary General Meeting under agenda item 2;
- Resolution of the extraordinary General Meeting regarding the Transaction, as proposed under agenda item 2; and
- Registration of the implementation of the Capital Increase through Contributions in Kind and of the Conditional Capital 2022/I with the commercial register.

Against this background, the currently remaining steps specifically required in order to consummate the Transaction are, in particular, the extraordinary General Meeting's adoption of the resolution consenting to the proposal made by the Management Board and Supervisory Board under agenda item 2, and the registration of the implementation of the Capital Increase through Contributions in Kind and of the Conditional Capital 2022/I with the commercial register.

The closing of the Transaction will result in the Roll-Up of Convergenta's shareholding from the level of MSH up to the level of the Company resulting in the following structure:

- Once the contribution of the Contribution Shares to the Company has been implemented, the Company will hold approximately 21.62% of the share capital of MSH directly and at the same time will hold indirectly, via CECONOMY Retail, approximately 78.38% of the share capital of MSH, and thus a total of 100% of the share capital of MSH. Convergenta, which until now has been a minority shareholder of MSH, will, for its part, exit completely from MSH.
- In return, Convergenta will initially acquire a direct stake in the Company amounting to at least approximately 26.07% of the CECONOMY Ordinary Shares then issued, or at least approximately 25.93% of the Company's share capital.
- The conversion of the Convertible Bonds and the issuance of the Conversion Shares from the Conditional Capital 2022/I is intended to cause the stake held by Convergenta to increase to up to 29.90% of the CECONOMY Ordinary Shares issued at the relevant time (**"Convergenta's Target Shareholding"**), or approximately 29.74% of the Company's share capital.

As regards the New Shares resulting from the Capital Increase through Contributions in Kind and the Conversion Shares resulting from the conversion of the Convertible Bonds, Convergenta has assumed the following contractual obligations under the Agreement in Principle (version amended by the Amendment Agreement):

- Effective from 9 November 2021, i.e. the conclusion date of the Agreement in Principle, until six months after the day on which implementation of the Capital Increase through Contributions in Kind and implementation of Conditional Capital 2022/I are recorded in the commercial register (**"Closing Date"**), but not beyond 31 December 2022, Convergenta agrees to refrain from undertaking any sales, dispositions or other economically comparable actions or measures, but will remain entitled to freely dispose at any time over up to 4% of the CECONOMY Shares then issued (**"Lock-up Agreement"**); and

- Effective for six months after the Closing Date, but not beyond 31 December 2022, Convergenta agrees not to acquire any CECONOMY Shares or take any other measures such as would result in it gaining control within the meaning of section 29 et seqq. of the Securities Takeover Act (**"Standstill Agreement"**). The acquisition of CECONOMY Shares in order to reach Convergenta's Target Shareholding will remain unaffected hereby.

d) Shareholder structure of the Company following closing of the Transaction

aa) Shareholder structure after implementation of the Capital Increase through Contributions in Kind

Upon implementation of the Capital Increase through Contributions in Kind, the total number of CECONOMY Ordinary Shares will increase from 356,743,118 CECONOMY Ordinary Shares at present by 125,800,000 New Shares to 482,543,118 CECONOMY Ordinary Shares. Subsequently, the Company's shareholder structure would look as follows:

Shareholder/entity subject to the notification requirement	CECONOMY Ordinary Shares	In %
Convergenta	125,800,000	26.07 %
Franz Haniel & Cie. GmbH	81,015,280	16.79 %
Meridian Stiftung	53,913,363	11.17 %
freenet AG	32,633,555	6.76 %
Prof. Otto Beisheim Stiftungen	23,515,334	4.87 %
Giovanni Agnelli B.V.	18,496,794	3.83 %
Morgan Stanley	10,867,825	2.25 %
Free float (below 3 %)	***136,300,967***	***28.25 %***
TOTAL	**482,543,118**	**100.00 %**

(**Note**: The percentages shown in the tables in this report have been rounded according to standard commercial practice. Therefore, the percentages in the tables do not exactly add up to 100.00%.)

(**Note**: The voting rights notifications submitted so far relate to a total number of voting rights pursuant to section 41 Securities Trading Act of 359,421,084 (= total number of all CECONOMY Shares issued), including the preference shares which have been eligible to vote until now. In this respect, it cannot be ruled out that voting rights notifications submitted up to now also relate to preference shares. In the absence of any information to the contrary, this report assumes that all reported shares are CECONOMY Ordinary Shares).

(**Note**: According to information available to the Management Board, Convergenta currently holds a small stake in the Company. However, no voting rights notifications pursuant to section 33 et seqq. Securities Trading Act have been transmitted by Convergenta to the Company in the past.)

Upon implementation of the Capital Increase through Contributions in Kind, the total number of CECONOMY Shares (= total share capital of the Company) will increase from 359,421,084 CECONOMY Shares at present by 125,800,000 New Shares to 485,221,084 CECONOMY Shares. On this basis – and therefore in particular if the conversion of the CECONOMY Preference Shares into CECONOMY Ordinary Shares according to agenda item 4 is also resolved and performed – the Company's shareholder structure would look as follows:

Shareholder/entity subject to the notification requirement	CECONOMY Shares	In %
Convergenta	125,800,000	25.93 %
Franz Haniel & Cie. GmbH	81,015,280	16.70 %
Meridian Stiftung	53,913,363	11.11 %
freenet AG	32,633,555	6.73 %
Prof. Otto Beisheim Stiftungen	23,515,334	4.85 %
Giovanni Agnelli B.V.	18,496,794	3.81 %
Morgan Stanley	10,867,825	2.24 %
Free float (below 3 %)	***138,978,933***	***28.64 %***
TOTAL	**485,221,084**	**100.00 %**

bb) Shareholder structure after conversion of Convertible Bonds by Convergenta until the Convergenta's Target Shareholding is reached

If Convergenta converts Convertible Bonds and, therefore, Conversion Shares are issued up to a number sufficient to reach Convergenta's Target Shareholding, then the total number of CECONOMY Ordinary Shares following implementation of the Capital Increase through Contributions in Kind, namely 482,543,118 CECONOMY Ordinary Shares, may increase by 26,362,900 Conversion Shares to 508,906,018 CECONOMY Ordinary Shares. Assuming Convergenta's Target Shareholding is reached, the Company's shareholder structure would look as follows:

Shareholder/entity subject to the notification requirement	CECONOMY Ordinary Shares	In %
Convergenta	152,162,900	29.90 %
Franz Haniel & Cie. GmbH	81,015,280	15.92 %
Meridian Stiftung	53,913,363	10.59 %
freenet AG	32,633,555	6.41 %
Prof. Otto Beisheim Stiftungen	23,515,334	4.62 %
Giovanni Agnelli B.V.	18,496,794	3.63 %
Morgan Stanley	10,867,825	2.14 %
Free float (below 3 %)	***136,300,967***	***26.78 %***
TOTAL	**508,906,018**	**100.00 %**

Upon conversion of Convertible Bonds by Convergenta and the issuance of Conversion Shares to reach Convergenta's Target Shareholding, the total number of CECONOMY Shares (= total share capital of the Company) following implementation of the Capital Increase through Contributions in Kind, namely 485,221,084 CECONOMY Shares, may increase by 26,362,900 Conversion Shares to 511,583,984 CECONOMY Shares. On this basis – and therefore in particular if the conversion of the CECONOMY Preference Shares into CECONOMY Ordinary Shares according to agenda item 4 is also resolved and performed without Convergenta making use of its right to convert to such a higher extent – the Company's shareholder structure would look as follows:

Shareholder/entity subject to the notification requirement	CECONOMY Shares	In %
Convergenta	152,162,900	29.74 %
Franz Haniel & Cie. GmbH	81,015,280	15.84 %
Meridian Stiftung	53,913,363	10.54 %
freenet AG	32,633,555	6.38 %
Prof. Otto Beisheim Stiftungen	23,515,334	4.60 %
Giovanni Agnelli B.V.	18,496,794	3.62 %
Morgan Stanley	10,867,825	2.12 %
Free float (below 3 %)	*138,978,933*	*27.17 %*
TOTAL	511,583,984	100.00 %

cc) Shareholder structure following complete conversion of the Convertible Bonds by Convergenta

Upon complete conversion of the Convertible Bonds by Convergenta, the total number of CECONOMY Ordinary Shares following implementation of the Capital Increase through Contributions in Kind, namely 482,543,118 CECONOMY Ordinary Shares, would increase by initially 27,859,778 Conversion Shares to 510,402,896 CECONOMY Ordinary Shares. The Company's shareholder structure would then look as follows:

Shareholder/entity subject to the notification requirement	CECONOMY Ordinary Shares	In %
Convergenta	153,659,778	30.11 %
Franz Haniel & Cie. GmbH	81,015,280	15.87 %
Meridian Stiftung	53,913,363	10.56 %
freenet AG	32,633,555	6.39 %
Prof. Otto Beisheim Stiftungen	23,515,334	4.61 %
Giovanni Agnelli B.V.	18,496,794	3.62 %
Morgan Stanley	10,867,825	2.13 %
Free float (below 3 %)	*136,300,967*	*26.70 %*
TOTAL	510,402,896	100.00 %

Pursuant to the Standstill Agreement, a complete conversion of the Convertible Bonds which would result in Convergenta gaining control over the Company within the meaning of the Securities Takeover Act is ruled out for a period of six months after the Closing Date, but not beyond 31 December 2022.

Upon complete conversion of the Convertible Bonds by Convergenta, the total number of CECONOMY Shares (= the total share capital of the Company) after implementation of the Capital Increase through Contributions in Kind, namely 485,221,084 CECONOMY Shares, would increase by initially 27,859,778 Conversion Shares to 513,080,862 CECONOMY Shares. On this basis – and therefore in particular if the conversion of the CECONOMY Preference Shares into CECONOMY Ordinary Shares according to agenda item 4 is also resolved and performed – the Company's shareholder structure would look as follows:

Shareholder/entity subject to the notification requirement	CECONOMY Shares	In %
Convergenta	153,659,778	29.95 %
Franz Haniel & Cie. GmbH	81,015,280	15.79 %
Meridian Stiftung	53,913,363	10.51 %
freenet AG	32,633,555	6.36 %
Prof. Otto Beisheim Stiftungen	23,515,334	4.58 %
Giovanni Agnelli B.V.	18,496,794	3.61 %
Morgan Stanley	10,867,825	2.12 %
Free float (below 3 %)	*138,978,933*	*27.09 %*
TOTAL	513,080,862	100.00 %

e) Follow-up Restructuring

Directly following the Transaction, certain structural measures are to be implemented as part of a Follow-up Restructuring in order to allow for and ensure the long-term ability to exploit existing tax-loss carry-forwards of the Company. These structural measures are currently still under review. However, the Agreement in Principle (version as amended by the Amendment Agreement) stipulates that only non-binding preparations may be made in relation to the Follow-up Restructuring prior to consummation of the Transaction.

f) Total Consideration

aa) Components of the consideration

The Total Consideration of approximately EUR 815 million which shall be granted to Convergenta in return for acquisition of the Contribution Shares is divided into the following components:

- **Stock Component.** Convergenta shall receive 125,800,000 New Shares (eligible to participate in profits as of 1 October 2021) as a fixed consideration component having a total value of approximately EUR 524 million, on the basis of the 3M-VWAP of the CECONOMY Ordinary Shares of approximately EUR 4.17 before the announcement of the Transaction on 14 December 2020 (i.e. between the opening price on 14 September 2020 and the closing price on 11 December 2020), which New Shares are to be issued as part of the Capital Increase through Contributions in Kind and subject to the Exclusion of Pre-emptive Rights. The New Shares are to be issued at the lowest issue price. The difference between the issue price of the New Shares and any higher equity investment value of the non-cash contributions is to be allocated to the capital reserves in accordance with section 272(2) no. 4 German Commercial Code (Handelsgesetzbuch – HGB) as far as possible.

- **Convertible Bond Component.** Convergenta shall receive 1,510 Convertible Bonds with an aggregate principal amount of EUR 151,000,000.00 and a market value at the time of the announcement of the Transaction of EUR 160 million, which are to be issued by the Company in return for the Contribution in Kind under Exclusion of Pre-emptive Rights. The Convertible Bonds will grant their bearers conversion rights for an initial total of up to 27,859,778 Conversion Shares, for purposes of whose issuance the Conditional Capital 2022/I is to be created. The initial conversion price will be EUR 5.42 per Conversion Share. Taking the 3M-VWAP of EUR 4.17 as a reference price, this results in a conversion premium of around 30%. The Convertible Bonds will mature in five years as of their issuing date. The interest coupon amounts to 0.05% p.a. Convergenta will have no obligation to convert. Further details regarding the Convertible Bond Component are set out in the Terms and Conditions for the Convertible Bonds, which was made available for download on the Company's website, from the date the extraordinary General Meeting of the Company was convened, namely as Schedule 1.1. to the Subscription Agreement (version as amended by the Amendment Agreement) on the "Investor Relations" page, section "General Meeting" (www.ceconomy.de/general-meeting).

- **Cash Component.** Convergenta shall receive a Cash Component totalling EUR 130 million. The Capital Increase through Contributions in Kind and the issuance of Convertible Bonds are being made, with regard to this payment obligation of the Company above and beyond the granting of New Shares and Convertible Bonds, by way of a hybrid contribution in kind.

  The Cash Component will fall due in the following two tranches:

  - EUR 80 million when the Capital Increase through Contributions in Kind is implemented;

  - EUR 50 million at the time of performance of the Capital Increase through Contributions in Kind, but no earlier than on 9 August 2022.

  The Company's payment obligations will not be subject to interest. The right to claim statutory default interest remains unaffected.

bb) Fairness Opinion issued by Société Générale Corporate & Investment Banking

The Management Board asked Société Générale Corporate & Investment Banking (**"SocGen"**) to prepare a Fairness Opinion exclusively for the benefit of the Management Board and Supervisory Board as to whether the agreed Total Consideration is fair for the Company from a financial point of view. In the Fairness Opinion issued on 3 November 2021, SocGen concluded that, subject to the assumptions and constraints outlined in the Fairness Opinion, the Total Consideration was fair for the Company from a financial point of view as at the date of issue of the Fairness Opinion, i.e. 3 November 2021.

cc) Enterprise valuation by PwC

In the context of preparing for and implementing the Transaction, the Management Board instructed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (**"PwC"**) to perform a fundamental enterprise valuation of MSH and the Company in accordance with the version of Standard IDW S1 of the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany) applicable as at 2008 (**"IDW S1"**), this being intended to ensure that the lowest issue price can be attained in connection with the Capital Increase through Contributions in Kind and the issuance of the Convertible Bonds, and also to verify the adequacy of the issue price, including of the applied exchange ratio within the meaning of section 255(2) sentence 1 Stock Corporation Act (see below under item I.5. of the present report). In its expert opinion, PwC is to determine the enterprise values of MSH and the Company from the viewpoint of the Company using the discounted cash-flow (**"DCF"**) method. The reference date for the valuation was defined as 12 April 2022.

