

# CECONOMY

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INVITATION TO THE

## **GENERAL MEETING OF CECONOMY AG**

ON WEDNESDAY, 13 FEBRUARY 2019

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# CECONOMY AG

## Düsseldorf

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German Securities ID Ordinary Share	725 750
German Securities ID Preference Share	725 753
ISIN Ordinary Share	DE 000 725 750 3
ISIN Preference Share	DE 000 725 753 7

We are pleased to invite our shareholders to the Annual General Meeting of CECONOMY AG, which will be held on

**Wednesday, 13 February 2019,** at 10:00 a.m.  
CET in the Congress Center Düsseldorf,  
CCD Stadthalle, Rotterdamer Straße 141  
(Rheinufer), 40474 Düsseldorf.

# AGENDA

## **1. Presentation of the adopted annual financial statements and the approved consolidated financial statements for the 2017/18 financial year, together with the combined management report for CECONOMY AG and CECONOMY Group, the combined non-financial report for CECONOMY AG and CECONOMY Group and the report of the Supervisory Board**

The Supervisory Board approved the annual financial statements and the consolidated financial statements prepared by the Management Board; the annual financial statements are thus adopted. Therefore, the adoption of a resolution by the General Meeting is not required.

The annual financial statements of CECONOMY AG as per 30 September 2018 prepared in accordance with the provisions of the German Commercial Code shows a balance sheet loss. Therefore, the agenda of this year's General Meeting does not include an agenda item providing for the adoption by the General Meeting of a resolution on the appropriation of balance sheet profits.

## **2. Formal approval of the actions of the members of the Management Board for the 2017/18 financial year**

Management Board and Supervisory Board propose to formally approve the actions of the members of the Management Board officiating in the 2017/18 financial year for that period. It is intended to have the General Meeting vote on the formal approval of the actions of the members of the Management Board by way of individual approval.

## **3. Formal approval of the actions of the members of the Supervisory Board for the 2017/18 financial year**

Management Board and Supervisory Board propose to formally approve the actions of the members of the Supervisory Board officiating in the 2017/18 financial year for that period.

#### **4. Election of the auditor and the Group auditor for the 2018/19 financial year and of the auditor for the review of the abbreviated financial statements and the interim management report for the first half of the 2018/19 financial year**

The Supervisory Board, upon recommendation by its Audit Committee, proposes that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be elected as auditor and Group auditor for the 2018/19 financial year and as auditor for the review of the abbreviated financial statements and the interim management report for the first half of the 2018/19 financial year.

In accordance with Article 16 (2) sub-para. 3 of the EU-Regulation on Statutory Audit (Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014), the Audit Committee has stated that its recommendation is free from improper influence by a third party and that no restriction of the choice of a particular auditor (Article 16 (6) of the EU-Regulation on Statutory Audit) has been imposed upon it.

#### **5. Election for the Supervisory Board**

The term of office of Dr. Fredy Raas as member of the Supervisory Board representing the shareholders expires at the close of this General Meeting. Therefore, a new election is necessary. Dr. Fredy Raas is available for an additional term of office.

Pursuant to §§ 96 (1) and (2), 101 (1) German Stock Corporation Act, §§ 1 (1), 7 (1) sent. 1 no. 3, (2) no. 3, (3) German Co-Determination Act and § 7 (1) of the Articles of Association of CECONOMY AG, the Supervisory Board is composed of ten members elected by the General Meeting and ten members elected by the employees, and of at least 30 percent women (i.e. at least six) and at least 30 percent men (i.e. at least six). Since an objection was lodged against comprehensive fulfilment pursuant to § 96 (2) sent. 3 German Stock Corporation Act, the minimum quota has to be fulfilled separately by both the shareholders' side and the employees' side. Therefore, of the ten shareholder seats on the Supervisory Board, at least three have to be occupied by women and at least three by men.

At the time of the publication of this invitation, the Supervisory Board comprises a total of nine women, five thereof on the shareholder representatives' side. Furthermore, the Supervisory Board comprises eleven men, five thereof on the

shareholder representatives' side. On the basis of separate fulfilment, the minimum quota requirement is thus fulfilled on the shareholder representatives' side and would also continue to be fulfilled after the election, in any case.

The following election proposal is based on the recommendation of the Nomination Committee of the Supervisory Board.

The Supervisory Board proposes to elect

**Dr. Fredy Raas,**

Oberägeri, Switzerland,

Managing Director at Beisheim Group GmbH & Co. KG,

Düsseldorf, and Beisheim Holding GmbH, Baar, Switzerland,

as a member of the Supervisory Board.

The election is effective as of the close of this General Meeting until the close of the General Meeting adopting a resolution on the formal approval of actions for the second financial year after the commencement of the term of office. The financial year in which the term of office commences is not included in this count.

The election proposal of the Supervisory Board was submitted on the basis of the requirements of the German Corporate Governance Code and taking into account the objectives specified by the Supervisory Board with regard to its composition.

The Supervisory Board has satisfied itself with regard to the proposed candidate that he is able to devote the expected amount of time required for the office.

Apart from the fact that Dr. Fredy Raas is already a member of the Supervisory Board of CECONOMY AG, in the appraisal of the Supervisory Board there are no personal or business relations which an objectively judging shareholder would consider decisive for his election decision between Dr. Fredy Raas, on the one hand, and CECONOMY AG, its group companies, the corporate bodies of CECONOMY AG or a shareholder holding a direct or indirect interest in CECONOMY AG with more than 10 percent of the voting shares, on the other hand.

The candidate proposed for the election, Dr. Fredy Raas, is a member of the supervisory boards which are to be established pursuant to statutory law at the companies set forth below or of comparable domestic and foreign supervisory bodies of business enterprises.

Memberships in other supervisory boards which are to be established pursuant to statutory law:

- METRO AG, Düsseldorf

Memberships in comparable domestic and foreign supervisory bodies of business enterprises:

- ARISCO Holding AG, Baar, Switzerland, Board of Directors
- HUWA Finanz- und Beteiligungs AG, Au, Switzerland, Board of Directors (President)

The *curriculum vitae* of the proposed candidate, Dr. Fredy Raas, as well as an overview of his material activities in addition to the Supervisory Board mandate are stated below as well as on our Company's website at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting).

### **Dr. Fredy Raas**

Oberägeri, Switzerland

Managing Director at Beisheim Group GmbH & Co. KG, Düsseldorf, and Beisheim Holding GmbH, Baar, Switzerland

### **Personal data**

Date of birth: 17 August 1959

Place of birth: Frauenfeld, Switzerland

### **Education**

Studies in business administration at the University of St. Gallen, Switzerland, focusing on accounting and controlling, dissertation as Dr. oec. HSG

### **Professional career**

1984 – 1986	Research assistant and assistant lecturer at the Institute of Management of the University of St. Gallen
1986 – 1991	Inhouse Consultant, Siemens Group (Central Logistics Division)
1991 – 1996	CFO of METRO International Handels AG
1996 – 1998	CFO of METRO Cash & Carry Deutschland GmbH
1998 – 2001	CFO of Praktiker AG (then a sales line of METRO GROUP)
Since 2001	Managing Director and various other positions at Beisheim Group GmbH & Co. KG, Düsseldorf, and Beisheim Holding GmbH, Baar, Switzerland
Since 2007	Member of the Management Board of the Prof. Otto Beisheim Foundations, Munich and Baar, Switzerland

**Memberships in other supervisory boards which are to be established pursuant to statutory law:**

- METRO AG, Düsseldorf

**Memberships in comparable domestic and foreign supervisory bodies of business enterprises:**

- ARISCO Holding AG, Baar, Switzerland, Board of Directors
- HUWA Finanz- und Beteiligungs AG, Au, Switzerland, Board of Directors (President)

**Overview of material activities in addition to the Supervisory Board mandate:**

In addition to the Supervisory Board mandate currently held by Dr. Fredy Raas, Dr. Fredy Raas acts as Managing Director at Beisheim Group GmbH & Co. KG, Düsseldorf, and Beisheim Holding GmbH, Baar, Switzerland.

**6. Cancellation of the existing authorised capital and creation of a new authorised capital (including the option of excluding subscription rights) and corresponding amendment of § 4 (7) of the Articles of Association**

The Management Board has in part used the authorisation granted by the Annual General Meeting of 6 February 2017 to increase, with the consent of the Supervisory Board, the capital stock of the Company on one or more occasions on or before 5 February 2022 by issuing new ordinary bearer shares in exchange for contributions in cash or in kind up to a maximum amount of 417,000,000 euros (authorised capital), in an amount of 83,426,358.63 euros in the course of the cash capital increase conducted in July 2018. For this capital increase, the shareholders' subscription right was excluded by way of a so-called simplified subscription right exclusion pursuant to § 186 (3) sent. 4 German Stock Corporation Act. The Management Board has prepared a report on the partial utilisation of the authorised capital with an exclusion of shareholders' subscription right, which can be found at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting) together with the other documents relating to the General Meeting.

Therefore, the Articles of Association currently contain an authorised capital which allows the Management Board to increase, with the consent of the Supervisory Board, the capital stock of the Company on one or more occasions on or before 5 February 2022 by issuing new ordinary bearer shares in exchange for contributions in cash or in kind up to a maximum amount of 333,573,641.37 euros.

In order to ensure that the Company remains flexible in the future to strengthen its equity base through the use of authorised capital if required and that it also again has the option of a simplified exclusion of subscription rights in this regard in the future, the previous authorised capital in § 4 (7) of the Articles of Association is to be replaced by a new authorised capital with amended content and a term ending on 12 February 2024. At the same time, the Company's options for implementing a dividend in the form of shares (scrip dividend) are to be expanded by an authorisation to exclude subscription rights.

Therefore, Management Board and Supervisory Board propose that the following be resolved:

**a) Cancellation of the existing authorised capital**

The currently existing authorisation to increase the capital stock with the option of excluding the subscription rights of shareholders pursuant to § 4 (7) of the Company's Articles of Association (authorised capital), granted by the General Meeting of 6 February 2017 and limited until 5 February 2022, is cancelled upon the new authorised capital pursuant to lit. b) below becoming effective.

**b) Creation of an authorised capital with the option of excluding the shareholders' subscription right by amending § 4 (7) of the Articles of Association accordingly**

A new authorised capital in the amount of up to 321,600,000 euros is created (authorised capital). For this purpose, § 4 (7) of the Articles of Association of the Company is amended as follows:

"The Management Board is authorised, with the consent of the Supervisory Board, to increase the capital stock of the Company on one or more occasions in the period until 12 February 2024 by issuing new ordinary bearer shares in exchange for contributions in cash and/or in kind by up to a maximum amount of 321,600,000 euros (authorised capital). As a general rule, the shareholders are entitled to subscription rights in this respect.

Pursuant to § 186 (5) sent. 1 German Stock Corporation Act, the new ordinary shares may also be taken over by one or more credit institution(s) designated by the Management Board or by one or more companies operating in accordance with § 53 (1) sent. 1 or § 53b (1) sent. 1 or (7) of the German Banking Act (*Gesetz über das Kreditwesen*), subject to the obligation to offer them



to the shareholders for subscription (so-called indirect subscription right).