The expert opinion by PwC (**"Expert Opinion"**) will be made available for download on the Company’s website, from the date the extraordinary General Meeting of the Company is convened, on the “Investor Relations” page, section “General Meeting” (www.ceconomy.de/general-meeting). The Management Board has asked PwC to issue a declaration as per the reference date of 12 April 2022, this being the date of the extraordinary General Meeting, regarding the (non-)occurrence of any essential changes between the date of the Expert Opinion and the valuation reference date, i.e. the date of the extraordinary General Meeting.

dd) Verification of the Contribution in Kind by Mazars

By decision dated 22 November 2021, Dusseldorf Local Court , at the request of the Company dated 15 November 2021, appointed Ms Susann Ihlau, Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, with business address at Bennigsen-Platz 1, 40474 Dusseldorf, Germany (**"Mazars"**), to audit the Contribution in Kind associated with the Capital Increase through Contributions in Kind and the Convertible Bonds (including the Conditional Capital 2022/I created to service them).

g) Transaction Agreements

The Transaction Agreements concluded on 14 December 2020 between Convergenta and the Company, i.e. the Agreement in Principle, Contribution Agreement and Subscription Agreement (including Terms and Conditions) as well as the Amendment Agreement concluded on 9 November 2021, will be made available for download on the Company’s website, from the date the extraordinary General Meeting of the Company is convened, on the “Investor Relations” page, section “General Meeting” (www.ceconomy.de/general-meeting). In this respect, the following description is limited to a summary of the main contents of the Transaction Agreements based on the assessment of the Management Board, each as amended from time to time.

aa) Agreement in Principle

(1) Clause 1 (Transaction)

Clause 1 sets out the provisions agreed between the Parties with respect to transferring the Contribution Shares from Convergenta to the Company in return for the Company's grant of the Total Consideration to Convergenta, whereby these provisions are specifically subject to the detailed provisions contained in the Agreement in Principle and to satisfaction of the conditions precedent set forth in clause 10.1 of the Agreement in Principle (or subject to the waiver of these conditions precedent, to the extent that they may permissibly be waived).

(2) Clause 2 (Transaction Modules)

Clause 2 governs the Transaction Modules, i.e. the key obligations incumbent upon the Parties in connection with the Capital Increase through Contributions in Kind, the issuance of the Convertible Bonds, the Contribution in Kind, the subscription and assumption of the New Shares and Convertible Bonds by Convergenta, the Cash Component, as well as the Conditional Capital 2022/I. Under this clause, the Management Board and the Supervisory Board agreed to present the proposed resolution to the Annual General Meeting under agenda item 2. Convergenta, for its part, agrees to subscribe for and take over the New Shares and to take over the Convertible Bonds, specifically subject to the detailed provisions set forth in the Agreement in Principle.

(3) Clause 3 (Contribution Agreement)

Clause 3 provides for the conclusion of the Contribution Agreement, specifically subject to the detailed provisions of the Contribution Agreement, and subject to satisfaction of the conditions precedent set forth in clause 10.1 of the Agreement in Principle (or subject to the waiver of these conditions precedent, to the extent that they may permissibly be waived). As a supplemental provision, the Company undertook to recognise the Contribution Shares at cost under German commercial law and at market value under German tax law. The difference between the lowest issue price of the New Shares and any higher equity investment value of the non-cash contributions is to be allocated to the capital reserves in accordance with section 272(2) no. 4 German Commercial Code as far as possible. No share premium is to be payable.

(4) Clause 4 (Convertible Bonds)

Clause 4 provides for the conclusion of the Subscription Agreement, specifically subject to the detailed provisions of the of the Contribution Agreement and to the satisfaction of the conditions precedent set forth in clause 10.1 of the Agreement in Principle (or subject to the waiver of these conditions precedent, to the extent that they may permissibly be waived).

(5) Clause 5 (Valuation)

Clause 5 provides for an enterprise valuation to be performed by PwC and an audit of the Contribution in Kind by Mazars.

(6) Clause 6 (Obligations of the Parties)

Clause 6 includes the following provisions regarding dilution protection, Convergenta's Target Shareholding, implementation measures and Follow-up Restructuring:

- **Dilution protection:** Effective from the date of conclusion of the Amendment Agreement, i.e. 9 November 2021, to the Closing Date, the Company is under the obligation to not make use of the approved capital (genehmigtes Kapital) or the conditional capital and (with the exception of renewal of existing capital authorisations, including the authorisation to acquire and use the Company's own shares) to not propose any further corporate actions to the General Meeting.

- **Convergenta's Target Shareholding**: Convergenta is to attain Convergenta's Target Shareholding by exercising the conversion right in the manner stipulated for the Convertible Bonds and by receiving Conversion Shares in addition to the New Shares created under the Capital Increase through Contributions in Kind.

- **Implementation measures:**

  - The necessary preparatory and implementation measures are to be completed in a timely manner so as to ensure that the full documentation for convening the Annual General Meeting can be forwarded to the Federal Gazette (Bundesanzeiger); and

  - Initiation and conduct by the Company of one or more proceedings to obtain release for the entry of resolutions into the commercial register within the meaning of section 246a Stock Corporation Act in the event of lawsuits challenging the resolution adopted by the Annual General Meeting as proposed under agenda item 2.

- **Follow-up Restructuring**: The Parties agree to move the integration of MSH forward without undue delay following the closing of the Transaction through appropriate structuring measures in order to allow for and ensure the long-term ability to exploit existing tax-loss carry-forwards of the Company. Only non-binding preparatory measures may however be taken in respect of this Follow-up Restructuring prior to the consummation of the Transaction.

- **Profit distributions**: Clause 6.1 of the version of the Agreement in Principle before conclusion of the Amendment Agreement contained provisions regarding a deviation from the proportional full distribution of the profits of MSH for financial year 2019/20. A partial distribution of profits was to be made alone to CECONOMY Retail. To this end, a resolution regarding the distribution of profits was adopted and Convergenta's entitlement to distributions was deferred. Otherwise, the profits were transferred to the reserves. Due to the Transaction being delayed after the end of the financial year, these provisions are obsolete and were cancelled by the Amendment Agreement. MSH's shareholders' meeting resolved (i) a distribution/direct withdrawal of the profits for financial year 2019/20 transferred to the reserves and a pay-out in line with the shareholding ratios in CECONOMY Retail and Convergenta as well as (ii) in addition, a payment of the previously deferred amount to Convergenta. The payment was made in October 2021.

(7) Clause 7 (Admission to the Stock Exchange)

Clause 7 governs the preparation of the investment prospectus so as to ensure that the New Shares and Conversion Shares will be admitted for trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) as of the Closing Date, but no earlier than eight weeks after the extraordinary General Meeting. In addition, clause 7 provides for the Lock-up Agreement and Standstill Agreement of Convergenta (see the foregoing discussion under item I.4.b) of the present report).

(8) Clause 8 (Cooperation)

Clause 8 regulates the good faith cooperation between Parties with regard to implementing the Transaction as well as the Parties' obligation to provide regular updates on the current status of implementation of the Transaction.

(9) Clause 9 (General Settlement)

Clause 9 includes a general settlement of affairs, i.e.:

- The Shareholders' Agreement is to be cancelled along with all other potentially existing agreements between the Company and/or the Company's affiliated enterprises (with the exception of MSH or its subsidiaries) on the one hand, and Convergenta and/or Convergenta's affiliated enterprises and their direct and indirect shareholders on the other, to the extent that such agreements relate to MSH or CECONOMY Retail (with or without the involvement of additional third parties), with this cancelation being subject to the occurrence of the Closing Date as a condition precedent;

- The ongoing legal disputes and proceedings between Convergenta on the one hand and the Company and CECONOMY Retail, on the other hand, which have not yet been finally and conclusively adjudicated, or that will be so adjudicated in the near term, are to be terminated as quickly as reasonably possible following the conclusion of the Agreement in Principle, whereby each lawsuit is to be withdrawn such that the Parties will bear their own legal costs while splitting the court costs (Kostenaufhebung);

- Convergenta is to receive a lump-sum reimbursement for costs incurred for the legal disputes and proceedings between Convergenta on the one hand and the Company and CECONOMY Retail, on the other, which have already been finally and conclusively adjudicated, in the total amount of EUR 200,000.00 and due for payment within ten calendar days after conclusion of the Agreement in Principle.

(10) Clause 10 (Closing)

Clause 10 governs the following conditions precedent as well as the Parties' right to rescind:

- **Conditions precedent:**

  The provisions in clauses 1 to 4, 6.1 to 6.3, 6.5 and 9.1 are subject to the following condition precedent:

  - Consent of the Management Board and Supervisory Board to the conclusion and implementation of the Agreement in Principle and to the Transaction (see on this point item I.4.b) of the present report).

  The provisions in clauses 1, 2.2, 3, 4, 6.2, 6.3, 6.5 and 9.1 are subject to the following condition precedent:

  - Adoption of a resolution of approval by the General Meeting under agenda item 2.

- **Right to rescind:** A right to rescind applies

  - if a resolution of approval under agenda item 2 has not been adopted by the Annual General Meeting by 12 May 2022; or

  - if legal actions are brought challenging the adoption of the resolution of approval by the Annual General Meeting under agenda item 2 and proceedings for the release for entry of resolutions into the commercial register pursuant to section 246a Stock Corporation Act subsequently fail because the court issues an order denying the application or the application is withdrawn by the Company in at least one of the proceedings.

In the event of a rescission, neither Party will enjoy any rights or claims against the other Party, except for any rights or claims that already existed prior to the rescission.

(11) Clause 11 (Confidentiality)

Clause 11 contains a confidentiality agreement as well as the arrangements made between the Parties regarding the ad hoc disclosure issued by the Company on 14 December 2020, and also regarding investor relations communications and press communications in connection with the Transaction.

(12) Clause 12 (Miscellaneous)

Clause 12 contains among other things a provision stating that the costs of notarising the Agreement in Principle and the other documentation for implementation of the Transaction are to be borne by the Company and that it will bear a share of 78% in Convergenta's proven legal costs in connection with the Transaction for costs of up to EUR 500,000, i.e. a maximum of EUR 390,000, this regardless of whether the Transaction is carried out.

bb) Contribution Agreement

(1) Clause 1 (Contribution of C/M Shareholding)

Clause 1 provides for Convergenta to assign to the Company all the Contribution Shares, along with all existing profit rights and profit-participation rights existing as at 30 September 2020 (**"Cut-Off Date"**), plus the entitlement to all profits not yet distributed as dividends by the Cut-Off Date, plus all subscription rights and other rights related to the Contribution Shares existing as at the Cut-Off Date, subject to the proviso that Convergenta is to contribute the Contribution Shares into the Company for purposes of their economic allocation towards the Capital Increase through Contributions in Kind on the one hand and the issuance of the Convertible Bonds and payment of the Cash Component on the other (Contribution in Kind), whereby (i), on the one hand, the portion of the Contribution Shares corresponding to the ratio between the agreed value of the Stock Component and the sum total of the agreed values of the Cash Component, Convertible Bonds and Stock Component will be contributed towards the Capital Increase through Contributions in Kind; and (ii), on the other hand, the remaining portion of the Contribution Shares will be contributed towards the issuance of Convertible Bonds and the payment of the Cash Component. In addition, clause 1 contains provisions on restricted transferability (Vinkulierung) as well as on the pre-emptive purchase right pursuant to the MSH Articles of Associations.

(2) Clause 2 (Consideration for Non-cash Contribution)

Clause 2 covers the Company's obligation to issue the New Shares along with the legal reservation applicable under stock corporation law as set out in section 187 Stock Corporation Act and the prohibition against setting off claims and asserting rights of retention.

(3) Clause 3 (Issue of New Shares)

Clause 3 sets forth the particulars of the Company's obligation to issue the New Shares as well as Convergenta's obligation to execute the subscription form for the New Shares. In addition, clause 3 encompasses a provision on dilution protection as well as on the implementation of the Capital Increase through Contributions in Kind.

(4) Clause 4 (Consideration for Convertible Bonds Contribution)

Clause 4 covers the Company's obligation to issue the Convertible Bonds and to pay the Cash Component in the wake of issuing the Convertible Bonds, along with the legal reservation applicable under stock corporation law pursuant to section 187 Stock Corporation Act, and the prohibition against setting off claims and asserting rights of retention.

(5) Clause 5 (Cash Component)

Clause 5 governs among other things the maturity of the two tranches of the Cash Component.

(6) Clause 6 (Issuance of the Convertible Bonds)

Clause 6 sets forth the particulars of the Company's obligation with respect to the issuance of the Convertible Bonds, Convergenta's obligation to subscribe and take over the Convertible Bonds, and the obligation of the Company and Convergenta to conclude the Subscription

Agreement. In addition, clause 6 contains a provision on the creation of the Conditional Capital 2022/I.

(7) Clause 7 (Warranties)

Clause 7 contains the following independent warranties to be issued by Convergenta pursuant to section 311(1) German Civil Code (Bürgerliches Gesetzbuch – BGB) on the date of conclusion of the Amendment Agreement and on the Closing Date:

- That Convergenta has unqualified ownership of the Contribution Shares;
- That the Contribution Shares have been issued in an effective manner; that contributions have been paid in in full towards the Contribution Shares and that there are no repayments towards the Contribution Shares (including undisclosed repayments);
- That the Contribution Shares are free of third-party rights;
- That there are no restrictions of the right to dispose over the Contribution Shares; and
- That the Contribution Shares represent the entire stake of Convergenta in MSH or in enterprises that are dependent on MSH.

(8) Clause 8 (Duties to Cooperate and Inform)

As regards clause 8, reference is made to clause 8 of the Agreement in Principle.

(9) Clause 9 (Closing Conditions)

Clause 9 governs the following conditions precedent and the Parties' right to rescind:

- **Conditions precedent:**

  Provisions set forth in clauses 1.1, 2.1, 3.1, 3.4, 4.1, 6.1 and 6.3:

  - Consent of the Management Board and Supervisory Board to the Transaction (see on this point item I.4.b) of the present report);
  - Adoption of a resolution of approval by the General Meeting under agenda item 2; and
  - Entry of the implementation of the Capital Increase through Contributions in Kind and of the Conditional Capital 2022/I in the commercial register.
- **Right to rescind:** As regards the Parties' right to rescind the Contribution Agreement, reference is made to clause 10 of the Agreement in Principle.

(10) Clause 10 (MSH Voting Rights)

Clause 10 irrevocably obligates Convergenta to not exercise any voting rights at the MSH meeting of shareholders during the period between the Closing Date and the date on which MSH's new list of shareholders is accepted into the commercial register. In addition, the provision includes an irrevocable proxy voting power to the benefit of the Company effective for this period.

(11) Clause 11 (Payments)

Clause 11 contains the bank account information of Convergenta as well as a provision regarding payment details.

(12) Clause 12 (Confidentiality, Press Release)

Clause 12 contains a confidentiality agreement between the Parties.

(13) Clause 13 (Miscellaneous)

As regards clause 13, reference is made to clause 12 of the Agreement in Principle.

cc) Subscription Agreement

(1) Clause 1 (Issue and Takeover of the Convertible Bonds)

Clause 1 sets forth the particulars regarding the issuance, securitisation, assumption and delivery of the Convertible Bonds as well as regarding the transfer of ownership of the global note for the Convertible Bonds.

(2) Clause 2 (Global Note for Settlement Shares)

Clause 2 sets forth the Company's obligation to execute the global note(s) for purposes of the Convertible Bonds' conversion into Conversion Shares.

(3) Clause 3 (Warranties)

Clause 3 contains the following independent warranties to be issued by the Company pursuant to section 311(1) German Civil Code (BGB):

- That the Company is authorised to issue the Convertible Bonds, to conclude the Subscription Agreement, and to assume and fulfil the obligations arising therefrom;

- That the Company will procure all the acts required for the issuance of the Convertible Bonds and for the issuance and execution of the global note;

- That the conclusion of the Subscription Agreement will not constitute a contravention, breach, or non-fulfilment of a contract or of an agreement, nor a breach of the Company's articles of association or of other corporate-law agreements; that the Company will issue the Convertible Bonds and observe the provisions of the Subscription Agreement; and that the issuance of Convertible Bonds stipulated in the Subscription Agreement will be duly implemented; and

- That the Convertible Bonds will be issued in a legally effective manner and that the Company will enter into legally binding and enforceable obligations once it has signed and handed over the global note, subject to mandatory statutory regulations that may possibly restrict the effectiveness or enforceability of a given obligation.

(4) Clause 4 (Repayment)

Clause 4 governs the Company's obligation to repay the outstanding nominal value of the Convertible Bonds on the repayment date or, in the event of a premature repayment, on the corresponding repayment date.

(5) Clause 5 (Closing Conditions)

Clause 5 governs the following conditions precedent and the Parties' right to rescind:

- **Conditions precedent:**

  The consummation of the Subscription Agreement is to be subject to the following conditions precedent:

  - Consent of the Management Board and Supervisory Board to the Transaction (see on this point item I.4.b) of the present report);
  - Adoption of a resolution of approval by the General Meeting under agenda item 2;
  - Entry of the implementation of the Capital Increase through Contributions in Kind and of the Conditional Capital 2022/I in the commercial register; and
  - Legal effectiveness of the transfer of the Contribution Shares to the Company subject to the provisions of the Contribution Agreement.

- **Right to rescind:** As regards the Parties' right to rescind the Subscription Agreement, reference is made to clause 10 of the Agreement in Principle.

(6) Clause 6 (Confidentiality, Press Releases)

Clause 6 contains a confidentiality agreement between the Parties.

(7) Clause 7 (Miscellaneous)

As regards clause 7, reference is made to clause 12 of the Agreement in Principle. In addition, clause 7 contains a provision governing the terminology used in the Subscription Agreement.

5. Explanation and justification of the exchange ratio

In the context of the Transaction, Convergenta is to contribute the Contribution Shares, which correspond to a stake of approximately 21.62% in the equity capital of MSH, to the Company. The Total Consideration agreed for the acquisition of the Contribution Shares consists of: (i) 125,800,000 New Shares, (ii) 1,510 Convertible Bonds having an aggregate principal amount of EUR151,000,000.00 and (iii) the Cash Component totalling EUR 130,000,000.00. Convergenta aims to acquire a stake in the Company of up to 29.90% of the CECONOMY Ordinary Shares.

The planned exchange ratio is the result of negotiations between the Company and Convergenta concerning the Company's acquisition of the Contribution Shares and the key terms and conditions governing this acquisition. The specified amount of the Total

Consideration is derived from a valuation of the Contribution Shares that was mutually accepted by the Parties under the Agreement in Principle concluded on 14 December 2020.

For purposes of determining the fairness of the issue price and the exchange ratio for the Capital Increase through Contributions in Kind and for the issue of the Convertible Bonds, the Management Board appointed PwC, as an independent expert, to perform a fundamental valuation of MSH and the Company in accordance with Standard IDW S1 so as to ensure that the lowest issue price is attained in the context of the Capital Increase through Contributions in Kind and the issuance of the Convertible Bonds, and also to verify the fairness of the issue price, including the exchange ratio applied, within the meaning of section 255(2) sentence 1 Stock Corporation Act, and to report its findings on the matter in the form of an expert opinion.

In line with its mandate, PwC not only examined whether the Contribution in Kind attains the lowest issue price for the New Shares of approximately EUR 2.56 per New Share and attains the issue price of the Convertible Bonds, but also whether the agreed exchange ratio between the value of the Contribution in Kind and the value of the Total Consideration to be rendered to Convergenta is reasonable. The evaluation was based on the reference date of 12 April 2022, i.e. the date of the extraordinary General Meeting at which a resolution on the Capital Increase through Contributions in Kind and on the issuance of Convertible Bonds is to be adopted.

The conclusion reached in the Expert Opinion is that the exchange ratio, and thus also the issue price of the New Shares and the Convertible Bonds, is reasonable. The Management Board has thoroughly reviewed the Expert Opinion and fully embraces the conclusions made therein with regard to the valuation methodology and the results, particularly when it comes to the valuation of the Company and MSH.

The discussion below begins by describing the valuation methodology selected by PwC in its Expert Opinion and then proceeds to present the results of the valuations of both the Company as well as of MSH. It then summarises the findings of the Management Board as to the fairness, based on the values calculated, of the issue price of the New Shares and the exchange ratio and also of the Exclusion of Pre-emptive Rights in connection with the Capital Increase through Contributions in Kind and the issuance of Convertible Bonds.

a) Valuation methodology

aa) Requirements applicable to setting the exchange ratio pursuant to section 255(2) Stock Corporation Act

In line with the above-described structure of the Transaction, the Company plans to implement a Capital Increase Through Contributions in Kind pursuant to section 182 et seq. Stock Corporation Act under Exclusion of Pre-emptive Rights. In addition, the Company also intends to issue Convertible Bonds under Exclusion of Pre-emptive Rights. The resolution adopted by the General Meeting regarding the Capital Increase through Contributions in Kind may be challenged by the Shareholders pursuant to section 255(1) Stock Corporation Act. According to section 255(2) Stock Corporation Act, permissible grounds for such a challenge are deemed given if the resolution regarding the Capital Increase by Contribution in Kind sets an issue price or a minimum price for issuing shares that is "unreasonably low" (unangemessen niedrig). Thus the objective of section 255(2) Stock Corporation Act is to protect the original shareholders from an unreasonable dilution of their assets and their dividend entitlement in the wake of a Capital Increase through Contributions in Kind with Exclusion of Pre-emptive Rights. Although section 255(2) Stock Corporation Act has direct applicability only to capital increases by cash contributions, it is also applicable by analogy to capital increases through contributions in kind as well as to the issuance of convertible bonds excluding pre-emptive rights.

Conversely, it can be derived from the aforementioned regulation that a shareholders' challenge to the resolution cannot be justified on the grounds of a supposedly incorrect valuation if the value of the contribution in kind corresponds to the value of the shares or convertible bonds issued in return as consideration, since this would not cause any unreasonable dilution for the Shareholders. Thus, the decisive point here is the exchange ratio, i.e. the balance between the performance to be rendered and its corresponding consideration or, in the present case, the value of the Contribution in Kind to be made by the in-kind contributor relative to the value of the Shares and Convertible Bonds, which the Company will issue in return. This means that if one is to determine whether the consideration is fair, one must first arrive at a reasonable value for the share capital of MSH as at the key reference date of 12 April 2022, i.e. the day on which the extraordinary General Meeting is to adopt its resolution regarding the Capital Increase through Contributions in Kind and the issuance of Convertible Bonds.

The value calculation was performed by applying not only the principles for performing valuations in accordance with Standard IDW S1 – the valuation principles elaborated by the established legal precedents of the courts were also used; these principles were essentially developed in order to be able to determine a reasonable settlement or compensation amount in connection with the conclusion of a domination and profit and loss transfer agreement pursuant to section 291 et seqq. Stock Corporation Act or in connection with a squeeze-out under stock corporation law pursuant to section 327a et seqq. of the Act.

bb) Principles and methods for performing business evaluations according to Standard IDW S1

According to Standard IDW S1, the value of a company is determined by the benefits which the company will be able to generate in future due to the success factors it can draw upon at the time of the valuation, including its ability to innovate as well as its products, market position, internal organisation, workforce and management. Based on the operative assumption that purely financial objectives are to be pursued, the Company's value is derived from its capacity to generate a financial surplus for the company owners through the interplay of all the various factors which influence its ability to generate earnings.

According to Standard IDW S1, company values may be calculated using the discounted earnings value method (Ertragswert-Verfahren) or the discounted cash-flow (DCF) method. Both valuation methods essentially are equivalent and – assuming the same financing parameters and thus the same net income streams received by the company owners – will lead to the same results. This is because they are based on the same concept of investment theory (calculation of net present value). In the case at hand, the valuation was performed using the DCF method.

In both valuation methods, the first step is to determine the cash value of the free cash-flows derived from those assets that are essential for operations (operating assets). Any assets (including debts) that can be transferred individually without affecting the fundamental company purpose are to be treated as non-essential to operations (non-operating assets).

The cumulative cash values of the free cash-flows derived from the operating assets and non-operating assets in principle will equal the company value.

Whereas the discounted earnings value method (Ertragswert-Verfahren) attributes the free cash-flows identified directly to the equity-capital contributor, the DCF method, in its commonly used "gross approach", follows a two-step approach. In step one, the total market value of the company is calculated as the cumulative cash value of all future free cash-flows that are available to the contributors of equity capital and external capital. In step two, the market value of the external capital is deducted from the total market value so as to arrive at the market value of the equity capital.

Projecting the future free cash-flows poses the central problem for any company valuation. The earnings power the company has demonstrated in the past serves as a general starting point for plausibility reviews. In the process, the valuation must consider only those free cash-flows that result from measures already initiated or from a business strategy that has been sufficiently specified and documented. If the earnings prospects are expected to change for reasons related to the enterprise itself and/or altered conditions in the market or in the competitive environment, then any identifiable differences are to be taken into account.

When calculating company values, the assumption generally should be that, subject to any applicable legal restrictions, all the free cash-flows generated by a business concept which has been documented by the reference date will be paid out as dividends. When calculating the net income streams received by the company owners, any retained earnings are to be considered as well as the manner of their allocation/reinvestment.

To value a company, the future free cash-flows as at the valuation reference date are to be discounted with an appropriate interest rate. This discount rate allows the relevant decision-makers to compare the resulting figures to those that would result from an alternative course of action.

Given the relevance which personal income taxes have to the valuation, standardised tax profiles appropriate to the individual case need to be assumed in order to arrive at the company value. In the case of company valuations performed in the context of a company sell-off or other corporate measure, it is sensible to use indirect standardisation. Here, the operative assumption is made that the personal income tax burden owed on the net income streams derived from the company to be valued corresponds to the personal income tax burden that would be owed on the returns from an alternative investment in a portfolio of stocks. In line with this assumption, the net income streams received by the shareholders are not reduced to reflect personal income tax but are discounted with a stock yield which, though also not adjusted for income tax effects, is still influenced by these effects. This allows the personal tax burden of the individual shareholder to be indirectly accounted for on the basis of the typical tax profiles of a large number of capital market investors (shareholders).

If it emerges that a separate sell-off of all operating and non-operating assets would be more beneficial than continuing the business as a going concern, then the valuation should be based on the relevant liquidation values, unless this is impossible due to legal or objective constraints. A calculation of liquidation values was dispensed with in the present case since based on a number of estimates made it can be safely assumed that the calculated DCF values will exceed the liquidation values.

The net value of tangible assets does not have any informative significance of its own in the context of a company valuation.

The above-described principles and methods are generally accepted cornerstones of the current theory and practice of company valuation and are recognised in the established legal precedents handed down by the courts.

cc) Allocation of synergies

In the case of a capital increase through contribution in kind excluding pre-emptive rights, the evaluation of the fairness of the exchange ratio should also take into account the synergies and other economies of scope (Verbundvorteile) arising from the Transaction that add value to the company and that accrue to the benefit of the (original) shareholders in the wake of implementing the Capital Increase through Contributions in Kind. The same must also apply to the issuance of Convertible Bonds in return for Contribution in Kind under the Exclusion of Pre-emptive Rights. When determining fair and reasonable settlements in the context of structural measures under stock corporation law real synergies are not taken into account since the view is that the "forced" disinvestment resulting from the measure means that the minority shareholders have no interest in the real synergies arising from the implementation of the measure. In contrast to this, during capital increases through contributions in kind excluding pre-emptive rights and issuances of convertible bonds, different interests are involved.