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right in the following cases:

- (1) for the compensation of fractional amounts;
- (2) if the ordinary shares are issued against contributions in kind for the purpose of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity or company interests and the pro-rata amount attributable to the new ordinary shares issued subject to an exclusion of subscription rights does not exceed a total of 10 percent of the capital stock existing at the time this authorisation becomes effective;
- (3) to implement a so-called scrip dividend, in which case the shareholders are offered to contribute their claim for payment of the dividend to the Company (in whole or in part), as contribution in kind against granting of new shares from the authorised capital;
- (4) in the event of a capital increase in exchange for cash contributions to the extent necessary to grant subscription rights to new ordinary shares to the holders of warrant or convertible bonds issued by the Company or such affiliates in which the Company holds at least 90 percent of the shares, directly or indirectly, in the scope to which they would be entitled upon exercise of the warrant or conversion right or fulfilment of the warrant or conversion obligation, or upon exercise of a substitution right of the Company as shareholder;
- (5) in the case of capital increases against cash contributions, if the pro-rata amount of the capital stock attributable to the new ordinary shares issued subject to an exclusion of subscription rights in accordance with § 186 (3) sent. 4 German Stock Corporation Act does not exceed a total of 10 percent of the capital stock, either at the time this authorisation becomes effective or – if this value is lower – at the time it is exercised, and if in each case the issue price of the new ordinary shares is not significantly falling short – within the meaning of §§ 203 (1) and (2), 186 (3) sent. 4 of the German Stock Corporation Act – of the stock exchange price of the ordinary shares of the

Company with the same features already listed. The limit of 10 percent of the capital stock is diminished by the portion of the capital stock attributable to the Company's ordinary shares which during the term of the authorised capital (i) are issued or disposed of as treasury shares subject to an exclusion of the shareholders' subscription rights in application, direct or *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act, or (ii) are issued from contingent capital to satisfy warrant or convertible bonds which themselves were or are issued without subscription rights in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act.

In total, ordinary shares issued against contributions in cash or in kind in accordance with this authorisation subject to an exclusion of the shareholders' subscription rights in accordance with no. 2 or 5 may not amount to more than 10 percent of the capital stock existing at the time the authorisation becomes effective. Ordinary shares that are newly issued subject to an exclusion of the subscription right in direct or analogous application of § 186 (3) sent. 4 German Stock Corporation Act, or which are issued for the fulfilment of warrant or convertible bonds which themselves are issued during the term of the authorisation subject to an exclusion of the subscription right in analogous application of § 186 (3) sent. 4 German Stock Corporation Act, are to be counted towards this maximum limit.

The Management Board is authorised, with the consent of the Supervisory Board, to determine further details of the capital increase."

The Supervisory Board is authorised to amend § 4 of the Articles of Association in accordance with the implementation of each capital increase from authorised capital and after expiry of the authorisation period.

**7. Authorisation for the acquisition and use of treasury shares pursuant to § 71 (1) no. 8 German Stock Corporation Act, also subject to an exclusion of the subscription right, together with the cancellation of the existing authorisation**

The authorisation granted to the Management Board by the Annual General Meeting of 20 February 2015 to acquire and use treasury shares is limited until 19 February 2020. The authorisation is to be renewed, so that the Company will have such an authorisation available at all times.

Therefore, Management Board and Supervisory Board propose that the following be resolved:

- a) The currently existing authorisation for the acquisition and use of treasury shares resolved by the General Meeting of 20 February 2015, which is limited until 19 February 2020, is cancelled upon the new authorisation set out below becoming effective.
- b) The Company is authorised pursuant to § 71 (1) no. 8 German Stock Corporation Act, until 12 February 2024, to acquire shares of the Company, regardless of their class, in an extent of up to 10 percent of the capital stock existing at the point in time of this authorisation becoming effective or – if this value is lower – of the capital stock existing at the point in time of the exercise of this authorisation. Together with any treasury shares that may have been acquired for other reasons and that are either held by the Company or have to be attributed to the Company under §§ 71a et seqq. German Stock Corporation Act, shares acquired based on this authorisation may at no time exceed 10 percent of the Company's capital stock at such point in time. In each individual case, the acquisition is to be conducted, at the choice of the Management Board, (i) through the stock exchange or (ii) by means of a purchase offer addressed to all shareholders.
  - aa) To the extent that the acquisition is conducted through the stock exchange, the purchase price per share (without ancillary acquisition costs) paid by the Company may not exceed or fall short of, by more than 10 percent, the arithmetic mean of the auction closing prices of shares of the same class of the Company in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last three exchange trading days before the commitment to acquire.

- bb) To the extent that the acquisition is conducted through a purchase offer addressed to all shareholders, the purchase price per share (without ancillary acquisition costs) offered and paid by the Company may not exceed or fall short of, by more than 10 percent, the arithmetic mean of the auction closing prices of shares of the same class of the Company in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last three exchange trading days before the date of the publication of the offer. In the event that a significant change in the share price occurs after the publication of the offer, the offer may be adjusted. In this case, the relevant reference period is the three exchange trading days before the date of the publication of the adjustment; the 10-percent-limit for the exceeding or falling short is to be applied to this amount. In the event that the purchase offer is oversubscribed, the acquisition may be conducted in accordance with the proportion of the shareholdings held by the tendering shareholders to each other (shareholding quotas) or in accordance with the proportion of the tendered shares (tendering quotas). In addition, for the avoidance of calculational fractions of shares, rounding may be applied. A preferential acceptance of small numbers of shares (up to 50 tendered shares per shareholder) may be provided for. The purchase offer may stipulate additional conditions.

The authorisation may be exercised, in compliance with statutory requirements, for any legally permissible purpose, in particular in pursuit of one or several of the purposes specified in lit. c). No trading in treasury shares is permitted.

- c) The Company is authorised to use treasury shares that were or are acquired on the basis of the authorisation in lit. b) or on the basis of an authorisation granted earlier for all legally permissible purposes, in particular also for the following:
  - aa) Disposal of shares of the Company (i) through the stock exchange or (ii) through an offer to all shareholders;
  - bb) Listing of shares of the Company on foreign stock exchanges on which they have not been admitted for trading so far. The initial price of these shares may not fall short, by more than 5 percent, of the arithmetic mean of the auction closing prices of the already listed shares of the Company with the same features in

Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last 5 exchange trading days before the date of the stock exchange listing, not including ancillary acquisition costs;

- cc) Transfer of shares of the Company to third parties against consideration in kind in the course of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity, company interests or other assets;
- dd) Disposal of shares of the Company in a manner other than through the stock exchange or by way of an offer to all shareholders, provided that the disposal is made against cash payment and at a price not significantly falling short of the stock market price of the already listed shares of the Company with the same features at the point in time of the disposal. This authorisation is limited to the disposal of shares representing, on aggregate, a pro-rata amount of no more than 10 percent of the capital stock at the point in time of this authorisation becoming effective or – if that value is lower – at the point in time of the exercise of this authorisation. To this limit of 10 percent of the capital stock such portion of the capital stock is to be credited which is (i) attributable to shares of the Company which during the term of this authorisation are issued or disposed of subject to an exclusion of the shareholders' subscription rights in application, directly or *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act, and (ii) which is attributable to shares of the Company which are issued or have to be issued during the term of this authorisation to satisfy warrant or convertible bonds which themselves were issued subject to an exclusion of subscription rights in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act;
- ee) Delivery of shares to the holders of warrant or convertible bonds of the Company or its Group companies as defined in § 18 German Stock Corporation Act in accordance with the warrant or convertible bond conditions; this shall also apply to the delivery of shares as a result of the exercise of subscription rights which in the case of a disposal of treasury shares by means of an offer to all shareholders or in the case of a capital increase with subscription rights may be granted to the holders of warrant or convertible bonds of the Company or its

Group companies as defined in § 18 German Stock Corporation Act, to the extent to which the holders of the warrant or convertible bonds would be entitled to a subscription right for shares of the Company upon exercise of the warrant or conversion right or fulfilment of the warrant or conversion obligation. On aggregate, the shares transferred as a result of this authorisation may not represent a pro-rata amount of more than 10 percent of the capital stock at the point in time of this authorisation becoming effective or – if this value is lower – at the point in time of the exercise of this authorisation, provided that the shares are used for the fulfilment of warrant or conversion rights or warrant or conversion obligations which were granted or created in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act. This limit of 10 percent of the capital stock is to be diminished by such portion of the capital stock attributable to shares of the Company which during the term of this authorisation are issued or disposed of as treasury shares in application, directly or *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act;

- ff) Implementation of a so-called scrip dividend, in the course of which shares of the Company are used (also in part or in the form of an option) for the fulfilment of the dividend entitlements of the shareholders;
- gg) Redemption of shares of the Company without a further resolution of the General Meeting. The redemption may also be conducted without a capital reduction by increase of the pro-rata amount of the other no-par value shares in the capital stock of the Company. In this case, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.

All of the authorisations stated above for the acquisition and for the utilisation of treasury shares acquired as a result of this or an earlier authorisation may be exercised in whole or in part, once or several times, individually or jointly by the Company or its Group companies as defined in § 18 German Stock Corporation Act or for its or their account by third parties. All of the authorisations stated above may be exercised for the acquisition and for the utilisation of both ordinary shares and preference shares or for the acquisition and for the utilisation merely of ordinary shares or merely of preference shares. The utilisation of treasury shares pursuant to the authorisations in lit. bb), cc), dd), ee), ff) and gg) requires the consent of the Supervisory Board. In case of a

utilisation of treasury shares pursuant to the authorisations in lit. aa) (i), bb), cc), dd) and ee), the subscription right of the shareholders is excluded. In case of utilisation of treasury shares pursuant to the authorisation in lit. aa) (ii) by way of an offer to all shareholders, which is made in observance of the principle of equal treatment (§ 53a German Stock Corporation Act), the Management Board is authorised to exclude the shareholders' subscription right for fractional amounts. In addition, the Management Board is authorised to exclude the subscription right in the case of a utilisation of treasury shares pursuant to the authorisation in lit. ff).

## **8. Authorisation for the use of derivatives in the course of the acquisition of treasury shares as well as for the exclusion of the subscription and tendering right**

By way of supplement to the authorisation for the acquisition of treasury shares pursuant to § 71 (1) no. 8 German Stock Corporation Act proposed to be resolved in Item 7 of this Agenda, the Company is to be authorised to acquire treasury shares also by using derivatives and to enter into corresponding derivatives transactions.

Therefore, Management Board and Supervisory Board propose that the following be resolved:

- a) The acquisition of treasury shares pursuant to § 71 (1) no. 8 German Stock Corporation Act within the scope of the authorisation pursuant to Agenda Item 7 lit. a) may also be conducted using (i) options to be sold which oblige the Company to acquire shares of the Company upon exercise of the option ("Put Options"), (ii) options to be acquired which give the Company the right to acquire shares of the Company upon exercise of the option ("Call Options"), (iii) forward purchase contracts for shares of the Company for which there is a time lag of more than two exchange trading days between the conclusion of the respective purchase contract and the delivery of the acquired shares ("Forward Purchases") or (iv) combinations of the instruments specified under (i) through (iii) (Put Options, Call Options, Forward Purchases, and combinations of the aforementioned instruments collectively referred to as "Derivatives").