Unlike in the case of structural measures under stock corporation law, the rights and entitlements associated with the share are not directly limited by the Capital Increase through Contributions in Kind or the issuance of Convertible Bonds. The original shareholders, though they may suffer an overall dilution of their dividend entitlement and voting rights in the wake of the Capital Increase through Contributions in Kind under Exclusion of Pre-emptive Rights and the exercise of conversion rights for the Convertible Bonds, still continue to hold a stake in the Company. Thus, even after the Transaction’s implementation and after the Capital Increase through Contributions in Kind and the exercise of conversion rights, the original shareholders will still participate in the real synergies in line with their pro rata stakes. Despite the resulting dilution of the voting rights, taken as a whole the Transaction could still prove to be economically advantageous to the original shareholders, given that they will be able to participate in the real synergies associated with the Transaction. Due to these synergies, the value of the shares held by the original shareholders will actually increase over its pre-Transaction level.

b) MSH

aa) Valuation basis for deriving the company value of MSH

The basis for the company valuation of MSH commissioned by the Management Board is the budget planning prepared by MSH as part of its regular planning process.

The company valuation commissioned in this case is a complete company value appraisal within the meaning of Standard IDW S1. In the opinion of the Management Board, the factors and interest rates to be applied all fall within the ranges required by the IDW.

The company value essentially consists of the value of the operating assets plus the value of the non-operating assets. MSH held liquid funds of EUR 1,013.0 million as at 30 September 2021. These liquid funds are required to run the ongoing business operations. Insofar as liquid funds are required for operations, they were counted towards the net working capital (NWC). MSH does not hold any substantial liquid funds at present that are not required for operations.

In order to determine the value of the operating assets, a forecast was made for a detailed planning phase (Phase I) and for a subsequent period (Phase II; so-called perpetual annuity phase). For Phase I, a period of three financial years from 2021/22 (budget) to 2023/24 (medium-term planning) was considered. The forecast prepared for MSH for this purpose is based on the Company's consolidated budget planning for the aforementioned financial years; first of all, its plausibility was checked on the basis of a historical analysis of financial years 2018/19 to 2020/21, which included a review of planning accuracy. To this end, any extraordinary components of past earnings (mainly restructuring expenses) were identified and converted into a normalised earnings figure (EBIT before restructuring expenses). The plausibility of the planning assumptions was further verified on the basis of the planning and with the aid of external industry data and market data.

The first step in valuing the operating assets is to derive future Earnings Before Interest and Taxes (EBIT). To derive a sustainable EBIT from 2024/25 onwards (Phase II), the numbers assumed for the last planning year were essentially modified so as to be able to carry forward a sustainable growth rate of 0.5%. In order to derive the reinvestment rate to be applied in Phase II in lieu of the depreciations, it was assumed that depreciations would correspond to the sustainable demand for investment.

The projected EBITs were then used to derive the discounted free cash-flows. In the process, the EBITs were first reduced by corporate income taxes, under the assumption that the company would be debt-free (notional corporate income taxes). The corporate income taxes accruing during the planning period were determined under application of the effective tax rate derived from the budget planning. The effective tax payments which were included in the Company's budget planning were calculated at the level of the individual national companies while allowing for country-specific tax regulations and any existing loss carry-forwards.

To determine income taxes during the perpetual annuity phase, the effective group tax rate of MSH was included in the calculation. Any tax loss carry-forwards existing at the country level at the end of the detailed planning phase were deducted from the sustainable income tax liability in the form of a tax-savings annuity while allowing for the carry-forwards' time-limited applicability under the relevant national laws.

Also, in order to derive the free cash-flows allocable to the contributors of equity capital and external capital, non-cash earnings and expenses were eliminated on the basis of balance-sheet planning and replaced by corresponding revenues and expenses. For example, investment expenses were assumed instead of depreciations, while non-income changes to other assets and liabilities, such as net current assets, were taken into account.

Also considered in calculating the free cash-flows were those portions of the annual earnings of the relevant companies that were attributable to the minority shareholders (essentially the managing directors of the retail outlets) during the relevant planning years.

The free cash-flows were discounted using a weighted average cost of capital (WACC) derived from the costs of equity capital and external capital so as to arrive at the total value of the company as at the valuation date. It was assumed that annual earnings would be paid out in full as dividends during the detailed planned phase and during the perpetual annuity phase.

The value of the operating assets (market value of equity capital) was determined by subtracting the market value of interest-bearing external capital from the total value of the enterprise.

MSH's minority shareholdings as at 30 September 2021 in M.video (15%) and in PMG (25%) were subsequently allocated to the market value of the equity capital as extraordinary items.

On this basis, the total enterprise value (Gesamtunternehmenswert) of MSH was first determined as at 30 September 2021 (as a technical valuation date). Audited financial statement data is available for MSH as at this reference date and the planning also covers the full extent of each financial year beginning on 1 October and ending on 30 September. Therefore, all the relevant documentation was available as per the technical reference date of 30 September 2021.

The total enterprise value was reduced by net financial liabilities as at 30 September 2021, so as to arrive at the market value of the equity capital (equity value (Marktwert des Eigenkapitals)) of MSH as at the technical valuation date.

To arrive at the equity value of MSH as at 12 April 2022, the equity value of MSH as at 30 September 2021 was deemed to accrue interest until 12 April 2022 in line with the equity capital costs; this same ending value can also be derived using the income value method as long as the same harmonised assumptions are maintained.

bb) Setting the discounting rate

(1) Calculating the discount rate

In order to value a company, one must discount its future free cash-flows as at the valuation date by applying an appropriate interest rate. The costs of equity capital and external capital are first weighted in accordance with the capital shareholdings of the contributors of equity capital and external capital (weighted average cost of capital or WACC) and are then used as the discount rate. The WACC corresponds to the minimum interest rate which the object of the valuation must generate in order not to place the contributors of equity capital and external capital in a worse position than if they had invested in the next-best alternative.

To determine the rate of the weighted cost of capital, it is purposeful to break this down into component rates for equity capital and for external capital.

In addition, the possibility must also be considered that the free cash-flows may grow after the end of the planning period; this must be reflected in the valuation process by including a growth discount in the discount rate (WACC).

(2) Deriving the cost of equity capital

The cost of equity capital is determined based on the (expected) yield of an alternative capital investment that is adequate in comparison to the object of the valuation.

In the process of calculating company values, the alternative yield should generally be assumed to equal the typically achievable yields from a bundle of company shares listed on the capital markets (stock portfolio), and an adjustment should be made to reflect the risk profile of the object of the valuation. If the applicable personal income tax rates are indirectly derived from typical benchmark rates, then the free cash-flows to be discounted should not be reduced by personal income taxes, nor should the discount rate be reduced by personal taxes before being applied.

When it comes to determining the yields of company shares, it is customary to differentiate between two components: the base rate of interest and the risk premium (the product of the beta factor and the market-risk premium).

If appropriate, an inflation differential and a country-risk premium should be factored in as well.

(3) Base rate of interest

As recommended by the IDW, the yield curve used for purposes of deriving the base rate of interest was calculated under consideration of the current interest rate level and the yield curve data published by Deutsche Bundesbank. The yield curve data used consisted of estimated values calculated based on the observed current yields of (quasi) risk-free coupon debentures, i.e. German Federal Bonds (Bundesanleihen), German Federal Medium-Term Bonds (Bundesobligationen) and German Federal Treasury Notes (Bundesschatzanweisungen).

The yield curve calculated depicts the correlation between interest rates and maturity terms that prevails for zero-coupon bonds without any credit-default risk. The use of zero-bond factors derived from the yield curve in accordance with the appropriate maturity terms ensures that an equivalent term structure will be maintained between the alternative investment and the free cash-flows to be valued.

Based on the yield curve and under consideration of the term structure of the free cash-flows to be evaluated, a uniform base rate of interest of 0.1% before personal income taxes was deemed appropriate as at 11 February 2022. Given that a typical shareholder profile was indirectly assumed as a benchmark in the case at hand, it would be inappropriate to reduce the base rate of interest by a personal income tax rate.

(4) Risk surcharge

Entrepreneurial activity always entails risks and opportunities. It is therefore impossible to forecast future free cash-flows with absolute certainty. As compensation for assuming this business risk (entrepreneurial risk), market investors demand risk surcharges (risk premiums) in addition to the base rate of interest.

Depending on how the alternative investment is defined, a number of different capital-market pricing models are available to quantify the risk surcharge for the company to be valued; these are based on the risk premium prevailing for a given market portfolio (market risk premium, **"MRP"**) and allow an individual risk premium to be estimated for the company. Given that a typical shareholder profile was indirectly assumed, the "Capital Asset Pricing Model" (**"CAPM"**) was selected.

When the CAPM is applied, the company’s specific risk premium before personal taxes is calculated by multiplying the company’s "beta factor" with the market premium before personal taxes. The beta factor serves to measure enterprise risk in relation to market risk. A beta factor greater than 1 means that the equity value of the company in question exhibits an above-average sensitivity to market fluctuations, while a beta factor of less than 1 means that the equity value will on average be relatively less sensitive to such fluctuations.

The market risk premium expected for the future can be estimated based on the historically observed difference between the yield of risky securities, e.g. on the basis of a stock index, and the yield of (quasi) risk-free capital market investments. Empirical studies of the German capital markets show that, depending on the reference period selected, investments in stocks historically have obtained average yields from 4 to 7% higher than investments in (quasi) risk-free capital market investments. Taking due account of the currently applicable tax laws and of the assumptions made to arrive at typical tax profiles, a market risk premium before personal taxes of 7.5% was used for the purpose of valuing MSH.

Given that MSH is not publicly listed, it is impossible to empirically determine individualised beta factors for the company. Beta factors of comparable, publicly listed companies had to be used instead. Thus, a first step was to derive an average, unlevered beta factor for a portfolio of comparable companies. For purposes of the present valuation, we used the capital markets data supplied by the financial information provider S&P Capital IQ based in New York City, New York, USA.

The group of relevant comparable companies was selected and limited by looking for publicly listed companies that operate on the consumer electronics market. When it comes to selecting the group of comparable companies, it generally is sensible and meaningful to focus on companies in the same industry that offer similar products and/or services and that are subject to the same market structures as the object of the valuation (e.g. a similar competitive environment). The comparable companies which were selected are listed below:

- Best Buy Co. Inc., Richfield, Minnesota, USA

- Currys plc (renamed, previously Dixons Carphone plc), London, United Kingdom
- CECONOMY
- Fnac Darty
- M.video

Taking into account the capital structure of these comparable companies as at their most recent balance sheet dates, an "unlevered beta factor" (the beta factor of a purely self-financed, i.e. debt-free company) ranging from 0.38 to 1.50 was calculated for each of them. This averages out to an unlevered beta factor of approximately 0.85, which was in turn applied for the valuation of MSH.

In the case at hand, the unlevered beta factor was adjusted based on the capital structure of MSH as at 30 September 2021 (known as "gearing" or "levering"). The adjustment of the beta factor serves to include in the calculation leasing liabilities as an interest-bearing financing component, since these leasing liabilities have increased due to the application of IFRS 16.

(5) Inflation differential

Since the base rate of interest previously calculated had been derived from the yield curve structure for German government debentures, it still had to be adjusted at the level of MSH's national companies so as to reflect the inflation rates expected in the relevant countries; only then could the company-specific capital costs be determined. It should be noted that the earnings forecasts shown in the budgeting calculations and the free cash-flows derived from these are nominal figures and thus reflect differing, country-specific expectations regarding inflation in each case. These inflation expectations generally do not match the ones prevailing in Germany.

For this reason, the base rate of interest used to derive the company-specific capital costs was adjusted by a weighted inflation differential. The inflation differential corresponds to the difference between inflation expectations in the home markets of the national companies, where foreign currencies are used, and inflation forecasts for the Eurozone (reference). The purpose of factoring in the inflation differential is to also reflect currency risks from inflation-related depreciation or appreciation in the calculation, to the extent that they are not already reflected in the free cash-flows. No inflation differential was applied for countries in the Eurozone.

The rate of inflation expected for each country in 2024 was used as a measure for long-term inflation expectations. In the process, the inflation expected for the Eurozone in 2024 was applied as a benchmark value. The relevant data were culled from information provided by the International Monetary Fund (IMF), based in Washington D.C., USA.

The end result was a weighted inflation differential of 0.44%, which was allocated to equity capital costs as a separate component.

(6) Country-specific risk premium

When performing a company valuation, a surcharge can be added to the discount rate so as to allow for certain risks in countries where the company to be valued operates, to the extent that these risks can influence the future cash-flows included in the calculation (e.g. economic, political and legal risks such as the danger of expropriation, strikes or even a sovereign debt default).

In principle, this also applies to the valuation of MSH. After all, MSH's national companies operating abroad earn a part of their earnings on markets that exhibit special risks relative to countries such as Germany.

Nevertheless, the use of a country-specific risk premium was forgone in the case at hand. This decision was motivated by two primary considerations. One is that MSH operates to an overwhelming degree in countries (mainly in Western Europe) where reliable economic and political conditions prevail. The other is that the approach used for the MSH valuation is intended to present a consolidated group picture rather than a sum-of-the-parts picture (valuation of a multiplicity of individual companies).

When a company unit like the MSH Group is valued, systematic risks in principle are fully reflected in the discount rate with the aid of the CAPM and are thus accounted for. Non-systematic risks, on the other hand, do not flow into the valuation since they can be mitigated or even avoided entirely through diversification. To determine the payment streams to be used for the MSH valuation, the earnings results of the individual national companies were aggregated while allowing for consolidation effects, so that diversification of individual country-specific risks could be assumed.

In this specific valuation case, moreover, the future free cash-flows were stated at their expected value. Thus there was no reason to factor additional risk aspects into the discount rate by way of another surcharge.

(7) Growth discount

Future growth of free cash-flows results from the retention and reinvestment of earnings, and also organically from price effects, volume effects, and structural effects. During the detailed planning phase, these growth potentials are reflected in the company planning and thus also in the free cash-flows. Given the assumption that earnings will be fully paid out as dividends, no growth in free cash-flows was assumed for the perpetual annuity phase. Additional growth potentials will be considered for the perpetual annuity phase as part of the valuation by means of a growth discount in the discount rate.

As regards the opportunities for growth and potential market developments on the basis of the capital resources and company asset value of the MSH Group in place at the end of the detailed planning phase, 0.5% was considered a reasonable figure for annual growth in free cash-flows and thus for a growth discount.

It is also to be taken into account that the sustainable growth rate refers to growth in earnings (instead of growth in turnover). In the case of (industry-specific) price inflation, the general assumption would be that cost increases could be fully passed onto the customers. Empirical studies have shown, however, that the ability to pass on such costs in reality is much lower. Given the intense competition and the rapid pace of technological progress, coupled with the price-sensitivity of customers, a growth discount of 0.5% appears reasonable for MSH.