The Derivatives may be entered into only with one or more credit institution(s) which is/are independent from the Company and/or one or more companies operating

in accordance with § 53 (1) sent. 1 or § 53b (1) sent. 1 or (7) of the German Banking Act. The Derivatives have to be structured in such manner that it is ensured that they are only fulfilled by delivery of shares which were previously acquired in observance of the principle of equal treatment (§ 53a German Stock Corporation Act); for this purpose it suffices if the acquisition of the shares is conducted through the stock exchange. The acquisition using Derivatives is limited to shares in an amount of no more than 5 percent of the capital stock existing at the point in time of this authorisation taking effect or – if that value is lower – at the point in time of the exercise of this authorisation. In each case, the term of the individual Derivatives may not be more than 18 months, has to end no later than on 12 February 2024, and has to be designed in such manner that the acquisition of the shares using the Derivatives cannot occur after 12 February 2024.

The option premium received by the Company for Call Options and Put Options may not fall short significantly of the theoretical market value of the relevant options determined in accordance with generally accepted financial mathematical calculation methods. The purchase price per share payable upon exercise of Put Options or Call Options or upon falling due of the Forward Purchase may not exceed or fall short of, by more than 10 percent, the arithmetic mean of the auction closing prices of shares of the same class of the Company in Xetra trading (or a functionally comparable successor system to the Xetra system) at the Frankfurt Stock Exchange on the last three exchange trading days before the conclusion of the relevant derivative transaction (in each case without ancillary acquisition costs, but taking into account the option premium received or, respectively, paid).

- b) If treasury shares are acquired using Derivatives in accordance with the above provisions, any right of shareholders to enter into such Derivatives transactions with the Company and any right of shareholders to tender their shares shall be excluded.
- c) With regard to the utilisation of treasury shares of the Company that were acquired using Derivatives the provisions stipulated in lit. b) in the resolution proposal regarding Agenda Item 7 of 13 February 2019 apply.



**9. Cancellation of the existing authorisation for the issue of warrant or convertible bonds of 20 February 2015, as well as granting of a new authorisation for the issue of warrant and/or convertible bonds with the option of an exclusion of the subscription right for these warrant and/or convertible bonds as well as creation of a new contingent capital and cancellation of the existing Contingent Capital I and corresponding amendment of § 4 (8) of the Articles of Association (Contingent Capital)**

The Management Board has been authorised by resolution of the Annual General Meeting of 20 February 2015 to issue, with the approval of the Supervisory Board, warrant or convertible bonds made out to the bearer, once or several times, on or before 19 February 2020, with a total nominal amount of up to 1,500,000,000 euros and to grant or impose, as applicable, warrant rights or obligations to/on the holders of warrant bonds and, respectively, conversion rights or obligations to/on the holders of convertible bonds for ordinary shares of CECONOMY AG made out to the bearer with a proportionate amount of the capital stock of up to a total of 127,825,000 euros. A Contingent Capital I in an amount of 127,825,000 euros was created for the fulfilment of the warrant and conversion rights or obligations (§ 4 (8) of the Articles of Association).

To ensure that CECONOMY AG remains fully flexible in the future to issue warrant and/or convertible bonds – as the case may be, subject to an exclusion of subscription rights – and has such an authorisation available at all times, the existing authorisation and the existing conditional capital (Conditional Capital I) are to be cancelled and replaced with a new authorisation and a new conditional capital (Conditional Capital).

Therefore, Management Board and Supervisory Board propose that the following be resolved:

**a) Cancellation of the authorisation for the issue of warrant or convertible bonds as well as granting of a new authorisation for the issue of warrant and/or convertible bonds and for the exclusion of the subscription right for these warrant and/or convertible bonds**

- aa) The existing authorisation of the Management Board for the issue of warrant or convertible bonds pursuant to the resolution of the Annual General

Meeting of 20 February 2015 is cancelled with effect as of the registration in the commercial register of the amendment of the Articles of Association to be hereinafter resolved under lit. b) bb).

bb) (1) General provisions

The Management Board is authorised to issue, with the approval of the Supervisory Board, warrant and/or convertible bonds made out to the bearer (together the "Bonds"), once or several times, on or before 12 February 2024, with a total nominal amount of up to 1,000,000,000 euros – with or without a limitation of their term – and to grant or impose, as applicable, warrant rights or obligations to/on the holders of warrant bonds and, respectively, conversion rights or obligations to/on the holders of convertible bonds for ordinary shares of CECONOMY AG made out to the bearer with a proportionate amount of the capital stock of up to a total of 127,825,000 euros, subject to the more detailed provisions of the conditions of the warrant or convertible bonds (hereinafter each referred to as "Bond Conditions").

In addition to issuances in euros, the Bonds may also be issued in the legal currency of an OECD country – limited to the appropriate equivalent amount in euros. The Bonds may also be issued by an affiliate of CECONOMY AG as defined in § 18 German Stock Corporation Act in which CECONOMY AG directly or indirectly holds at least 90 percent of the shares. In that case, the Management Board is authorised, with the approval of the Supervisory Board, to grant a guarantee for these Bonds on behalf of the affiliate of CECONOMY AG and to grant or impose to/on their holders, as applicable, warrant or conversion rights or obligations for ordinary shares of CECONOMY AG made out to the bearer.

(2) Warrant and convertible bonds

The Bonds will be divided into partial bonds. If warrant bonds are issued, one or more warrants will be attached to each partial bond, entitling or obliging the holders to subscribe bearer ordinary shares of CECONOMY AG in accordance with the terms and conditions of the warrants to be stipulated in more detail by the Management Board. The terms and conditions of the warrants may provide that the warrant price may also be settled by the transfer of partial bonds and, as the case may be, by supplementary cash payment. To the extent that there are fractional amounts of shares, it may be provided that in accordance with

the terms and conditions of the warrants or Bonds such fractional amounts may be aggregated for the subscription of full shares, as the case may be, against supplementary payment.

In the event that convertible bonds are issued, in the case of Bonds made out to the bearer the holders, otherwise the creditors of the partial bonds receive the right to convert their partial bonds into bearer ordinary shares of CECONOMY AG in accordance with the terms and conditions of the convertible bonds determined by the Management Board. The conversion ratio is to be determined by dividing the nominal amount or the issue price of a partial bond which is less than the nominal amount by the stipulated conversion price for one bearer ordinary share of CECONOMY AG and may be rounded up or down to a whole number; besides, an additional payment to be made in cash and the combination of or a compensation for fractional amounts incapable of conversion may be stipulated. The conditions may provide for a variable conversion ratio and a determination of the conversion price (subject to the minimum price stipulated below) within a specified range depending on the development of the stock price of the ordinary share of CECONOMY AG during the term of the Bond.

### (3) Substitution right

The Bond Conditions may provide for a right of CECONOMY AG not to grant new ordinary shares in the case of a conversion or the exercise of a warrant right, but to pay a cash amount which is equal, in respect of the number of shares that otherwise would have to be delivered, to the volume-weighted average stock price of the ordinary shares of CECONOMY AG in electronic trading at the Frankfurt Stock Exchange (i.e. Xetra trading or a functionally comparable successor system to the Xetra system) during a period to be stipulated in the Bond Conditions. The Bond Conditions may also provide that at the choice of CECONOMY AG the conversion of the Bond carrying warrant or conversion rights or obligations is made, instead of new shares from contingent capital, into already existing shares of CECONOMY AG or shares of another listed company or that the warrant or conversion right or the warrant or conversion obligation may be fulfilled by delivery of such shares.

The Bond Conditions may also provide for the right of CECONOMY AG to grant the holders or creditors ordinary

shares of CECONOMY AG or another listed company, in whole or in part, instead of the payment of the amount of money due upon final maturity of the Bond carrying warrant or conversion rights or obligations (this also includes maturity due to termination).

(4) Warrant or conversion obligation

The Bond Conditions may also provide for a warrant or conversion obligation at the end of the term (or at an earlier date or upon occurrence of a specific event). CECONOMY AG may be entitled in the Bond Conditions to settle any difference between the nominal amount or any lower issue amount of the Bonds and the product of the conversion price and the exchange ratio in cash, in whole or in part.

(5) Subscription right and authorisation to exclude subscription rights

As a general rule, the shareholders are to be granted subscription rights with regard to the Bonds. The Bonds may also be taken over by one or more credit institution(s) or by one or more companies operating in accordance with § 53 (1) sent. 1 or § 53b (1) sent. 1 or (7) of the German Banking Act (*Gesetz über das Kreditwesen*), subject to the obligation to indirectly offer them to the shareholders for subscription as defined in § 186 (5) German Stock Corporation Act (so-called indirect subscription right). Where Bonds are issued by an affiliate of CECONOMY AG as defined in § 18 German Stock Corporation Act in which CECONOMY AG directly or indirectly holds at least 90 percent of the shares, CECONOMY AG has to ensure the granting of the statutory subscription right for the shareholders of CECONOMY AG in accordance with the preceding sentence.

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' subscription right to the Bonds,

- (a) to exclude fractional amounts resulting from the subscription ratio from the subscription right;
- (b) to the extent necessary to grant holders of previously issued warrant or conversion rights or obligations a subscription right to the extent to which they would be entitled as shareholders after exercising the warrant or conversion right or upon fulfilment of the warrant or conversion obligation;

(c) if the Bonds with warrant or conversion rights or warrant or conversion obligations are issued against cash payment and the issue price of the Bonds is not significantly lower than the value determined in accordance with generally accepted financial mathematical methods within the meaning of §§ 221 (4) sent. 2, 186 (3) sent. 4 German Stock Corporation Act. However, this authorisation for the exclusion of the shareholders' subscription right only applies to Bonds conferring a warrant or conversion right or a warrant or conversion obligation for shares representing a total proportionate amount of the capital stock not exceeding 10 percent of the capital stock, neither at the point in time of this authorisation taking effect, nor – if that value is lower – at the point in time of the exercise of this authorisation. To the maximum limit of 10 percent of the capital stock, the proportionate amount of the capital stock has to be credited which is attributable to shares which since the granting of this authorisation have – subject to an exclusion of subscription rights – either been issued on the basis of an authorisation of the Management Board to exclude subscription rights in direct or analogous application of § 186 (3) sent. 4 German Stock Corporation Act or disposed of as acquired treasury shares in analogous application of § 186 (3) sent. 4 German Stock Corporation Act, until the issue – subject to an exclusion of subscription rights pursuant to § 186 (3) sent. 4 German Stock Corporation Act utilising this authorisation pursuant to § 186 (3) sent. 4 German Stock Corporation Act – of Bonds with conversion and/or warrant rights or conversion and/or warrant obligations.