(8) External capital costs and derivation of the WACC

The costs of external capital before taxes were first calculated as being around 1.43% on the basis of net indebtedness as at the valuation date, allowing for a risk-free interest rate of 0.1% plus a risk-adjusted spread based on the Company's ratings of BBB- and BB+. The inflation differential between non-euro countries and euro countries (around 0.44%) was added to this. The resulting external capital costs before tax come to 1.87%.

The tax deductibility of interest on external capital ("tax shield") is reflected in the costs of external capital after taxes. The tax-load ratio applied was the average nominal tax rate of the Company pursuant to the management report 2020/21, or 30.53%.

The capital structure reflected in the weighting of capital costs corresponds to the capital structure of MSH as at 30 September 2021.

cc) Market value of MSH's equity capital (equity value) according to Standard IDW S1

Based on the discountable free cash-flows of MSH, the application of a constant discount rate and a sustainable growth rate of 0.5%, the total enterprise value of MSH, before extraordinary items, amounted to EUR 5,764.3 million as at 30 September 2021.

The annual net income for the financial year 2019/20 was EUR 120.7 million. Part of the annual net income was initially deferred or transferred to reserves (see item I.4.g)aa)(6)) above). The shareholders' meeting has meanwhile resolved to pay the entire annual net income for financial year 2019/20 to the shareholders. From the profit distributions, as at 30 September 2021 liabilities amounting to around EUR 35.0 million towards CECONOMY Retail and around EUR 26.1 million towards Convergenta still existed at MSH.

MSH holds a 15% stake in M.video. The stake in M.video is stated on the MSH balance sheet at the exchange-quoted price without affecting earnings. The earnings derived from the stake in M.video are not contained in the valuation's underlying planning. Thus, MSH's ownership interest in M.video was stated as an extraordinary item whose value is based on the exchange-quoted price of the shares held by MSH as at 30 September 2021. A 3M-VWAP was used for this purpose. Using the RUB/EUR exchange rate as at 30 September 2021, namely 0.01179, the extraordinary item was valued at EUR 196.8 million.

MSH also holds a 25% stake in PMG as at 30 September 2021 which was reduced to 2% at the end of December 2021. This does not have any influence on the valuation as the stake was already written off to a notional value of EUR 1 as of 30 September 2021 due to the joint venture being unprofitable. As in the case of M.video, the earnings from the joint venture are not reflected in the budget planning.

The bottom-line result is an equity value of EUR 3,475.0 million as at 30 September 2021. Adding the equity capital costs as interest yields a value for MSH of EUR 3,686.4 million as at 12 April 2022.

Thus, the market value of the Contribution Shares will amount to EUR 797.0 million as at 12 April 2022.

dd) Added value to the Company from acquisition of the Contribution Shares under consideration of synergies

The Management Board expects the Transaction to produce substantial tax and operative synergies. Upon conclusion of the Transaction, it will become possible to offset holding costs at the level of the Company, as well as the Company's existing loss carry-forwards, against the positive earnings of MSH and also, albeit to a minor extent, to eliminate duplicate structures at the holding-companies level along with material costs directly associated with the pre-Transaction shareholder situation. In terms of quantifying the value added to the Company by the Transaction, the Management Board assumes a cash value for the minimum synergies of EUR 444 million, a figure based on very precisely quantified cost-savings potentials exhibiting a high probability of realisation. Besides the cost-savings at the holdings level, which will amount to EUR 55 million after discounting, the Management Board assumes that the tax synergies will have a cash value of at least EUR 389 million.

Once the EUR 444.0 million cash value of the minimum synergies is factored in, this yields a value inflow to the Company from the Transaction of EUR 1,241.0 million.

The bulk of the value potential quantified will result from the Company's tax loss carry-forwards for corporate income tax and trade tax, which amount to a total of approximately EUR 2,644.0 million (of which approximately EUR 1,149.0 million were reported as being attributable to corporate income tax loss carry-forwards and approximately EUR 1,495.0 million to trade tax loss carry-forwards) and which would be unusable if the Transaction were not to occur. The interest carry-forwards come to approximately EUR 132 million at the end of 2020/21. The existing tax-loss carry-forwards will be offsettable, provided the corresponding resolution is adopted by the General Meeting, against the future earnings (taxable income) of MSH, thereby reducing the tax burden. Given a consolidated tax rate of approximately 30.5% (15.8% corporate income tax and 14.7% trade tax), the future tax savings generated by offsetting future MSH earnings against the aforementioned tax-loss carry-forwards are alone estimated at approximately EUR 390 million according to the plausibility check by PwC, this being in nominal terms before discounting effects are considered, i.e. a sum which is even higher than the EUR 389 million calculated by the Company.

Besides these synergies, due to the possibility to offset tax-loss carry-forwards tax benefits also arise in that the Company's holding costs, too, could be offset against the future profits of MSH, namely in a sustainable fashion for as long as MSH earns profits. The tax benefits from offsetting the holding costs will be reduced by the holding cost savings that will become possible following the Transaction.

Simply put, it appears that the Company's planned holding costs and holding-cost savings would result in tax-offsettable holding costs of approximately EUR 28 million in financial year 2021/22, yielding annual tax savings of approximately EUR 8 million. From financial year 2022/23, the offsettable holding costs will decrease to EUR 22 million per year, resulting in annual tax savings of some EUR 7 million. Assuming the costs were to be offset against the future profits of MSH over a period of ten years, this would translate into a (nominal) tax benefit of approximately EUR 71 million (EUR 8 million + EUR 63 million) before discounting effects are considered.

Aside from these purely tax-related synergies, the savings in holding costs of approximately EUR 1 million in 2021/22 and after that approximately EUR 4 million per annum would also result in corresponding improvements in (pre-tax) earnings, namely ones with a cash value of approximately EUR 55 million. These savings would result, in the Management Board's opinion, from such factors as the elimination of congruent activities (elimination of duplicate functions), the further streamlining of holding structures, as well as the reduction of other, non-personnel-related costs, e.g. as a result of cost and efficiency advantages when commissioning audit and advisory services.

In summary, the considerations presented above indicate that the EUR 444 million value which the Management Board determines for the minimum synergies could well be exceeded. In this context, it should be taken into account that other operative synergies resulting from the Transaction (which could result from the further streamlining of processes and decisional channels going forward) have yet to be quantified and could therefore not be factored into the valuation.

ee) Plausibility check of the company value of MSH using multiples (summary)

If the stock exchange multiples are applied, or the trading multiples of comparable companies, to MSH's projected EBIT (before restructuring expenses) and EBITDA for financial year 2022/23, the then result is,

- on the basis of EBIT multiples, a range of EUR 4,133.6 million to EUR 5,337.8 million for the total enterprise value of MSH as at 30 September 2021; after deducting MSH's EUR 2,486.2 million in net financial liabilities as at 30 September 2021 and after accounting for the extraordinary items associated with the 15% stake in M.video of EUR 196.8 million and for the 25% stake in the joint venture in Greece of EUR 1, the market value for MSH's equity capital ranges between EUR 1,844.2 million to EUR 3,048.5 million;
- on the basis of EBITDA multiples, a range of EUR 4,092.7 million to EUR 8,362.9 million for the total enterprise value of MSH as at 30 September 2021; after deducting MSH's EUR 2,486.2 million in net financial liabilities as at 30 September 2021 and after accounting for the extraordinary items, the market value for MSH's equity capital ranges between EUR 1,803.4 million and EUR 6,073.6 million.

The calculated equity value of MSH as at 30 September 2021 in the amount of EUR 3,475.0 million lies within the range indicated by the EBITDA multiples. In view of the EBIT multiples, the DCF valuation indicates a rather optimistic view of MSH. The market value is slightly above the range calculated using the EBIT multiples. This would seem justified in view of MSH's strong market position relative to the competition and mirrors the above-average growth prospects that result from this positioning.

c) The Company

aa) Valuation basis for deriving the company value of the Company

The company valuation commissioned by the Company is based on the budget planning prepared by the Company as part of the regular planning process.

The company valuation commissioned in this case is a complete company value expert opinion (Unternehmenswertgutachten) within the meaning of Standard IDW S1. In the opinion of the Management Board, the factors and interest rates to be applied all fall within the ranges required by the IDW.

The valuation of the Company essentially follows the same approach used for the valuation of MSH (See item I.5.b) of the present report). It should be noted here that the valuation of the Company was essentially performed from a consolidated viewpoint and, furthermore, that extraordinary items for non-consolidated subsidiaries and affiliated companies were included.

The procedure followed to value the Company can be broken down into three key steps:

1. Derivation of free cash-flows in order to calculate the total enterprise value (Gesamtunternehmenswert) before extraordinary items as at 30 September 2021.

2. Determination of the net financial liabilities in order to derive the equity value (Eigenkapitalwert) before extraordinary items.

3. Quantification of the extraordinary items that arise from the values of the subsidiaries and affiliated companies, to the extent that they are not included in the budget planning from a consolidated viewpoint, in order to arrive at the Company's equity value after inclusion of extraordinary items.

The Company's value as at 30 September 2021, that was derived through these steps was supplemented by interest accruing in the form of equity capital costs up to the valuation date of 12 April 2022, so as to arrive at the market value of the Company's equity capital (after inclusion of extraordinary items but before pay-out of the Transaction's Cash Component) as at 12 April 2022. Once the Cash Component is deducted, this yields the market value of the Company as at 12 April 2022.

The valuation of the Company essentially was modelled on the valuation of MSH, which is the main operationally active company of the CECONOMY Group. Thus, the starting point for valuing the Company was the EBITDA of MSH, which was reduced by the holding costs of the Company and of CECONOMY Retail. As in the case of the MSH valuation, the resulting EBIT was reduced by taxes, by changes in (tangible) fixed assets and in net working capital, as well as by the dividend entitlements of the non-controlling shareholders at the level of MSH, so as to arrive at the free cash-flows to be discounted before extraordinary items. Thus, the free cash-flows of the Company were arithmetically derived by taking the free cash-flows of MSH and deducting the holding costs of the Company and of CECONOMY Retail.

The net financial liabilities (**"Net Debt"**) consist of the Net Debt of MSH plus the net financial liabilities of the Company, CECONOMY Retail, MWFS Zwischenholding GmbH & Co. KG (**"MWFS"**) and CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung mbH ("**CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung"**). MWFS and CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung do not engage in any operations but merely serve a financial linking function within the CECONOMY Group.

The extraordinary items consist of the values of the Company's non-consolidated subsidiaries and affiliated companies. Publicly listed companies were accounted for based on the 3M-VWAP for the last three months (reference date: 30 December 2021).

The Company's minority stake in MPKG is stated at its book value of EUR 35.0 million as at 30 September 2021. MSH's share in the joint venture in Greece was written off at EUR 1 (notional value) as at 30 September 2021. The remaining subsidiaries and affiliated companies were included in the equity capital stated on the balance sheet as per IFRS as at 30 September 2021.

bb) Determination of the discount rate (WACC)

The weighted average costs of capital (WACC) used to discount the Company's calculated free cash-flows before extraordinary items correspond to the same capital costs that were applied in the valuation of MSH. The Company's operating risk from a Group viewpoint is significantly influenced by MSH, which constitutes the most important company active on the market within the CECONOMY Group. Thus there was no need to adjust these costs for purposes of valuing the Company. Additional information on how these costs were derived is provided in item I.5.b)bb) of this report.

cc) DCF value according to Standard IDW S1 before the Transaction

Assuming a growth rate of 0.5% during the perpetual annuity phase, the discounting of the Company's free cash-flows before extraordinary items using the WACC of 7.24% yields a total enterprise value before extraordinary items of EUR 5,379.1 million as at 30 September 2021. The next step is to deduct from this the net financial liabilities of the Company, so as to arrive at the corresponding value of the Company's equity capital.

The calculated net financial liabilities of EUR 3,399.1 million are composed of the following:

- The net financial liabilities of MSH amount to EUR 2,486.2 million and result mainly from leasing liabilities of EUR 2,057.6 million. These also contain pension provisions worth EUR 45.6 million. The liability towards Convergenta (in total EUR 26.1 million) as at 30 September 2021 resulting from the distribution/direct withdrawal of profits for financial year 2019/20 (see item I.4.g)aa)(6) above) totalling EUR 120.7 million (see item I.5b)cc) above) is recognised under other financial liabilities.

- The net financial liabilities of the Company, which essentially consist of financial debts (EUR 755.8 million), namely a promissory note bond of EUR 249.1 million and leasing liabilities of EUR 9.8 million. In addition, positive bank balances (EUR 563.1 million) exist, of which EUR 271.0 million of this is regarded as necessary for operations by the Management Board and thus forms part of the net working capital rather than net financial liabilities. Of this, approximately EUR 189 million relate to the repayment of significant parts of the promissory note bond in March 2022 and approximately EUR 22 million to a transfer of funds to CECONOMY's benevolent fund. The net financial liabilities contain the planned dividend payment of EUR 62.6 million for valuation purposes.

- The net financial liabilities of CECONOMY Retail, which consist of pension provisions (EUR 288.9 million) and positive bank balances (EUR 1.7 million).
- MWFS is an entity without any operating activity. It holds receivables against affiliated enterprises on its books which, proceeding from a consolidated viewpoint, have been allocated to the net financial liabilities of the Company. The corresponding offsetting ledger item is reflected in net financial liabilities.
- The entity CECONOMY Dreizehnte Gesellschaft für Vermögensverwaltung likewise does not engage in any operating activity. It merely carries financial liabilities towards affiliated companies on its books which increase the overall net financial liabilities of the Company. Within the consolidated group, the Company is not in danger of becoming insolvent. The offsetting ledger items are likewise reflected in net financial liabilities.

Deducting the net financial liabilities from the total enterprise value before extraordinary items as at 30 September 2021 yields an equity value for the Company before extraordinary items of EUR 1,980.0 million as at 30 September 2021.

The extraordinary items amount to EUR 648.8 million. They include, in particular, the minority interest of around 24.30% in Fnac Darty at EUR 368.4 million, the interest of 15% in M.video at EUR 196.8 million as well as the interests in METRO of EUR 40.0 million and in MPKG of EUR 35.0 million.

Thus, once the extraordinary items have been factored in, the equity value of the Company as at 30 September 2021, amounts to EUR 2,628.8 million. This value was increased by equity capital costs to reflect the interest accruing until 12 April 2022, thereby arriving at an equity value of EUR 2,788.7 million for the Company as at 12 April 2022.