On aggregate, pursuant to this authorisation, the shares that are or have to be issued for the fulfilment of warrant or convertible bonds which are issued subject to an exclusion of subscription rights may not amount to more than 10 percent of the capital stock existing at the time the authorisation becomes effective. Such shares are to be counted towards this maximum limit which are newly issued subject to an exclusion of the subscription right in direct or analogous application of § 186 (3) sent. 4 German Stock Corporation Act or which are issued from authorised capital against contribution in kind subject to an exclusion of the subscription right for the purpose of corporate mergers or for the acquisition (also indirectly) of companies, divisions of

companies, operational activities, branches of activity or company interests.

#### (6) Conversion and warrant price

In the case of an issuance of Bonds granting a warrant or conversion right or imposing a warrant or conversion obligation, the following applies, without prejudice to §§ 9 (1) and 199 (2) German Stock Corporation Act, which have to be observed:

The respective warrant or conversion price to be determined for one ordinary share of CECONOMY AG must – except in cases in which a warrant or conversion obligation or a substitution right is provided for – amount to at least 80 percent of the volume-weighted average closing price of the ordinary shares of CECONOMY AG in electronic trading at the Frankfurt Stock Exchange on the 10 exchange trading days prior to the date the resolution is adopted by the Management Board regarding the issuance of the Bonds or – in the event subscription rights are granted – at least 80 percent of the volume-weighted average stock price of the ordinary shares of CECONOMY AG in electronic trading at the Frankfurt Stock Exchange during the subscription period, with the exception of the days of the subscription period required for the timely announcement of the warrant or conversion price pursuant to § 186 (2) sent. 2 German Stock Corporation Act.

In the event that the Bond Conditions create a conversion obligation or warrant obligation at the end of their term (or at another point in time) or that a substitution right of CECONOMY AG is provided for, the warrant or conversion price must – subject to the more detailed provisions of the Bond Conditions – be at least the above-mentioned minimum price or must be equal to the volume-weighted average closing price of the ordinary share of CECONOMY AG in electronic trading at the Frankfurt Stock Exchange during the 10 exchange trading days before or after the final maturity date or the other stipulated point in time, even if this average price is below the above-mentioned minimum price. The proportionate amount of the capital stock of the ordinary shares of CECONOMY AG to be issued upon conversion or exercise of the warrant may not exceed the nominal value of the Bonds.

#### (7) Dilution protection

Without prejudice to § 9 (1) German Stock Corporation Act, the warrant or, respectively, conversion price may

be reduced under an anti-dilution clause subject to the more detailed provisions of the Bond Conditions if during the warrant or conversion period CECONOMY AG (i) increases the capital stock by means of a capital increase from company funds, or (ii) increases the capital stock or disposes of treasury shares granting an exclusive subscription right to its shareholders, or (iii) issues, grants or guarantees further Bonds with warrant or convertible rights or obligations granting an exclusive subscription right to its shareholders, and in cases (ii) and (iii) the holders of warrant or conversion rights or obligations already existing are not granted subscription rights in this respect, as they would be entitled to after the exercise of the warrant or conversion rights or after fulfilment of the warrant or conversion obligation. The reduction of the warrant or, respectively, conversion price may also be effected by a cash payment upon exercise of the warrant or conversion right or upon fulfilment of a warrant or conversion obligation. In addition, the Bond Conditions may stipulate an adjustment of the warrant or conversion rights or obligations, respectively, in the case of a capital reduction or other measures or events resulting in an economic dilution of the value of the warrant or conversion rights or obligations (such as dividends or an acquisition of control by third parties).

(8) Implementation authorisation

The Management Board is authorised, with the approval of the Supervisory Board, to determine or, as the case may be, to determine in agreement with the corporate bodies of the affiliate of CECONOMY AG as defined in § 18 German Stock Corporation Act issuing the Bonds, the additional details relating to the issue and the terms and conditions of the Bonds including, in particular, the interest rate, issue price, term and denomination, the dilution protection provisions as well as the warrant or conversion period.

**b) Amendment of § 4 (8) of the Articles of Association (Contingent Capital I)**

- aa) The Contingent Capital I adopted by the Annual General Meeting on 20 February 2015 and contained in § 4 (8) of the Articles of Association is cancelled upon registration of the amendment of the Articles of Association to be resolved hereinafter.
- bb) For the fulfilment of the Bonds issuable on the basis of the issue authorisation resolved by the Annual General

Meeting on 13 February 2019 under this Agenda Item 9, a new contingent capital in the amount of 127,825,000 euros is created (Contingent Capital). For this purpose, § 4 (8) of the Articles of Association of CECONOMY AG is amended as follows:

“(8) The capital stock is conditionally increased by up to 127,825,000 euros, divided into up to 50,000,000 ordinary bearer shares (Contingent Capital). The conditional capital increase shall only be executed insofar as the holders of warrant or conversion rights or those with conversion or warrant obligations arising from warrant or convertible bonds issued or guaranteed by CECONOMY AG or an affiliate of CECONOMY AG in terms of § 18 German Stock Corporation Act, in which CECONOMY AG holds at least 90 percent of the shares, directly or indirectly, based on the authorisation adopted by the General Meeting of 13 February 2019 under Agenda Item 9, exercise their warrant or conversion rights or, insofar as they are obligated for conversion or to exercise warrants, fulfil their obligation for conversion or for exercise of warrants, or insofar as CECONOMY AG exercises an option to provide ordinary shares of CECONOMY AG in lieu of paying the cash amount due, in whole or in part. The conditional capital increase shall not be executed insofar as a cash settlement is provided or treasury shares or shares of another listed company are used for the fulfilment.

The issue of the new ordinary shares is effected at the warrant or conversion price in each case to be determined in accordance with the authorisation resolution set forth above. The new ordinary shares participate in profits from the beginning of the financial year in which they are created; to the extent legally permissible, the Management Board may, with the consent of the Supervisory Board, determine the profit participation of new ordinary shares in deviation from the foregoing and from § 60 (2) German Stock Corporation Act, also for a financial year that has already expired. The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.”

cc) The Supervisory Board is authorised to make amendments to § 4 of the Articles of Association in accordance with the respective utilisation of the Contingent Capital. The same shall apply in the event



that the authorisation for the issue of warrant and/or convertible bonds has not been utilised after the term of the authorisation has expired, as well as in the event that the Contingent Capital has not been utilised after the periods for the exercise of warrant or conversion rights or, respectively, for the fulfilment of warrant or conversion obligations have expired.

## **10. Amendment of § 13 (4) of the Articles of Association (Remuneration of the Supervisory Board)**

§ 13 (4) of the Articles of Association governs the pro-rata remuneration of the members of the Supervisory Board who served on the Supervisory Board only for part of the financial year. Accordingly, Supervisory Board members receive one twelfth of the annual remuneration for each month of service or any part of such month. However, the provision in § 13 (4) of the Articles of Association does not expressly address the case where members of the Supervisory Board have left the Supervisory Board and have been reappointed during the same month. Therefore, an amendment to § 13 (4) of the Articles of Association is intended to clarify and include a payout limit of twelve twelfths of the annual remuneration. The capping is intended to avoid a mathematically possible remuneration of thirteen twelfths of the annual remuneration. The limit is intended to apply to any entries and withdrawals during the same month and, *mutatis mutandis*, to memberships in a committee, chairmanship or deputy chairmanship of the supervisory board or chairmanship of a committee.

Therefore, Management Board and Supervisory Board propose that the following be resolved:

§ 13 (4) of the Articles of Association is amended as follows:

“(4) Supervisory Board members who served on the Supervisory Board only for part of the financial year, shall receive one twelfth of the remuneration for each month of service or any part of such month. Supervisory Board members who leave the Board and are newly appointed within one month shall receive only one twelfth of the annual remuneration for that month. This shall apply accordingly with regard to memberships in a committee, the chairmanship or the deputy chairmanship in the Supervisory Board or the chairmanship in a committee.”

**Report of the Management Board to the General Meeting on the partial utilisation of the authorised capital subject to an exclusion of the shareholders' subscription rights (pursuant to § 203 (2) sent. 2 German Stock Corporation Act in conjunction with § 186 (4) sent. 2 German Stock Corporation Act)**

By resolution of the General Meeting of 6 February 2017, the Management Board was authorised, with the consent of the Supervisory Board, to increase the capital stock of the Company on one or more occasions on or before 5 February 2022, by issuing new ordinary bearer shares in exchange for contributions in cash or in kind up to a maximum amount of 417,000,000 euros (authorised capital). The authorised capital was entered in the Commercial Register of the Company on 8 May 2017. The authorised capital includes, among other things, an authorisation for the Management Board, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights pursuant to § 186 (3) sent. 4 German Stock Corporation Act in the case of capital increases against cash contributions if the total nominal amount of such capital increases does not exceed 10 percent of the capital stock and in each case the issue price of the new ordinary shares is not significantly lower than the market price of the Company's ordinary shares already listed on the stock exchange with the same features.

On 28 June 2018, the Management Board, with the consent of the Supervisory Board, resolved to partially utilise the authorised capital and to increase the Company's capital stock by an amount of 83,426,358.63 euros from 835,419,052.27 euros to 918,845,410.90 euros by issuing 32,633,555 new ordinary bearer shares in the form of no-par value shares with dividend entitlement from 1 October 2017 in return for cash contributions with the subscription right of the shareholders being excluded pursuant to §§ 203 (2), 186 (3) sent. 4 German Stock Corporation Act. This corresponds to an increase of slightly less than 10 percent in the Company's capital stock existing at the time the authorised capital became effective and also at the time it was utilised. The volume limitation provided for in the authorised capital for shares issued against cash contributions subject to an exclusion of subscription rights was thus complied with; the Company had not previously taken any other measures to be counted towards this volume limitation.

As part of a private placement, all new shares were subscribed by freenet AG at an issue price of 8.50 euros per new share. This was preceded by negotiations between CECONOMY AG and freenet AG. On 29 June 2018, freenet

AG had contractually undertaken vis-à-vis CECONOMY AG to invest a total amount of 277,385,217.50 euros and in return to subscribe 32,633,555 new ordinary bearer shares of CECONOMY AG without par value (no-par value shares) with dividend entitlement from 1 October 2017 (the "New Shares") at an issue price of 8.50 euros per share. The Management Board and Supervisory Board subsequently approved an issue price of 8.50 euros per share.

The issue price was negotiated with freenet AG on the basis of the closing price of the ordinary shares of CECONOMY AG in Xetra trading on the Frankfurt Stock Exchange on 22 June 2018, plus a premium of 12.9 percent. Compared to the Xetra closing price of the CECONOMY AG ordinary share (ISIN DE0007257503) on 28 June 2018, the issue price included a premium of approximately 18 percent.

According to the rules applicable to the exclusion of subscription rights in the case of a capital increase against cash contributions of up to 10 percent of the capital stock, which must also be complied with in the case of authorised capital, the issue price of the new ordinary shares may not be significantly lower than the market price of the Company's ordinary shares already listed with the same features. In the present case, the issue price is not lower but higher. Since the issue price exceeds the stock exchange price of the Company's ordinary shares already listed with the same features, the price requirements of §§ 203 (2), 186 (3) sent. 4 German Stock Corporation Act were met.

The capital increase became effective on 12 July 2018 upon entry of its implementation in the Commercial Register of the Company. The gross proceeds from the capital increase totalled 277,385,217.50 euros, which strengthened the Company's balance sheet. With the capital increase, the Company also increased its financial strength for the further implementation of its strategic agenda. The new shares were admitted to trading on 16 July 2018 (without a prospectus being required) and to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange and to trading on the regulated market of the Düsseldorf Stock Exchange.

With the exclusion of the shareholders' subscription rights, the Company has made use of the option provided by statutory law in §§ 203 (2) and 186 (3) sent. 4 German Stock Corporation Act to exclude subscription rights in the case of cash capital increases of listed companies. Such an exclusion of subscription rights was necessary in the present case in order to be able to take advantage at short notice

of the favourable situation for such a capital measure from the management's point of view at the time of the partial utilisation of the authorised capital and to achieve the highest possible issue proceeds by setting a price with a significant premium over the current stock exchange price. If subscription rights had been granted, at best an issue price could have been achieved that would have been close to the market, or even slightly lower than the market price. A premium over the market price would not have been achievable.

In addition, the subscription period of at least two weeks which is required if subscription rights are granted (§ 186 (1) sent. 2 German Stock Corporation Act) would have resulted in further uncertainties regarding a successful complete placement. In addition, if subscription rights were granted, the final subscription price would have to be announced at least three days before the end of the subscription period (§ 186 (2) sent. 2 German Stock Corporation Act). Due to the longer period between price fixing and settlement of the capital increase and the volatility of the stock markets, there would have been a higher market risk and, in particular, a higher risk of a share price change than in the case of an allocation without subscription rights. A successful placement in the context of a capital increase with subscription rights would therefore have necessitated a corresponding safety margin on the current stock exchange price when determining the price and would have considerably reduced the issue proceeds. For the above reasons, it was in the interests of the Company to exclude subscription rights.

On the other hand, the interests of the shareholders were also adequately safeguarded by setting the price for the shares issued subject to an exclusion of subscription rights well above the current stock exchange price for the limited scope of just under 10 percent of the existing capital stock. By issuing the new shares significantly above the current market price of the already listed ordinary shares, it was ensured that the capital increase did not lead to any economic dilution of the shareholders' shareholdings. In addition, with a view to liquid stock exchange trading, shareholders had the opportunity to maintain their relative stake in the company by purchasing additional shares on the stock exchange. In the present case, such an additional purchase would even have been possible at conditions that would have been more favourable than the issue price of 8.50 euros per new ordinary share.

Due to the issue of the new shares with dividend entitlements from 1 October 2017, the new shares already had the same dividend rights as the existing shares at the time of issue. This was agreed in the negotiations with freenet AG on the issue of

the new shares. The uniform dividend entitlement also made it unnecessary to allocate a separate securities identification number to the new shares for the period up to the General Meeting on 13 February 2019. This made it possible to avoid a lower or missing trading liquidity of the new shares, which would have led to a price discount, which would have been expected in stock exchange trading under a separate securities identification number. For this reason, the reference of the profit participation right to the beginning of the 2017/18 financial year was in the interests of the Company.

Based on the above considerations, on the whole the exclusion of subscription rights was objectively justified, taking into account the requirements of the authorised capital when it was utilised.

**Report of the Management Board to the General Meeting pursuant to § 203 (2) sent. 2 German Stock Corporation Act in conjunction with § 186 (4) sent. 2 German Stock Corporation Act on Agenda Item 6 (Cancellation of the existing authorised capital and creation of a new authorised capital (including the option of excluding subscription rights) and corresponding amendment of § 4 (7) of the Articles of Association)**

The Management Board has been authorised by resolution of the Annual General Meeting of 6 February 2017 to increase, with the consent of the Supervisory Board, the capital stock of the Company on one or more occasions on or before 5 February 2022 by issuing new ordinary bearer shares in exchange for contributions in cash or in kind by up to a maximum amount of 417,000,000 euros. This authorisation was partially utilised in July 2018 by issuance of 32,633,555 new ordinary shares. The shareholders' subscription right was excluded pursuant to § 186 (3) sent. 4 German Stock Corporation Act. The Management Board has prepared a report on the partial utilisation of the authorised capital with an exclusion of shareholders' subscription right, which is included in this invitation and can be found at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting) together with the other documents relating to the General Meeting.

In order to ensure that the Company remains flexible in the future to strengthen its equity base through the use of authorised capital if required, the authorised capital created by resolution of the Annual General Meeting on 6 February 2017 is to be replaced by a new authorised capital, which is intended to be created – in observance of the legally permissible maximum limit – in an amount of approximately 35 percent of the capital stock and with a

term of five years. In this context, the Company is again to be awarded the option of a simplified exclusion of subscription rights. In addition, the Company's flexibility is to be increased by allowing the exclusion of shareholders' subscription rights also for the purpose of granting a so-called share dividend (scrip dividend). The cancellation of the authorised capital created by resolution of the General Meeting on 6 February 2017 will be subject to the condition precedent of the entry of the new authorised capital in the Commercial Register.

With respect to Agenda Item 6, Management Board and Supervisory Board therefore propose, by way of cancellation and new adoption of § 4 (7) of the Articles of Association, to authorise the Management Board to increase, with the consent of the Supervisory Board, the capital stock of the Company on one or more occasions in the period until 12 February 2024, by issuing new ordinary bearer shares in exchange for contributions in cash and/or in kind up to a maximum amount of 321,600,000 euros (authorised capital). The volume of the new authorised capital thus amounts to approximately 35 percent of the Company's current capital stock.

When utilising the proposed authorised capital, shareholders are generally entitled to a subscription right (§ 203 (1) sent. 1 German Stock Corporation Act in conjunction with § 186 (1) German Stock Corporation Act). In addition to an issue of the new ordinary shares directly to the shareholders, the authorised capital is to provide for the possibility that the new ordinary shares are assumed by credit institutions or by companies that are equivalent pursuant to § 186 (5) sent. 1 German Stock Corporation Act, subject to the obligation to offer them to the shareholders for subscription. The use of credit institutions or enterprises that are equivalent pursuant to § 186 (5) sent. 1 German Stock Corporation Act as intermediaries merely serves the purpose of facilitating the technical processing of the ordinary share issue.

However, the Management Board is to be authorised to exclude the subscription right in certain cases, with the approval of the Supervisory Board.

- (1) The Management Board is to be authorised, with the approval of the Supervisory Board, to exclude the subscription right for the compensation of fractional amounts.

The purpose of this exclusion of subscription rights is to facilitate the processing of a share issue where subscription rights for shareholders are generally granted.

Fractional amounts may result from the respective issue volume and from the fact that it is necessary to apply a technically feasible subscription right ratio. The value of the fractional amounts per shareholder is generally low, which is why the potential dilution effect can also be regarded as low. In contrast, the effort required for share issues without such exclusion is significantly higher, which causes additional costs. The new ordinary shares excluded from the shareholders' subscription right as fractional amounts will be realised for the benefit of the Company either by disposal on the stock exchange or in another way as best as possible.

- (2) Furthermore, it is proposed that the Management Board be authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights if the ordinary shares are issued against contributions in kind for the purpose of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity or company interests and the pro-rata amount attributable to the new ordinary shares issued subject to an exclusion of subscription rights does not exceed a total of 10 percent of the capital stock existing at the time this authorisation becomes effective.

With this authorisation for the exclusion of subscription rights, it is intended, in particular, to enable the Company in suitable cases to use ordinary shares as consideration in the course of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity or company interests. As an acquisition currency, own ordinary shares are an important instrument. The international competition and the globalisation of the economy often require this form of consideration. Besides, the granting of ordinary shares can be a cost-efficient way of financing for the Company which preserves the Company's liquidity. The proposed authorisation is intended to allow the Company to quickly and flexibly make use of upcoming opportunities, both nationally and on the international markets, for the acquisition of companies, divisions of companies, operational activities, branches of activity or interests in companies with regard to which the consideration consists of ordinary shares, in whole or in part, without the time-consuming holding of a General Meeting and while also, as the case may be, maintaining confidentiality. If such an opportunity becomes more concrete, the Management Board will carefully consider whether to exercise its authorisation

for a utilisation of the authorised capital and, as the case may be, for an implementation of the capital increase without granting subscription rights. The Management Board will do so only if such exercise is in the best interest of the Company. The Management Board will also carefully examine in this regard whether the value of the contribution in kind is in adequate proportion to the value of the ordinary shares. Only if these conditions are met will the Supervisory Board grant its necessary consent for the utilisation of the authorised capital.

- (3) It is proposed that the Management Board be authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights in order to be able to implement a so-called share dividend (scrip dividend) using the authorised capital.

In the case of a so-called scrip dividend, the shareholders are offered, at their option, to contribute their claim for payment of a dividend to the Company (in whole or in part) as contribution in kind against granting of new ordinary shares from the authorised capital. The Management Board is already authorised to acquire the Company's treasury ordinary and/or preference shares and to use these shares to implement a scrip dividend, also subject to an exclusion of subscription rights. Compared to the implementation of a scrip dividend using previously acquired treasury ordinary shares, the implementation of a scrip dividend using the authorised capital is associated with a liquidity benefit for the Company.

The implementation of a scrip dividend may be conducted as an offer addressed to all shareholders in observance of their subscription right. In practice, in the case of a scrip dividend only whole ordinary shares are offered to each shareholder for subscription; with regard to the part of the dividend entitlement which falls short of or exceeds the subscription price for a whole ordinary share, the shareholders are limited to receiving the cash dividend and to this extent are not able to receive ordinary shares. There is usually no offer of partial rights and no establishment of any trading of subscription rights or fractions thereof, because instead of receiving ordinary shares to be newly issued under the authorised capital or treasury ordinary shares the shareholders receive, in part, a cash dividend.

In the course of the implementation of a scrip dividend using the authorised capital, depending on the capital markets situation, it may be preferable to structure the implementation of a scrip dividend in such manner that



the Management Board offers to all shareholders who are entitled to dividends, in observance of the general principle of equality (§ 53a German Stock Corporation Act), ordinary shares for subscription against assignment of their dividend entitlement and, thus, economically grants the shareholders a subscription right, but to legally exclude the shareholders' subscription right to new ordinary shares. Such exclusion of the subscription right facilitates the implementation of the scrip dividend at more flexible conditions. In view of the fact that all shareholders will be offered the ordinary shares and excessive dividend amounts will be settled by cash payment of the dividend, an exclusion of the subscription right in this case appears as justified and appropriate.