Since MSH is fully consolidated by the Company, the above figure must subsequently be reduced by the market value of Convergenta’s stake in MSH (21.62%).

Upon inclusion of the extraordinary items and deduction of the minority stakes, an equity value is obtained of 1,991.7 million as at 12 April 2022.

dd) Comparative valuation using the stock exchange-quoted price

Based on the 11 February 2022, stock exchange-quoted price of the CECONOMY Ordinary Share of EUR 3.92 and the EUR 6.85 per-share price of the CECONOMY Preference Share, the stock exchange-quoted value of the Company as at 11 February 2022, amounts to EUR 1,416.6 million. In a further analysis, the 3M-VWAP for the period 12 November 2021 to 11 February 2022 was used to arrive at EUR 3.71 per CECONOMY Ordinary Share and EUR 6.71 per CECONOMY Preference Share. This procedure yields, ceteris paribus, a value for the Company of EUR 1,341.4 million. All in all, an overall range for the value of the Company results of EUR 1,341.4 to EUR 1,416.6 million, which on the whole lies below the Company value determined using the DCF method.

Informational asymmetries, in particular, may be a possible cause for the difference observed in this case between the value derived from the DCF method and the value derived from the stock-market capitalisation approach. The term “informational asymmetry” refers to a situation in which the market has not yet considered certain information or is unable to fully or reliably evaluate information that has already been communicated. The planning underlying the Company's valuation contains positive effects from measures taken under the Operating Model intended to promote better efficiency and a sustainably improved cost situation at MSH. In addition to the strategic initiatives to boost turnover (e.g. expansion of the online business and the Services & Solutions business as well as marketplace roll-out), earnings are to be improved as well. There is reason to assume that the capital markets have only partially priced in these measures since their communication in August 2020 up to now, and that they are instead waiting to see whether the Company successfully implements the measures.

It cannot be ruled out, moreover, that investors are still currently averse to buying the shares of brick-and-mortar retailers as the past year and its coronavirus-related effects still persist. The postponed IPO of Dutch electronics retailer Coolblue is referred to in this context. Moreover, the increasing shift towards the online channel and weaker demand for high-end services could also act as a drag on gross margins.

On the trading day after the Company released an ad hoc disclosure regarding the planned Transaction after the close of trading on 14 December 2020, the price of the CECONOMY Ordinary Share (as quoted on the XETRA exchange) rose by approximately 25%. In the days that followed, the CECONOMY Ordinary Share appreciated further so that, by the close of that week's trading, the price had surged by approximately 40% over the price before the Transaction's announcement. This shows that the capital markets certainly welcomed the Transaction announced by the Company. It is not ruled out that if the planned Transaction is successfully closed, the Company's share price will increase sharply once again. Such a price increase is already reflected in the analysts' estimates from 2021 and 2022 which indicate a mean price target of EUR 5.00 per CECONOMY Share. If this price is reached, the Company's stock-market capitalisation would amount to EUR 1,797.1 million and would therefore be around EUR 194.6 million below the value calculated on the basis of the DCF method.

The anticipated return to normal business operations after the lifting of the restrictions in connection with COVID-19 could lead to investors increasingly buying shares in bricks-and-mortar retailers again and the difference between the Company's market capitalisation and the value calculated on the basis of the DCF method continuing to close up in the foreseeable future.

ee) Plausibility check of the Company's value with the aid of multiples

If the stock-exchange multiples or trading multiples for comparable companies are applied to the Company's projected EBITDA and EBIT for financial year 2022/23, the result is,

- on the basis of EBIT multiples, a range of EUR 3,943.1 million to EUR 5,091.9 million for the total enterprise value of the Company as at 30 September 2021; after deducting the Company's net financial liabilities as at 30 September 2021, namely EUR 3,399.1 million, and after allowing for extraordinary items, an equity value of the Company is obtained that ranges between EUR 441.5 million and EUR 1,590.2 million;

- on the basis of EBITDA multiples, a range of EUR 4,092.7 million to EUR 8,362.9 million for the total enterprise value of the Company as at 30 September 2021; after deducting the Company's net financial liabilities as at 30 September 2021, namely EUR 3,399.1 million, and after allowing for extraordinary items, an equity value of the Company is obtained that ranges between EUR 591.1 million and EUR 4,861.3 million.

The calculated EUR 1,877.5 million equity value of the Company as at 30 September 2021 (EUR 2,628.8 million minus the EUR 751.3 million value of MSH's minority stake as at 30 September 2021) lies within the range calculated using the EBITDA multiples. In view of the EBIT multiples, the DCF valuation indicates an optimistic view of the Company, like for MSH. Here too, the market value calculated lies slightly above the range calculated using the EBIT multiples.

Overall, the multiple-based valuation supports the valuation performed for the Company as at 30 September 2021 using the DCF method.

d) Valuation of the Convertible Bonds

Given that the value of the Convertible Bonds must be taken into account when calculating the value inflows generated by the Contribution in Kind, the plausibility of the value of EUR 160.0 million which the Parties determined for the Convertible Bonds was verified by PwC using its own in-house valuation criteria.

The value of a convertible bond essentially consists of the sum of the value of the bond component and the value of the conversion option. In a calculation of capital value, the value of the bond component can be expressed as the cash value of the agreed interest and amortisation payments, discounted by an interest rate that is appropriate to the prevailing risk and maturity term involved.

The risk-appropriate and maturity-term-appropriate discounting rate corresponds to the Company's applicable cost-rate for external capital for a corresponding maturity term. For purposes of the plausibility check, a risk-free interest rate for a five year period of -0.82% was calculated on the basis of data published by Deutsche Bundesbank. In order to reflect the prevailing default risk properly, a risk surcharge (credit spread) based on the Company's credit rating was also applied.

Given its derivative character, the value of the Convertible Bonds' conversion option, which allows the Convertible Bonds to be converted into shares of the Company, must be determined with the aid of option-pricing models. There are essentially two, mutually compatible methods for valuing derivatives. These are the Duplication Principle on the one hand and Risk-Neutral Valuation on the other. The idea behind the Duplication Principle is to synthetically replicate the derivative to be valued using securities with known prices. The Duplication Principle is based on the seminal option-pricing theories developed by Black/Scholes (1973) and Cox/Ross/Rubinstein (1979).

Risk-Neutral Valuation is an approach derived by implication from the work of Black/Scholes (1973) and was first expressly described by Cox/Rubinstein (1976). The logical proof adduced for the analytic valuation formula demonstrates that the valuation of a derivative is free of all risk-preferences. In option-pricing theory, a distinction is drawn between analytic and numerical valuation methods. Analytic or "closed-form" solutions like the Black/Scholes formula deliver theoretically exact values, but are not usable for all types of derivatives. Where complex derivatives are involved, it is also customary to use numerical solution approaches such as the Binomial Model developed by Cox/Ross/Rubinstein (1979) or the Monte-Carlo Simulation formulated and analysed for the valuation of derivatives by Boyle (1977).

In the case at hand, the conversion option contained in the Convertible Bonds features a dividend-protection mechanism, thus making it possible to determine its value in a theoretically exact manner using the Black/Scholes formula. The Black/Scholes formula was therefore applied to verify the plausibility of the value of the Convertible Bonds. The input parameters were the exchange-quoted price of the CECONOMY Ordinary Share current at the time the Transaction Agreements were concluded, the agreed initial conversion price of EUR 5.42 per Conversion Share, the term-appropriate, risk-free interest rate and the volatility of the share's yield. The verification of the plausibility of the market value the Parties had calculated for the Convertible Bonds found that the market value of EUR 160.0 million used as at the conclusion date of the Transaction Agreements is justifiable and that the valuation is plausible based on the capital market conditions prevailing at that time.

As shown above, owing to its derivative nature the value of the conversion option depends on factors including the price of the CECONOMY Share. Since the features of the Convertible Bonds were set out in the Agreement in Principle dated 14 December 2020, the parameters, including the share price underlying the valuation of the Convertible Bonds have changed in such a way that the value of the Convertible Bonds has declined. It should also be noted that if they are not converted, the Convertible Bonds will be paid back at their nominal value of EUR 151.0 million and that this will therefore be the maximum cash outflow.

When assessing whether the exchange ratio was reasonable, the value of EUR 160 million agreed by the Parties was nevertheless taken into account to the benefit of the Company's Shareholders.

e) Evaluation of the fairness of the issue price and the exchange ratio

aa) Exchange ratio without consideration of synergy effects

In order to assess the fairness of the issue price and the exchange ratio, the calculated values of MSH and the Company were examined in relation to the number of CECONOMY Shares before and after the Transaction. The starting point for the evaluation was the DCF equity value per CECONOMY Share which could be attributed to the original shareholders before the Transaction. Thus, the equity value attributable to the Shareholders as at 12 April 2022, was determined to be EUR 1,991.7 million. The number of CECONOMY Shares before the Transaction corresponds to the total of CECONOMY Ordinary Shares and CECONOMY Preference Shares. This yields a DCF value per CECONOMY Share before the Transaction of EUR 5.54. No significant deviations between the value per CECONOMY Ordinary Share and the value per CECONOMY Preference Share arise in the process.

In addition, the Company's value on the stock market as at 11 February 2022 was derived using the 3M-VWAP of the CECONOMY Ordinary Shares and the CECONOMY Preference Shares. Since in this case the per-share value of the Company (EUR 3.73 for the CECONOMY Ordinary Shares) lies below the per-share value of the Company as calculated using the DCF method, it has no influence on the evaluation of the fairness of the exchange ratio and thus of the issue price.

The total value of the New Shares of EUR 697.1 million, plus the value of the Convertible Bonds of EUR 160.0 million, as derived using actuarial principles, plus the Cash Component of EUR 130 million yields Total Consideration amounting to EUR 987.1 million. The market value of the Contribution Shares of EUR 797.0 million falls short of this value, meaning that if the synergies and other economies of scope are factored out, the Transaction would lead to a dilution of the CECONOMY Shares.

bb) The exchange ratio taking account of synergies

The dilution that would occur as shown above from the viewpoint of the original shareholders would, however, also be offset by a value inflow resulting from the synergies and economies of scope associated with the acquisition of the Contribution Shares. It is generally accepted that such synergies and economies of scope may be considered when evaluating the fairness of the exchange ratio for a capital increase through contribution in kind or issuance of conversion shares.

In order to be able to evaluate the fairness of the exchange ratio, the value of the Company after the Transaction was determined. To this end, the value of the Company calculated via the DCF method, the value of the Contribution Shares and the cash value of the minimum synergies created by the Transaction were all added up and the agreed Cash Component was subtracted. The EUR 444.0 million cash value of the minimum synergies consists – as explained in more detail under the foregoing item I.5.b)dd) of this report – of discounted holding cost savings in the amount of EUR 55 million and tax synergies of at least EUR 389 million. This yields a value for the Contribution Shares, including minimum synergies, of EUR 1,241.0 million. The post-Transaction company value calculated in this manner breaks down to EUR 6.05 per CECONOMY Share, which is more than the per-share value of the Company as calculated via the DCF method before the Transaction.

The value inflow attributable to the New Shares can be determined by taking the EUR 1,241.0 million value of the Contribution Shares, including minimum synergies, and deducting the EUR 160.0 million value of the Convertible Bonds as well as the Cash Component of EUR 130.0 million. Thus, the total value of the 125.8 million New Shares of EUR 697.1 million (based on the value of EUR 5.54 for each CECONOMY Share before the Transaction which was determined) contrasts with a value inflow of EUR 951.0 million. Thus, the value of the Contribution Shares, including the minimum synergies and minus the market value of the Convertible Bonds and the Cash Component, significantly exceeds the value of the New Shares issued in return as consideration.

The value inflow attributable to the Convertible Bonds can be determined by taking the EUR 1,241.0 million value of the Contribution Shares, including minimum synergies, and deducting the total value of the 125.8 million New Shares prior to the Transaction in the amount of EUR 697.1 million and the Cash Component of EUR 130.0 million. Thus, the value of EUR 160.0 million determined for the Convertible Bonds using actuarial methods contrasts with a value inflow of EUR 413.9 million. Thus, the value of the Contribution Shares, including the minimum synergies and minus the market values of the New Shares before the Transaction and the Cash Component, also significantly exceeds the value of the Convertible Bonds issued in return as consideration.

The value inflow attributable to the uniform Contribution in Kind for the New Shares and Convertible Bonds can be determined by taking the EUR 1,241.0 million value of the Contribution Shares, including minimum synergies, and deducting the Cash Component of EUR 130 million. Thus, the total value of (i) the value of EUR 697.1 million for the 125.8 million New Shares (based on the value of EUR 5.54 for each CECONOMY Share before the Transaction which was determined) and (ii) the value of the Convertible Bonds, calculated using actuarial methods, of EUR 160.0 million contrasts with a value inflow of EUR 1,111.0 million. Thus, the value of the Contribution in Kind of the Contribution Shares, including the minimum synergies and minus the Cash Component, significantly exceeds the sum total of (i) the value of the New Shares issued in return as consideration and (ii) the value of the Convertible Bonds.

Based on the values of MSH and the Company calculated using the DCF method, a stake of 35.8% of the Company's share capital would be allocated to Convergenta, while 64.2% of the share capital would be allocated to the original shareholders. Since the exchange ratio agreed between the Parties falls below this exchange ratio, this means that the fairness test is met. It follows that a value inflow of EUR 929.2 million would be sufficient to avoid dilution for the original shareholders on the basis of the agreed exchange ratio.

Given that the value inflow amounts to EUR 1,111.0 million, this means that the lowest issue price for the New Shares and Conversion Shares of approximately EUR 393.4 million is clearly attained.

It should be noted that this overall set of conclusions is not altered by the current rules designed to limit the spread of the COVID-19 pandemic and the partially restricted access to MSH stores. When it comes to evaluating whether the exchange ratio is fair on the basis of the relative enterprise values of MSH and the Company, it is ultimately of secondary importance whether the Management Board's forecast of future performance in the face of the COVID-19 pandemic ultimately turns out to deviate to one degree or another from actual performance results as seen in retrospect.