In addition, it may be preferable to structure the implementation of a scrip dividend in such a way that the Management Board offers ordinary shares from the authorised capital for subscription only to those shareholders whose ordinary shares are entitled to dividends, against assignment of their dividend entitlement and subject to an exclusion of the subscription right of the preference shareholders, and then offers the preference shareholders – subject to an exclusion of the subscription right of the ordinary shareholders – to assign their dividend entitlement against an acquisition of preference shares held as treasury shares. The Company may acquire the treasury preference shares required for such implementation in advance on the basis of the (existing) authorisation to acquire treasury shares. Given the small number of preference shares, this would have practically no significant impact on the liquidity situation of the Company. In this form, the scrip dividend could be implemented without a prospectus, i.e. without an obligation to publish a securities prospectus. Without an exclusion of the subscription rights of the preference shareholders in respect of the new ordinary shares, the implementation of a scrip dividend using the (existing) authorised capital would probably trigger an obligation to publish a securities prospectus, because only a scrip dividend in the form of shares of another class could be offered to the preference shareholders using the authorised capital. The preparation of a securities prospectus in connection with the implementation of a scrip dividend would entail considerable effort and costs.

- (4) Furthermore, the Management Board, with the consent of the Supervisory Board, is to be authorised to exclude the subscription right for the benefit of the holders of warrant or convertible bonds issued by the Company or

by such affiliates in which the Company holds at least 90 percent of the shares, directly or indirectly.

This is intended to afford adequate protection against dilution to the holders of such warrant or convertible rights or warrant or conversion obligations. The terms and conditions of warrant and convertible bonds typically provide that protection from dilution has to be granted in case of a capital increase either by reducing the warrant or conversion price or through the provision of subscription rights. In order to avoid leaving the Company no alternative but to reduce the warrant or conversion price, an authorisation is intended for the utilisation of the authorised capital to exclude the shareholders' subscription rights to new ordinary shares to the extent necessary to grant subscription rights to the holders of warrant or convertible bonds to the extent to which the latter would be entitled upon exercise of their warrant or conversion rights prior to the adoption of the resolution for the capital increase or upon performance of their warrant or conversion obligations prior to the adoption of the resolution for the capital increase or upon exercise of a substitution right by the Company. This authorisation allows the Management Board to choose between the two alternatives when utilising authorised capital, after carefully weighing the interests of the Company and the shareholders.

- (5) In addition, the Management Board is to be authorised, with the consent of the Supervisory Board, to exclude the subscription right pursuant to § 186 (3) sent. 4 German Stock Corporation Act.

With this authorisation to exclude subscription rights in the case of capital increases in exchange for cash contributions, which is provided by statutory law, the Company will be enabled to take advantage on short notice of favourable circumstances on the stock market and, thereby, to achieve an issue amount as high as possible as a result of the price determination close to the market – without a discount for subscription rights – and, therefore, to achieve a maximum strengthening of the equity capital. The option of raising capital at the highest possible price is important for the Company, particularly since it is imperative for the Company to quickly and flexibly exploit market opportunities – this means: without the requirement of an offer for subscription which is open for at least two weeks – and to have access to the equity capital necessary to do so. This authorisation to exclude subscription rights is limited to an amount that on

aggregate may not exceed 10 percent of the Company's capital stock. Such shares which during the term of the authorised capital are used or disposed of as treasury shares subject to an exclusion of the shareholders' subscription rights pursuant to § 71 (1) no. 8 sent. 5 sub-clause 2 German Stock Corporation Act in conjunction with § 186 (3) sent. 4 German Stock Corporation Act are counted towards this limit of 10 percent. A corresponding crediting to the limit amount is conducted for shares which are or have to be issued during the term of the authorised capital for the fulfilment of warrant or convertible bonds which themselves were issued during the term of the authorised capital subject to an exclusion of the subscription right in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act. In addition, such shares are to be counted towards the limit of 10 percent of the capital stock which during the term of the authorised capital are issued on the basis of other capital measures subject to an exclusion of the shareholders' subscription right in application, directly or *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act. The subscription rights may only be excluded if the issue price of the new ordinary shares is not substantially lower than the stock exchange price of the ordinary shares of the Company with the same features that are already listed. The Management Board will determine a possible discount on the stock market price as small as possible in accordance with the prevailing market conditions at the point in time of the placement. By the limitation of the number of ordinary shares to be issued and the obligation to determine the issue price of the new ordinary shares close to the stock price, the shareholders are sufficiently protected against a dilution of the value of their shares. At the same time, it is ensured that the cash flow to be received by the Company is appropriate. Shareholders wishing to maintain the proportion of their shareholding in the case of a capital increase subject to an exclusion of subscription rights also have the opportunity to acquire the required number of ordinary shares through the stock exchange.

To protect shareholders, the authorisation contains a restriction on the total scope of the Company's capital measures for which subscription rights are excluded. In total, ordinary shares issued against contributions in cash or in kind in accordance with this authorisation subject to an exclusion of the shareholders' subscription rights in accordance with no. 2 or 5 may not amount to more than 10 percent of the capital stock existing at the time the authorisation becomes effective. As explained above, such shares that are newly issued subject to an exclusion of the subscription right in

direct or analogous application of § 186 (3) sent. 4 German Stock Corporation Act, or which are or have to be issued for the fulfilment of warrant or convertible bonds which themselves are issued during the term of the authorised capital subject to an exclusion of the subscription right in analogous application of § 186 (3) sent. 4 German Stock Corporation Act, are to be counted towards this maximum limit. Any use of treasury shares subject to an exclusion of subscription rights is not to be credited to the maximum limit. Reference is made in this respect to the report of the Management Board to the General Meeting on the authorisation to issue warrant or convertible bonds (Agenda Item 9).

In consideration of all the circumstances mentioned above, the Management Board, in agreement with the Supervisory Board of CECONOMY AG, considers the authorisation to exclude the subscription right of the shareholders within the defined limits to be objectively justified and appropriate for the reasons stated above and also taking into account the possible dilution effect when using the authorisation.

At the moment, there is no concrete project to utilise the proposed authorisation. The Management Board will examine carefully in each individual case specified in this authorisation whether to make use of the authorisation to conduct a capital increase subject to an exclusion of the shareholders' subscription rights. The Board will only use the authorisation if, in the assessment of the Management Board and the Supervisory Board, the exclusion of the shareholders' subscription right is in the best interest of the Company and, therefore, of its shareholders. The Management Board will report on any utilisation of the authorised capital at the next following General Meeting. Reference is made to the report on the utilisation of the authorised capital in July 2018.

**Report of the Management Board to the General Meeting pursuant to § 71 (1) no. 8 sent. 5 German Stock Corporation Act in conjunction with § 186 (4) sent. 2 German Stock Corporation Act on Agenda Item 7 (Authorisation for the acquisition and use of treasury shares pursuant to § 71 (1) no. 8 German Stock Corporation Act, also subject to an exclusion of the subscription right)**

The Management Board was authorised by the Annual General Meeting of 20 February 2015 to acquire treasury shares of any class, until 19 February 2020, up to a maximum amount of 10 percent of the capital stock. To ensure that the Company remains flexible also in the future to acquire treasury shares pursuant to § 71 (1) no. 8 German

Stock Corporation Act and to use them – also subject to an exclusion of subscription rights – and in order for the Company to have such an authorisation available at all times, the authorisation to acquire and use treasury shares created by resolution of the Annual General Meeting of 20 February 2015 is to be renewed in order to also adjust it to a change in the Company's capital stock in the meantime.

With respect to Agenda Item 7, Management Board and Supervisory Board therefore propose that the Company be authorised again pursuant to § 71 (1) no. 8 German Stock Corporation Act, for a period of five years until 12 February 2024, to acquire treasury shares, regardless of their class, in an extent of up to 10 percent of the capital stock existing at the point in time of this authorisation becoming effective or – if this value is lower – of the capital stock existing at the point in time of the exercise of this authorisation.

In order to give the Company the necessary flexibility, it is intended to provide for the treasury shares to be acquired both through the stock exchange and by means of a purchase offer addressed to all shareholders of the Company. If in the event of a purchase offer to all shareholders the number of shares offered at the stipulated price exceeds the number of shares required by the Company, the reapportioning may be conducted in accordance with the proportion of the shareholdings held by the tendering shareholders to each other (shareholding quotas) or in accordance with the proportion of the tendered shares (tendering quotas). The possibility of rounding serves the purpose of avoiding calculational fractions of shares. In this respect, the number of shares to be acquired by individual tendering shareholders may be rounded in such manner as is necessary in order to facilitate, from a technical handling perspective, the acquisition of whole shares. Besides, the possibility is to be granted to provide for a preferential acceptance of small numbers of shares (up to 50 tendered shares per shareholder). In particular, this possibility serves the purpose of avoiding smaller, usually economically inefficient residual shareholdings. The purchase offer may provide for additional requirements.

It is intended that the authorisation can be exercised by the Company or its Group companies as defined in § 18 German Stock Corporation Act or by third parties for its or their account. In addition, it is intended that the authorisation may be exercised, in compliance with statutory requirements, for any legally permissible purpose. With regard to the term of the authorisation for the acquisition of treasury shares, it is intended to provide for the statutory regime which permits a duration of up to five years.

It is intended that the treasury shares acquired pursuant to this authorisation or authorisations granted earlier may be disposed of again through the stock exchange or by an offer to all shareholders. This way, the principle of equal treatment of the shareholders (§ 53a German Stock Corporation Act) is observed in the re-selling of the shares.

To the extent that the shares are disposed by way of an offer to all shareholders, the Management Board is to be authorised to exclude the subscription right of the shareholders for fractional amounts. This serves the purpose of facilitating a subscription ratio that is technically feasible. The value of the fractional amounts per shareholder is generally low, which is why the potential dilution effect can also be regarded as low. In contrast, the effort required without such exclusion is significantly higher, which causes additional costs. The new ordinary shares excluded from the shareholders' subscription right as fractional amounts will be realised for the benefit of the Company either by disposal on the stock exchange or in another way as best as possible.

In addition, the treasury shares which were or will be acquired on the basis of the authorisation to be resolved by the General Meeting on 13 February 2019 or on the basis of an earlier authorisation are to be usable for all legally permissible purposes, in particular also including the following:

- (1) The Company is to be enabled to use the treasury shares acquired pursuant to this authorisation or authorisations granted earlier subject to an exclusion of the subscription right for the introduction to foreign stock exchanges at which shares of the Company are not listed so far. This is a means to broaden the shareholder basis, further increase the attractiveness of the CECONOMY AG share as an investment object and ensure an appropriate supply of the Company with equity capital. Access to adequate equity capital is of considerable importance for the financing of the Company and, particularly, for its further international expansion. By the intended lower limit for the initial offering price, which may fall short of the arithmetic mean of the auction closing prices of the already listed shares of the Company with the same features in Xetra trading on the last 5 exchange trading days before the day of the stock exchange listing by no more than 5 percent, it is ensured that the consideration to be received by the Company is appropriate and the shareholders are sufficiently protected against a dilution of the value of their shares.

- (2) It is also intended for the Company to be able to have the treasury shares acquired pursuant to this authorisation or authorisations granted earlier at its disposal, in order to grant them – subject to an exclusion of the subscription right – as consideration in kind in the course of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity, company interests or other assets. As an acquisition currency, treasury shares are an important instrument. The international competition and the globalisation of the economy often require this form of consideration. Besides, they can be a cost-efficient way of financing for the Company. The proposed authorisation is intended to allow the Company to quickly and flexibly make use of upcoming opportunities, both nationally and on the international markets, for the acquisition of companies, divisions of companies, operational activities, branches of activity or company interests with regard to which the consideration consists of shares, in whole or in part, in particular without the time-consuming holding of a general meeting and while also, as the case may be, maintaining confidentiality. In addition, the use of treasury shares for acquisitions has the advantage for the existing shareholders – in respect of ordinary shares – that compared to the situation before the acquisition of the treasury shares by the Company their voting right is not diluted. Currently, there are no specific acquisition projects for which treasury shares are to be used.
- (3) The resolution proposal further provides that the Company is to be enabled, subject to the requirements of § 186 (3) sent. 4 German Stock Corporation Act, to dispose of the treasury shares acquired pursuant to this authorisation or authorisations granted earlier, subject to an exclusion of the subscription right, against cash payment in ways other than through the stock exchange or by an offer to the shareholders. This is intended, in particular, to enable the Company to issue shares of the Company at short notice. Thus, the proposed authorisation serves the purpose of securing a permanent and appropriate equity capitalisation of the Company. This is subject to the precondition that in the course of the disposal the selling price must not fall short significantly of the stock market price of the already listed shares of the Company with the same features. The Management Board will determine a possible discount on the stock market price as small as possible in accordance with the prevailing market conditions at the point in time of the placement. The total proportionate amount of the capital stock attributable to the shares to

be disposed of may not exceed 10 percent of the capital stock. Such shares are to be counted towards this limit which during the term of this authorisation are issued or disposed of in other ways subject to an exclusion of the subscription right in application, directly or *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act. A corresponding crediting to the limit amount is conducted for shares which are or have to be issued during the term of this authorisation for the fulfilment of warrant and convertible bonds which themselves were issued during the term of this authorisation subject to an exclusion of the subscription right in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act. By the limitation of the number of shares to be disposed of and the obligation to determine the selling price of the treasury shares close to the stock price, the shareholders are sufficiently protected against a dilution of the value of their shares. At the same time, it is ensured that the consideration to be received by the Company is appropriate.

- (4) In the event that the Management Board issues warrant or convertible bonds on the basis of an authorisation by the General Meeting, it may be advisable not to fulfil the rights for the subscription of shares resulting therefrom by way of a capital increase, but in whole or in part with treasury shares. Therefore, a corresponding utilisation of the treasury shares acquired pursuant to this authorisation or authorisations granted earlier under exclusion of the subscription right is provided for. By using treasury shares, the dilution of the shares of the shareholders, as it would occur in the case of a use of the contingent capital, is prevented. For the decision as to whether treasury shares will be delivered or the conditional capital will be used, the Management Board will carefully consider the interests of the Company and the shareholders. To the extent that treasury shares are disposed of by means of an offer to all shareholders, the possibility is to be created to grant subscription rights for shares of the Company to the holders of warrant or convertible bonds to the extent they would have such subscription rights upon exercise of the warrant or conversion right or the fulfilment of the warrant or conversion obligation. The resulting exclusion of the subscription right of the shareholders has the advantage that the warrant or conversion price for the warrant or convertible bonds already issued does not have to be reduced pursuant to the conditions of the warrant and convertible bonds for the purpose of dilution protection, with the consequence that in this case, on the whole,



the Company will receive more funds upon the exercise of the warrant or conversion rights or upon fulfilment of the warrant or conversion obligations. The shares transferred on the basis of this authorisation must not account for more than a pro-rata amount of 10 percent of the capital stock, provided that the shares are used for the fulfilment of warrant or conversion rights or warrant or conversion obligations which were granted or created in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act. To this limit of 10 percent of the capital stock, such pro-rata amount of the capital stock is to be credited which during the term of this authorisation was issued or disposed of at the time of use in application, directly or *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act.

- (5) Furthermore, it is intended that the treasury shares may be used for the implementation of a so-called scrip dividend. In the case of a scrip dividend for which treasury shares are used, the shareholders are offered to assign to the Company their claim for payment of the dividend, which comes into existence with the resolution of the General Meeting on the appropriation of profits, in order to receive treasury shares in return.

The Management Board is to be authorised to exclude the subscription right of the shareholders in the course of the implementation of a scrip dividend, in order to be able to implement the scrip dividend at the best possible conditions. Depending on the capital markets situation, it may be preferable to structure the implementation of a scrip dividend using treasury shares in such manner that the Management Board offers to all shareholders who are entitled to dividends, in observance of the general principle of equal treatment (§ 53a German Stock Corporation Act), treasury shares for subscription against assignment of their dividend entitlement and, thus, to economically grant the shareholders a subscription right, but to legally exclude the shareholders' subscription right to new shares. Such exclusion of the subscription right facilitates the implementation of the scrip dividend at more flexible conditions. In view of the fact that all shareholders will be offered the treasury shares and excessive dividend amounts will be settled by cash payment of the dividend, an exclusion of the subscription right in this case appears as justified and appropriate. In addition, compared to a capital increase from authorised capital, the use of treasury shares for the implementation of a scrip dividend also has the advantage for the existing shareholders – in respect of ordinary shares – that compared to the situation

before the acquisition of the treasury shares by the Company their voting right is not diluted.

The use of treasury shares to carry out a so-called scrip dividend is particularly advantageous for the Company if preference shareholders are granted previously acquired preference shares and ordinary shareholders are granted new ordinary shares from authorised capital, in each case subject to an exclusion of subscription rights. This would enable the Company to achieve the greatest possible liquidity advantage since it would only have to buy back the required number of preference shares in advance. Moreover, such a structuring of a scrip dividend would not trigger an obligation to prepare and publish a securities prospectus, which would entail considerable effort and costs. Rather, this could be implemented without a prospectus. In contrast, implementing a scrip dividend solely from authorised capital would not be possible without a prospectus under the current legal situation. The implementation of a stock dividend solely from previously acquired treasury shares would not offer the Company any significant liquidity advantages.

- (6) The Company is also to be enabled to redeem the treasury shares acquired pursuant to this authorisation or authorisations granted earlier without a new resolution of the General Meeting (§ 71 (1) no. 8 sent. 6 German Stock Corporation Act). In this respect, the proposed authorisation provides in accordance with § 237 (3) no. 3 German Stock Corporation Act that the Management Board may also redeem the shares without a capital reduction. By redemption of the shares without a capital reduction, the pro-rata amount of the other no-par value shares in the capital stock of the Company increases. In this respect, the Management Board is authorised to amend the Articles of Association with regard to the changing number of no-par value shares.

All of the authorisations for the acquisition and for the utilisation of treasury shares may be exercised both exclusively for ordinary shares and exclusively for preference shares or for both classes of shares. The authorisations for the utilisation of treasury shares are intended to apply accordingly also to such shares which were acquired on the basis of an earlier acquisition authorisation granted by the general meeting. It is intended to provide for the exclusion of or the possibility to exclude the subscription right of the shareholders also in this respect in the scenarios described above. With regard to the reasons for the exclusion of the subscription right, the statements above apply accordingly.

The Management Board will make its decision regarding the exercise of the proposed authorisation and the utilisation of acquired treasury shares within the framework of its duly exercised discretion. Furthermore, treasury shares will only be used for the purposes set out in Agenda Item 7 lit. c) bb), c) cc), c) dd), c) ee), c) ff) and c) gg) with the prior consent of the Supervisory Board.

At the moment, there are no specific plans to utilise the proposed authorisation for the acquisition of treasury shares. The Management Board will report on any utilisation of the authorisation at the next following General Meeting.

**Report of the Management Board to the General Meeting pursuant to § 71 (1) no. 8 sent. 5 German Stock Corporation Act in conjunction with § 186 (4) sent. 2 German Stock Corporation Act on Agenda Item 8 (Authorisation for the use of derivatives in the course of the acquisition of treasury shares as well as for the exclusion of the subscription and tendering right)**

With regard to Agenda Item 8, Management Board and Supervisory Board propose that by way of supplement to the authorisation for the acquisition of treasury shares pursuant to § 71 (1) no. 8 German Stock Corporation Act proposed to be resolved in Item 7 of this Agenda, the Company is to be authorised to acquire treasury shares also by using Derivatives and to enter into corresponding Derivatives transactions.

The authorisation therefore provides that Derivatives in the form of Put Options, Call Options, Forward Purchases or a combination of these instruments may also be used in the course of acquiring treasury shares. Agenda Item 8 thus extends Agenda Item 7 solely by the possibility of the repurchase using certain derivatives and is not an additional or separate authorisation for the repurchase, with the consequence that in all other respects all the conditions for a repurchase under Agenda Item 7 apply, namely the requirements in terms of time. Within the framework of the overall authorisation pursuant to Agenda Item 7, the volume for this kind of acquisition of treasury shares is further restricted to 5 percent of the capital stock. In each case, the term of the individual Derivatives may not be more than 18 months, has to end no later than on 12 February 2024, and has to be designed in such manner that the acquisition of the shares using the Derivatives cannot occur after 12 February 2024. By means of these additional alternative courses of action, the Company expands its possibilities for structuring the acquisition of treasury shares in an optimal manner.

When selling a Put Option, the Company grants to the acquirer of the Put Option the right, during a certain period of time or at a specific point in time, to sell shares of the Company to the Company at a price stipulated in the Put Option (exercise price). As a so-called writer (*Stillhalter*), the Company is obliged to acquire the number of shares stipulated in the Put Option at the exercise price if the Put Option is exercised. As consideration, the Company receives an option premium in return when selling the Put Option. From the perspective of the Company, the share repurchase using Put Options has the advantage that the exercise price is already stipulated on the date the option is concluded. In contrast, the liquidity is only paid out on the date of exercise. If the option is not exercised, because the share price on the date of exercise is higher than the exercise price, the Company is unable to acquire treasury shares in this manner. However, it still retains the option premium received on the date on which the option was concluded.

When acquiring a Call Option, the Company receives the right against payment of an option premium, to purchase, during a certain period of time or at a specific point in time, a predetermined number of shares at a predetermined price (exercise price) from the seller of the option, the writer (*Stillhalter*). Exercising the Call Option is economically sensible for the Company if on the date of exercise the market price of the Company's share is higher than the exercise price, as it is then able to purchase the shares from the writer at the lower exercise price. By the acquisition of Call Options, the Company may hedge against increasing share prices and only has to acquire as many shares as it actually requires at the later point in time. In addition, by using Call Options, the Company's liquidity is spared, since the exercise price for the shares must be paid only when the Call Option is exercised. These aspects may justify in the individual case that the Company uses Call Options for an intended acquisition of treasury shares.

In the case of a Forward Purchase, the Company agrees with the forward seller to acquire the shares at a specified date in the future. The acquisition is made at a forward price stipulated at the time of conclusion of the Forward Purchase. Upon occurrence of this date, the Company pays the forward seller the forward price and the forward seller in return delivers the shares. The conclusion of such Forward Purchases may be advisable for the Company, in particular, for reasons of maintaining liquidity levels.