Since any such deviations were considered in the valuation of MSH as well as in the valuation of the Company for purposes of determining the exchange ratio, they in no way change the overall conclusion regarding the fairness of the exchange ratio. The conclusion ultimately depends on the relative valuation of the two companies involved in the Transaction and not on the absolute accuracy achieved in terms of the underlying planning. This holds all the more true in this time of unusual uncertainty due to the worldwide COVID-19 pandemic. Based on the Management Board's analysis, it is safe to assume that MSH and, with it, the Company, will weather the crisis successfully and emerge in a better position that some of their competitors.

f) Summary

In the view of the Management Board, the exchange ratio between the Contribution Shares and the Total Consideration to be granted to Convergenta in return is reasonable. According to the exchange ratio agreed between the Parties, the full exercise of conversion rights would give Convergenta an arithmetic stake of up to 29.95% in the Company's share capital. Based on the values calculated for MSH and the Company using the DCF method, on the other hand, Convergenta's stake in the Company's share capital would amount to 35.8%, whereas 64.2% of the share capital would be allocated to the original shareholders. Since the agreed exchange ratio is the lower of the two, this means that it passes the fairness test.

The fairness of the exchange ratio is furthermore supported by the fact that the value inflow of EUR 1,241.0 million associated with the acquisition of the Contribution Shares, including the minimum synergies, exceeds the EUR 987.1 million value of the Total Consideration. This means, in the Management Board's opinion, that no dilution will be suffered by the Shareholders.

The same result also follows if the Capital Increase through Contributions in Kind is examined entirely by itself, given that the value inflow of EUR 951.0 million attributable to the New Shares exceeds the New Shares' total value of EUR 697.1 million.

The same holds true, in the Management Board's opinion, for an isolated analysis of the Issuance of Convertible Bonds all by itself. The value of the Convertible Bonds which will apply at the time of the General Meeting that is to decide on the issuance of Convertible Bonds was set at EUR 160.0 million, i.e. 106% of the nominal value, using actuarial principles. Thus, the EUR 413.9 million value inflow from the acquisition of the Contribution Shares that is attributable to the Convertible Bonds exceeds the value of the Convertible Bonds issued in return as consideration.

The above-discussed interpretation of the Management Board is supported by the reactions of the stock markets to the Transaction's announcement. After the Transaction was announced through an ad hoc disclosure by the Company after the close of trading on 14 December 2020, the price of the CECONOMY Ordinary Share (as quoted on the XETRA exchange) rose from a closing price of EUR 4.096 on 14 December 2020, to a closing price of EUR 5.125 on the following day, 15 December 2020. This represents a price surge of approximately 25%. On the subsequent days, the price of the CECONOMY Ordinary Share continued to rise, recording an increase of around 40% at closing on Friday, 18 December 2020, as compared to the closing price of 14 December 2020, before the Transaction was announced. This shows that investors, too, share the Management Board's assessment of the Transaction's potential to create added value and to increase the value of the investment for all shareholders.

II. Reasoning for the Exclusion of Pre-emptive Rights

The Management Board hereby presents its report to the General Meeting, pursuant to section 186(4) sentence 2 Stock Corporation Act and section 221(4) sentence 2 in conjunction with section 186(4) sentence 2 Stock Corporation Act on the reasoning for the planned Exclusions of Pre-emptive Rights in the context of the resolution proposed by the Management Board and Supervisory Board under agenda item 2 with respect to the Capital Increase through Contributions in Kind and the issuance of Convertible Bonds, in each case excluding the statutory pre-emptive right of the Shareholders. The Capital Increase through Contributions in Kind and the issuance of Convertible Bonds are components of a uniform Transaction and thus of a uniform resolution under agenda item 2. Accordingly, the present report begins by examining the two Exclusions of Pre-emptive Rights jointly in the context of the Transaction (see item II.1. below). This is followed by reports focusing separately on the reasons for the Exclusion of Pre-emptive Rights in connection with the Capital Increase through Contributions in Kind (see item II.2. below) and on the reasoning for the Exclusion of Pre-emptive Rights in connection with the issuance of Convertible Bonds (see item II.3. below). The conclusions presented under item I. will be applicable to all subsequent reports and will become integral components thereof.

1. Report regarding the Exclusions of Pre-emptive Rights within the context of the uniform resolutions of the General Meeting under agenda item 2 pursuant to section 186(4) sentence 2 Stock Corporation Act and section 221(4) sentence 2 in conjunction with 186(4) sentence 2 Stock Corporation Act

It is proposed to the General Meeting that a resolution approving the Capital Increase through Contributions in Kind and the issuance of the Convertible Bonds be adopted.

In case of a capital increase, the shareholders principally have a statutory pre-emptive right to the New Shares to be issued (section 186(1) sentence 1 Stock Corporation Act). Nonetheless, the Management Board and the Supervisory Board propose to the General Meeting that the Shareholders' statutory pre-emptive rights be excluded in the resolution regarding the Capital Increase through Contributions in Kind in accordance with section 186(3) Stock Corporation Act.

Pursuant to section 221(4) sentence 2 and section 186(4) sentence 2 Stock Corporation Act, the shareholders principally also have a statutory pre-emptive right to the Convertible Bonds which are to be newly issued, given that these are backed by the New Shares of the Company. In this context as well, the Management Board and Supervisory Board propose to the General Meeting that the Shareholders' pre-emptive rights be excluded in the resolution regarding issuance of the Convertible Bonds in accordance with section 221(4) sentence 2 and section 186(3) Stock Corporation Act.

Both the Capital Increase through Contributions in Kind as well as the issuance of Convertible Bonds serve the purposes of enabling the Company to acquire from Convergenta the Contribution Shares in that the New Shares from the Capital Increase through Contributions in Kind and the Convertible Bonds to be issued, along with a Cash Component, are to serve as consideration for the Contribution in Kind of the Contribution Shares. Thus, only Convergenta is to be allowed to subscribe for the New Shares and the Convertible Bonds. The pre-emptive right of the existing shareholders is to be excluded.

The following discussion will demonstrate that the planned Transaction is in the best interests of the Company (see item II.1.a) below), that the resolutions to be adopted under the Exclusion of Pre-emptive Rights are suitable and necessary in order to realise the Company's interests (see item II.1.b) below), that the balance between the Company's interests and the detriments suffered by the Shareholders is reasonable (see item II.1.c)), and, in particular, that the exchange ratio between the Total Consideration on the one side and the Contribution Shares on the other is not unfairly detrimental to the Shareholders.

a) Interest of the Company in implementing the Transaction

The purpose of the resolution proposed under agenda item 2, namely the implementation of the above-described Transaction, is in the interest of the Company. For this to be deemed to be the case, it is already sufficient if the corporate officers participating in the adoption of the resolution can assume, based on their consideration of the matter, that the planned Transaction will benefit the Company and will thus ultimately benefit all of the Shareholders. The Management Board is confident that this holds true, given the benefits of the Transactions already discussed under item I.3. of this report.

b) Suitability and necessity of the Exclusions of Pre-emptive Rights

The Management Board believes that the Exclusions of Pre-emptive Rights in connection with the Capital Increase through Contribution in Kind and the Convertible Bonds are in both cases suitable and necessary to achieve the purpose which is in the Company's interest, namely the consummation of the Transaction. The Exclusions of Pre-emptive Rights are suitable because the acquisition of the Contribution Shares in return for issuance of a specific number of New Shares and Convertible Bonds presupposes an Exclusion of Pre-emptive Rights for both the shares as well as the bonds. If the New Shares and the Convertible Bonds were to be offered to the Shareholders for subscription, they would no longer be available for issue to Convergenta as part of the Total Consideration for the Contribution Shares.

The Exclusions of Pre-emptive Rights are also necessary in order to achieve this purpose. As part of its deliberations, the Management Board also considered the following possible alternatives to the planned Transaction, but rejected them as either impractical or less suitable:

aa) Maintaining the status quo

One possible alternative would be for the Company to not proceed with the Transaction and thereby maintain the current status quo. However, adhering to the present situation would not be conducive to the Company's interest in the Management Board's judgement, since the status quo would entail the following disadvantages and risks, in contrast to the aforementioned benefits of the Transaction:

- The complex corporate structure would be retained, meaning that important entrepreneurial decisions would continue to be taken at the level of the Company, while their implementation at the level of MSH would in part have to be coordinated with Convergenta;

- The realisation of existing or future synergy potentials between the Company and MSH and other companies, as well as the entrepreneurial progress and positive evolution of the CECONOMY Group as a corporate group, would be hindered through the current structural inefficiencies of the CECONOMY Group and by new shareholder disputes that could potentially arise at the level of MSH;
- There would be no way to make use of the existing tax loss carry-forwards of the Company;
- There would be no long-term resolution of the conflict between the Company and Convergenta;
- The efficient management and development of MSH would be subject to restrictions due to the escalation of existing and/or newly arising disagreements between the Company and Convergenta with respect to MSH;
- New court actions could potentially be brought as well, all of which would entail litigation risks and reputational damage;
- Resources (time and expense) would be wasted at the level of both the Company as well as MSH;
- The bearish assessments from analysts and investors would continue, as well as the negative press reports, along with the associated reputational damage;
- The Company would find it harder to smoothly and efficiently exercise its steering control over MMSRG due to the built-in conflicts of interest between the Company and Convergenta, particularly with respect to setting up an effective and cost-oriented financial management system and efficiently implementing purposeful projects or deal-making opportunities; and
- The Company would retain its de facto responsibility for 100% of the financing for MMSRG while only participating in approximately 80% of the earnings and business growth potential of MSH.

bb) Acquisition of the Contribution Shares in return for cash consideration

The Exclusion of Pre-emptive Rights associated with the Capital Increase through Contribution in Kind and with the issue of Convertible Bonds, could be avoided if the consideration to be rendered by the Company were to consist entirely of a cash payment. However, this option is not viable for several reasons.

If the consideration were to be rendered in cash, this would require a financing volume that is currently neither feasible nor advisable from a business standpoint in view of the Company’s financial position.

The option of obtaining interim financing via external capital was also rejected in view of the volume it would entail. Also, the Company would likely not have been able to obtain the required volume of external capital in the current market environment; in any case, the terms of such a credit facility would have been unacceptable in economic terms. Refinancing the borrowed external capital might well have proved impossible due to market-related risks, leaving the Company with a debt burden that, depending on the volume of the cash consideration, it might well have found to be unacceptable.

There was also no readiness to accept such a transaction structure on the part of Convergenta. As a result, an acquisition of the Contribution Shares in return for payment of cash consideration is not an option.

cc) Acquisition of the Contribution Shares in return for cash consideration while using the authorised capital and the conditional capital

A possible alternative to the planned Transaction would be to acquire the Contribution Shares while using the existing, authorised and conditional capital. The Company could implement a cash capital increase by drawing on the existing authorised capital and also issue convertible bonds which are backed by the existing conditional capital. The cash funds freed up by the Company in this manner could be used to acquire the Contribution Shares. With the cash funds obtained in this fashion by Convergenta, Convergenta, for its part, could acquire the new shares and the convertible bonds issued from the original shareholders, who would be ready to sell the new shares after subscribing the new shares as part of a cash capital increase or to sell the issued convertible bonds. In the case of this alternative transaction structure, at least a part of the cash capital increase could be implemented through the grant of a pre-emptive right to the Shareholders.

However, this transaction structure entails the risk that the cash capital increase and the issue of convertible bonds might not generate a sufficient emission volume to make it possible to acquire the Contribution Shares. In addition, it is not possible to obviate legal concerns under stock corporation law with regard to a so-called "hidden contribution in kind" (*verdeckte Sacheinlage*) if Convergenta were to use the freed-up cash funds to acquire new shares from the original shareholders in the context of the cash capital increase. It is true that the cash funds from the cash capital increase would not flow back directly to the original shareholders as the parties making the contribution in kind, but rather indirectly via Convergenta as part of the purchase of new shares and convertible bonds. On the other hand, the fact remains that, even when a third party is involved, it is possible under certain circumstances for a hidden contribution in kind to be deemed given if the payment from the third party, i.e. Convergenta, indirectly benefits the parties making the contribution in kind, i.e. the original shareholders, in the same manner as would a direct payment from the Company.

Furthermore, this approach would have been advantageous to the original shareholders only if they had exercised their pre-emptive right in order to avoid suffering a *pro rata* dilution. Given the emission volume involved, this would have entailed a substantial capital commitment on the part of the Shareholders.

dd) Hybrid in-kind/cash capital increase

A conceivable alternative would have been to offer Convergenta consideration consisting of new shares, but to create it by way of a hybrid in-kind/cash capital increase rather than as a pure Capital Increase through Contribution in Kind. If the Transaction took this form, the Company would still create the new shares to be transferred to Convergenta by way of a Capital Increase through Contribution in Kind. However, it would be possible in this case to rule out a dilution of the shareholders' pro rata stake by concomitantly implementing a cash capital increase with pre-emptive rights to the shareholders, the volume of which would ensure that the shareholders' pro rata stake ultimately would not be diluted once they exercised their pre-emptive rights. To ensure that the shareholding ratios were preserved, such a concomitant cash capital increase would have to have a substantial volume, which would lead to an over-financing of the Company.

Such a hybrid in-kind/cash capital increase would, however, have failed to meet the approval of Convergenta, since Convergenta would have found it impossible to attain its target shareholding in the Company once the original shareholders had exercised their pre-emptive rights. And even this approach would have preserved the shareholding ratios only to the extent that the remaining shareholders actually made use of their pre-emptive right. But if certain shareholders were forced to waive the exercise of their pre-emptive rights due to the large capital commitment required – particularly in view of the large volume required for the concomitant cash capital increase – then these shareholders would have suffered an even stronger pro rata dilution of their shareholdings than under the Transaction structure that was ultimately selected.

ee) Acquisition of approximately 2% of the Contribution Shares

The idea of acquiring a stake of approximately 2% of the Contribution Shares from Convergenta with the aim of surpassing the blocking minority threshold of 80% in line with the articles of associations of MSH was one that Convergenta was not willing to entertain. In addition, such an acquisition without additional structural measures would have failed to unlock the value-creation potential described earlier.

ff) Merger of MSH and CECONOMY Retail

A merger of MSH and CECONOMY Retail into the Company was also unacceptable to Convergenta, whose consent would have been required to adopt a resolution approving such a merger in the MSH meeting of shareholders. Moreover, assuming that the merger ratio would have equalled the exchange ratio applied in the case at hand, then a merger of MSH into the Company would have led to the same dilution in the shareholdings of outside shareholders as a Capital Increase through Contribution in Kind or the issuance of Convertible Bonds, meaning that the merger would have produced no additional benefits in this regard.

gg) Conclusion of a control and/or profit transfer agreement between CECONOMY Retail and MSH

Just like a merger of MSH and CECONOMY Retail, the idea of having CECONOMY Retail and MSH conclude a domination and profit and loss transfer agreement would not have been feasible due to Convergenta's unwillingness to give its consent to the resolution of approval required from the MSH meeting of shareholders.

c) Proportionality

Lastly, an overall weighing of the Company's interests against the interests of the Shareholders also confirms that the Exclusion of Pre-emptive Rights is a proportional measure in the case at hand. This weighing of interests also specifically takes into account the effects of the Capital Increase through Contribution in Kind and the issuance of Convertible Bonds on the Company's shareholder structure and the fairness of the exchange ratio.

aa) Effects of the Capital Increase through Contribution in Kind and the issue of Convertible Bonds on the Company's shareholder structure

As regards the change occurring in the shareholder structure as part of the planned Transaction, please see item I.4.d.) of the present report. Once the Transaction is consummated, Convergenta will become the single largest shareholder in the Company. Thus, the Capital Increase through Contribution in Kind will necessarily lead to a dilution of the original shareholder's shareholding ratios (known as a "*pro rata* dilution"), namely down to a total of 73.93% of the CECONOMY Ordinary Shares and 74.07% of the Company's share capital upon implementation of the Capital Increase through Contribution in Kind, or down to 70.10% of the CECONOMY Ordinary Shares and 70.26% of the Company's share capital upon conversion of the Convertible Bonds by Convergenta in order to attain Convergenta's Target Shareholding.

For the original shareholders, the acquisition of more than 25% of the share capital of the Company by Convergenta means that Convergenta could be in a position to block important resolutions – particularly those concerning structural measures, which the General Meeting can only adopt with a qualified majority of three quarters of the share capital represented at the voting. However, this would not diminish the individual influence exerted on the Company by the original shareholders at General Meetings. At present, no shareholder holds a majority of the voting rights such as would give that shareholder a decisive voice at general meetings. Thus, the dilution will not lead to any loss of decisive influence at annual general meetings, which makes the dilution less of a burden for the original shareholders from a corporate-law standpoint. Furthermore, the original shareholders thus far have merely held a financial stake in the Company without exercising any significant entrepreneurial/managerial influence. This situation will not change in the wake of the dilution resulting from the Transaction.

In addition, the Company has already informed the CECONOMY Key Shareholders, individually and separately from one another, i.e. bilaterally, about the Transaction. On this basis, each of these CECONOMY Key Shareholders separately has advised the Company that they are in favour of the Transaction and, in particular, that they intend to exercise their voting rights accordingly at the General Meeting. Thus, the CECONOMY Key Shareholders, whose influence in the General Meeting will be significantly diminished by the *pro rata* dilution, accept the exclusion of their pre-emptive rights and the *pro rata* dilution of their shareholdings which it entails.

bb) Fairness of the exchange ratio and justification of the issue price

The value inflow of EUR 1,241.0 million (including minimum synergies) associated with the acquisition of the Contribution Shares exceeds the EUR 987.1 million value of the Total Consideration, which consists of the EUR 697.1 million value of the New Shares as calculated using the DCF method, the EUR 160.0 million value of the Convertible Bonds calculated using actuarial methods and the EUR 130 million Cash Component. No unreasonable dilution will be suffered by the Shareholders in the Management Board's opinion (a view supported by the Expert Opinion of PwC and the Fairness Opinion of SocGen), since the value of the Contribution in Kind, including the associated minimum synergies, exceeds the value of the Total Consideration. Thus, the issue price of the New Shares and the Convertible Bonds is fair as well.

Given the fairness of the exchange ratio and the issue price of the New Shares and the Convertible Bonds, there will be no unreasonable dilution to the detriment of the shareholders. For the Shareholders, this means that their shares will not be impaired as a financial investment. On the contrary, the synergies associated with the Transaction will give them the possibility of seeing their shares appreciate thanks to the Transaction.

cc) Overall balancing of interests

When an overall balancing of the interests involved is performed, the interest of the Company in consummating the Transaction clearly outweighs the original shareholder's interest in avoiding a dilution. The *pro rata* dilution of voting rights associated with the Transaction does not weigh as heavily, given that none of the current shareholders would lose a decisive degree of influence on the enterprise due to the Transaction. In addition, the CECONOMY Key Shareholders agree to the Transaction and to the associated resolutions regarding the Exclusion of Pre-emptive Rights. The remaining shareholders will not suffer any significant detriment through the dilution of their voting rights. A dilution in the economic sense will not occur, since the value of the Contribution Shares, including the synergies generated by the Transaction, exceeds the value of the Total Consideration granted to Convergenta as consideration in return.

Against this background, consummating the Transaction, which is in the Company's interest, is also of predominant importance. This means that the Exclusion of Pre-emptive Rights, both for the Capital Increase through Contribution as well as for the issuance of Convertible Bonds, is justified in view of the Company's interest.

2. Report on Exclusion of Pre-emptive Rights in the context of the Capital Increase through Contribution in Kind pursuant to section 186(4) sentence 2 Stock Corporation Act

Below, it will be shown that, even if the Capital Increase through Contribution in Kind is examined in isolation, the purpose of the planned Exclusion of Pre-emptive Rights is in the interests of the Company (see item a) below); that the Exclusion of Pre-emptive Rights is suitable and necessary for realising the Company's interest (see item b) below) and strikes a reasonable balance with the detriments to be suffered by the Shareholders (see item c) below) and, in particular, that the exchange ratio between the New Shares and the Contribution

Shares – and thus the issue price of the New Shares – is not unfairly detrimental to the Shareholders.

a) Interest of the Company in the Capital Increase through Contribution in Kind

The purpose of the planned Exclusion of Pre-emptive Rights as part of the Capital Increase through Contribution in Kind, namely the closing of the Transaction, is in the interest of the Company. The Management Board is convinced that the Capital Increase through Contribution in Kind will benefit the Company and thus will ultimately benefit all of the Shareholders. This conclusion is supported by the advantages of implementing the Transaction that have already presented under item II.1.a). Given that the Capital Increase through Contribution in Kind and the associated Stock Component are a fixed consideration component of the Total Consideration and thus form an integral part of the Transaction – one that would already give Convergenta a stake of approximately 26.07% in the CECONOMY Ordinary Shares then issued, or approximately 25.93% in the share capital of the Company – it follows that the Company would not be able to realise the benefits associated with the Transaction without implementing the Capital Increase through Contribution in Kind.

b) Suitability and necessity of the Exclusion of Pre-emptive Rights

The Management Board believes that the Exclusion of Pre-emptive Rights is suitable and necessary in order to achieve the purpose which lies in the Company's interest, this being to implement the Transaction. The Exclusion of Pre-emptive Rights is suitable because the ability to use the New Shares as part of the Total Consideration for the acquisition of the Contribution Shares is contingent upon an Exclusion of Pre-emptive Rights. If the New Shares were to be offered to the Shareholders for subscription, then they would no longer be available for issue to Convergenta as part of the consideration rendered in return for the Contribution Shares.

The Exclusion of Pre-emptive Rights is also necessary in order to achieve this purpose. The Management Board has considered possible alternatives to the planned Transaction in its deliberations, but has rejected them as impractical or less suitable. In this respect, reference is made to the explanations provided under item II.1.b) of the present report.

c) Proportionality of the Exclusion of Pre-emptive Rights

Lastly, the Exclusion of Pre-emptive Rights in the present case is also proportional when the interests of the Company are weighed against the interests of the Shareholders. This overall balancing of interests specifically takes into account the effects that the Capital Increase through Contribution in Kind would have on the Company's shareholder structure and the fairness of the exchange ratio.

aa) Effects of the Capital Increase through Contribution in Kind on the Company's shareholder structure

Once the Capital Increase through Contribution in Kind and the issuance of the New Shares which are to be approved by resolution of the General Meeting are implemented, the shareholder structure will change. Convergenta will acquire a stake of approximately 26.07% of the CECONOMY Ordinary Shares then issued, or approximately 25.93% of the Company's share capital. This means the Capital Increase through Contribution in Kind necessarily will lead to a dilution of the original shareholder's shareholding ratios ("pro rata dilution"), namely down to a total of approximately 73.93% of the CECONOMY Ordinary Shares then issued, or approximately 74.07% of the Company's share capital. The CECONOMY Key Shareholders agree to this pro rata dilution, however, while the remaining shareholders are unable to exercise any significant influence within the Company as things stand today. The explanations provided under item II.2.c)aa of the present report apply by analogy.

bb) Reasonableness of the exchange ratio and justification of the issue price

The value inflow attributable to the New Shares in the amount of EUR 951.0 million markedly exceeds the EUR 697.1 million value of the New Shares to be issued in the context of the Capital Increase through Contribution in Kind. Against this backdrop, the exchange ratio agreed between the Company and Convergenta with regard to the Capital Increase through Contribution in Kind and the issue price of the New Shares is reasonable. There will be no dilution in the economic sense to the detriment of the Shareholders.

cc) Overall weighing of interests

When all the interests are balanced, it is evident that the interest of the Company in implementing the Capital Increase through Contribution in Kind clearly outweighs the interest of the original shareholders in avoiding a dilution. As explained above, the CECONOMY Key Shareholders are willing to accept the Exclusion of Pre-emptive Rights. The remaining shareholders will not suffer any significant impairment to their voting rights as result of the dilution. Nor will there be any dilution in the economic sense, given that the value inflow attributable to the New Shares exceeds the value of the New Shares as calculated using the DCF method. Against this backdrop, it follows that the implementation of the Capital Increase through Contribution in Kind, which serves the purpose of consummating the Transaction and thus lies within the Company's interest, is of predominant importance. Thus, the Exclusion of Pre-emptive Rights in the context of the Capital Increase through Contribution in Kind is justifiable in view of the Company's interest.

3. Report on the Exclusion of Pre-emptive Rights in the context of the issuance of Convertible Bonds in accordance with section 221(4) sentence 2 and section 186(4) sentence 2 Stock Corporation Act

The discussion below will show that the purpose of the planned Exclusion of Pre-emptive Rights in the context of the issuance of Convertible Bonds is in the interest of the Company (see item a) below), that the Exclusion of Pre-emptive Rights is suitable and necessary for realising the Company's interest (see item b) below) and strikes a proportional balance with the detriments suffered by the Shareholders (see item c) below) and, in particular, that the exchange ratio – and thus the issue price of the Convertible Bonds – is not unfairly detrimental to the shareholders.

a) Interest of the Company in issuing the Convertible Bonds under Exclusion of Pre-emptive Rights

In the Management Board's opinion, the purpose pursued by the planned Exclusion of Pre-emptive Rights, namely to consummate the Transaction, is in the interest of the Company. This view is supported by the series of benefits associated with consummating the Transaction that have already been presented under item II.a). Given that the issue of the Convertible Bonds as the Convertible Bond Component, just like the Capital Increase through Contribution in Kind, forms part of the Total Consideration and is thus integral to the Transaction, it follows that the Company would be unable to realise the benefits associated with the Transaction without issuing the Convertible Bonds.

b) Suitability and necessity of the Exclusion of Pre-emptive Rights

The Management Board believes that the Exclusion of Pre-emptive Rights is suitable and necessary for achieving the purpose which is in the Company's interest, namely the closing of the Transaction. The Exclusion of Pre-emptive Rights is suitable because acquiring the Contribution Shares in return for issuance of the Convertible Bonds is contingent upon the exclusion of the Shareholders' pre-emptive rights. If the Convertible Bonds were to be offered to the Shareholders for subscription, they would no longer be available for issue to Convergenta as part of the consideration rendered in return for the Contribution Shares.

The Exclusion of Pre-emptive Rights is also necessary for achieving this purpose. The Management Board has considered possible alternatives to the planned Transaction in its deliberations, but has rejected them as being impractical or less suitable. In this respect, reference is made to the explanations provided under point b) of this report.

c) Proportionality of the Exclusion of Pre-emptive Rights

aa) Effects of the issuance of Convertible Bonds on the Company's shareholder structure

Once Convergenta converts the Convertible Bonds in order to reach Convergenta's Target Shareholding, Convergenta's stake in the Company will increase to 29.90% of the CECONOMY Ordinary Shares then issued, or to approximately 29.74% of the Company's share. The stake held by the remaining shareholders will decrease accordingly, if and insofar as Convergenta exercises its conversion rights for the Convertible Bonds. This will further strengthen Convergenta's position as a shareholder. However, once the Capital Increase through Contribution in Kind is implemented, Convergenta will already have a blocking minority of 25% when it comes to those resolutions of the General Meeting which can only be adopted with a majority of three quarters of the share capital represented at the voting (known as a "qualified majority ratio of capital"). Thus, converting the Convertible Bonds will increase Convergenta's influence to an only minor degree. In addition, the CECONOMY Key Shareholders are willing to accept the pro rata dilution resulting from the issue of Convertible Shares, while the remaining shareholders in any case are not in a position to significantly influence the Company as things stand today. In this respect, the explanations provided under item II.2.c)aa) apply by analogy.

bb) Reasonableness of the exchange ratio and justification of the issue price

When examined in isolation and without considering the Transaction's economic benefits, the theoretical value of the Convertible bonds calculated by the Management Board using actuarial methods currently amounts to approximately EUR 160.0 million. This yields an isolated ex-ante valuation of the Convertible Bonds at 106% of par value. The EUR 413.9 million value inflow (including minimum synergies) which is attributable to the Convertible Bonds as a result of the acquisition of the Contribution Shares clearly exceeds the value of the Convertible Bonds issued in return as consideration.

Against this backdrop, the Management Board believes that the exchange ratio agreed between the Company and Convergenta with respect to the issuance of the Convertible Bonds and the issue price of the Convertible Bonds is reasonable. There will be no dilution in the economic sense to the detriment of the Shareholders.

cc) Overall weighing of interests

An overall balancing of the interests involved reveals that the interest of the Company in the issuance of the Convertible Bonds clearly outweighs the original shareholders' interest in avoiding a (proportional) dilution. The CECONOMY Key Shareholders are willing to accept the Exclusion of Pre-emptive Rights in the context of the issuance of Convertible Bonds. The remaining shareholders will not suffer any significant impairment of their current voting rights from the dilution. Nor will there be any dilution in the economic sense, given that the value inflow attributable to the Convertible Bonds as a result of acquiring the Contribution Shares exceeds the value of the Convertible Bonds.

Duesseldorf, in February 2022

CECONOMY AG

THE MANAGEMENT BOARD