The Derivatives may be entered into only with one or more credit institution(s) which is/are independent from the Company and/or one or more companies operating in accordance with § 53 (1) sent. 1 or § 53b (1) sent. 1 or (7)

of the German Banking Act. Thereby, the management is enabled – in contrast to cases where an offer for entering into Derivatives is made to all shareholders – to conclude Derivatives transactions at short notice and, thus, to react quickly to market situations. In this respect, it has to be ensured that the Derivatives are only fulfilled with shares which are acquired in observance of the principle of equal treatment (§ 53a German Stock Corporation Act), in particular through the stock exchange, at the current stock price of the Company's share at the point in time of the acquisition. Pursuant to the statutory provision in § 71 (1) no. 8 German Stock Corporation Act, it is sufficient for observance of the principle of equal treatment if the shares are acquired through the stock exchange at the current stock price of the Company's share at the point in time of the acquisition through the stock exchange. Any right of the shareholders for the conclusion of Derivatives transactions with the Company is excluded in the same way as any tendering right of the shareholders. This exclusion is necessary, in order to facilitate the use of Derivatives in the course of the repurchase of treasury shares and to achieve the benefits for the Company related thereto. A conclusion of corresponding Derivatives transactions with all shareholders would not be feasible.

Where Derivatives are used, the consideration for the shares to be granted by the Company is the exercise price or forward price agreed in the respective Derivatives transaction (in each case without ancillary acquisition costs, but taking into account any bonuses paid or received). By the stipulations in respect of the option premium made in the resolution and the permissible exercise price or forward price restricted in more detail in the resolution, it is prevented that the shareholders suffer a material economic disadvantage in the case of the acquisition of treasury shares using derivatives. Since the Company receives or pays a fair market price, the shareholders not participating in the derivative transactions do not suffer a material economic disadvantage. This is equivalent in effect to the position of the shareholders in the case of a repurchase of shares through the stock exchange, where not all shareholders are actually able to sell shares to the Company. Besides, the interests of the shareholders are considered by the requirement of the resolution that in exercising the option only such shares may be delivered which were previously acquired in observance of the principle of equal treatment. Both the requirements for the structuring of the Derivatives and the requirements for the shares suitable for delivery ensure that in the case of this form of acquisition the principle of equal treatment of the shareholders is also taken into account comprehensively. For this reason, it is justified, also in view of the rationale underlying § 186 (3) sent. 4 German Stock Corporation Act, that the shareholders

are not entitled to enter into such Derivatives transactions with the Company.

With regard to the utilisation of the treasury shares acquired using Derivatives, the provisions set forth in Agenda Item 7 apply accordingly. These provisions are described in more detail in the Report of the Management Board to the General Meeting pursuant to § 71 (8) sent. 5 German Stock Corporation Act in conjunction with § 186 (4) sent. 2 German Stock Corporation Act on Agenda Item 7.

At the moment, there are no specific plans to utilise the proposed authorisation for the use of Derivatives. The Management Board will report on any utilisation of the authorisation to acquire treasury shares using Derivatives at the next following General Meeting.

**Report of the Management Board to the General Meeting pursuant to § 221 (4) sent. 2 German Stock Corporation Act in conjunction with § 186 (4) sent. 2 German Stock Corporation Act on Agenda Item 9 (Cancellation of the existing authorisation for the issue of warrant or convertible bonds of 20 February 2015, as well as granting of a new authorisation for the issue of warrant and/or convertible bonds with the option of an exclusion of the subscription right for these warrant and/or convertible bonds as well as creation of a new contingent capital and cancellation of the existing Contingent Capital I and corresponding amendment of § 4 (8) of the Articles of Association (Contingent Capital))**

The Management Board has been authorised by resolution of the Annual General Meeting of 20 February 2015 to issue, with the approval of the Supervisory Board, warrant or convertible bonds made out to the bearer, once or several times, on or before 19 February 2020, with a total nominal amount of up to 1,500,000,000 euros and to grant or impose, as applicable, warrant rights or obligations to the holders of warrant bonds or, respectively, conversion rights or obligations to/on the holders of convertible bonds for ordinary shares of CECONOMY AG made out to the bearer with a proportionate amount of the capital stock of up to a total of 127,825,000 euros.

To enable CECONOMY AG to continue to make flexible use of attractive sources of financing, the authorisation to issue warrant or convertible bonds created by resolution of the Annual General Meeting of 20 February 2015 is to be renewed, in particular in order to have an authorisation pursuant to § 186 (3) sent. 4 German Stock Corporation Act again in the future. The previous authorisation was used up by the capital increase

from authorised capital in 2018, for which subscription rights were excluded. In addition, the term is to be extended early to ensure that an authorisation to issue warrant and/or convertible bonds is available to the Company at all times.

Under Agenda Item 9, the Management Board and the Supervisory Board therefore propose to cancel the existing authorisation to issue warrant or convertible bonds as well as the corresponding Conditional Capital I and to create a new authorisation and a new contingent capital (Contingent Capital) with the authorisation to exclude subscription rights.

The Management Board is to be authorised to issue, with the approval of the Supervisory Board, warrant and/or convertible bonds made out to the bearer (together the "Bonds"), once or several times, on or before 12 February 2024, with a total nominal amount of up to 1,000,000,000 euros – with or without a limitation of their term – and to grant or impose, as applicable, warrant rights or obligations to/on the holders of warrant bonds or, respectively, conversion rights or obligations to/on the holders of convertible bonds for ordinary shares of CECONOMY AG made out to the bearer with a proportionate amount of the capital stock of up to a total of 127,825,000 euros, subject to the more detailed provisions of the conditions of the warrant or convertible bonds (hereinafter each referred to as "Bond Conditions").

In addition to issuances in euros, it is intended that the Bonds may also be issued in the legal currency of an OECD country – limited to the appropriate equivalent amount in euros. The authorisation is further intended to enable CECONOMY AG to issue the Bonds also through an affiliate of CECONOMY AG as defined in § 18 German Stock Corporation Act in which CECONOMY AG directly or indirectly holds at least 90 percent of the shares.

In the case of an issuance of Bonds granting a warrant or conversion right or imposing a warrant or conversion obligation, the following applies: The respective warrant or conversion price to be determined for one ordinary share of CECONOMY AG must – except in cases in which a warrant or conversion obligation or a substitution right is provided for – amount to at least 80 percent of the volume-weighted average closing price of the ordinary shares of CECONOMY AG in electronic trading at the Frankfurt Stock Exchange on the 10 exchange trading days prior to the date the resolution is adopted by the Management Board regarding the issuance of the Bonds or – in the event subscription rights are granted – at least 80 percent of the volume-weighted average stock price of the ordinary shares of CECONOMY AG in electronic trading at the Frankfurt Stock

Exchange during the subscription period, with the exception of the days of the subscription period required for the timely announcement of the warrant or conversion price pursuant to § 186 (2) sent. 2 German Stock Corporation Act. §§ 9 (1) and 199 (2) German Stock Corporation Act remain unaffected.

In the event that the Bond Conditions create a conversion obligation or warrant obligation at the end of their term (or at another point in time) or that a substitution right of CECONOMY AG is provided for, the warrant or conversion price must – subject to the more detailed provisions of the Bond Conditions – be at least the above-mentioned minimum price or must be equal to the volume-weighted average closing price of the ordinary share of CECONOMY AG in electronic trading at the Frankfurt Stock Exchange during the 10 exchange trading days before or after the final maturity date or the other stipulated point in time, even if this average price is below the above-mentioned minimum price. The proportionate amount of the capital stock of the ordinary shares of CECONOMY AG to be issued upon conversion or exercise of the warrant may not exceed the nominal value of the Bonds.

As a general rule, in the case of an issue of Bonds, the shareholders are entitled to the subscription right for such Bonds carrying warrant or conversion rights or obligations (§§ 221 (4), 186 (1) German Stock Corporation Act). In order to facilitate processing for the issue of Bonds, it is intended to allow for making use of the possibility that the Bonds are assumed by credit institutions or by equivalent companies pursuant to § 186 (5) German Stock Corporation Act, subject to the obligation to offer them to the shareholders in accordance with their subscription rights. Where Bonds are issued by an affiliate of CECONOMY AG as defined in § 18 German Stock Corporation Act in which CECONOMY AG directly or indirectly holds at least 90 percent of the shares, CECONOMY AG has to ensure the granting of the statutory subscription right for the shareholders of CECONOMY AG in accordance with the preceding sentence.

However, the Management Board is to be authorised to exclude the subscription right in certain cases, with the approval of the Supervisory Board:

- (1) The Management Board is to be authorised, with the approval of the Supervisory Board, to exclude the subscription right for the compensation of fractional amounts.

The purpose of this exclusion of subscription rights is to facilitate the processing of an issuance where



subscription rights for shareholders are generally granted. Fractional amounts may result from the respective issue volume and from the fact that it is necessary to apply a technically feasible subscription right ratio. The value of the fractional amounts per shareholder is generally low, which is why the potential dilution effect can also be regarded as low. In contrast, the effort required for issuances without such exclusion is significantly higher, which causes additional costs.

- (2) Further, the Management Board is to be authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription right to grant holders of previously issued warrant or conversion rights or obligations a subscription right to the extent to which they would be entitled as shareholders after exercising the warrant or conversion right or upon fulfilment of the warrant or conversion obligation.

The exclusion of the subscription right for the benefit of holders of warrant or conversion rights or obligations that already have been issued has the advantage that the warrant or conversion price for the warrant or conversion rights or obligations that already have been issued does not have to be reduced and that, thus, a higher total inflow of funds can be achieved. Besides, equipping bonds with this type of anti-dilution protection is standard market practice.

- (3) The Management Board is further to be authorised, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders in its entirety – in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act – if the issue of the Bonds carrying warrant or conversion rights or obligations is made against cash payment at an issue price which is not significantly lower than the market price of these Bonds.

This awards CECONOMY AG the opportunity to make use of favourable market opportunities quickly and at short notice and to obtain better conditions for the determination of the interest rate and the issue price of the Bonds by stipulating terms and conditions which are closer to the market environment. A stipulation of terms and conditions that are closely related to the market environment and a smooth placement would not be possible if the subscription right had to be observed. § 186 (2) German Stock Corporation Act allows for a publication of the issue price (and, thus, the terms and conditions of these Bonds) until the third last day of

the subscription period. However, given the volatility of the equity markets that is often observable, there still exists a market risk for several days, leading to safety discounts when determining the conditions of the Bonds and hence resulting in terms that are not close to market conditions. Furthermore, if the subscription rights are granted, a successful placement with third parties is made more difficult or entails additional efforts, given the uncertainty regarding the exercise of the subscription right (subscription behaviour). Finally, if granting subscription rights, CECONOMY AG is unable to react to favourable or unfavourable changes in market conditions on short notice because of the duration of the subscription period, but is exposed to declining stock prices during the subscription period which may lead to CECONOMY AG procuring capital on unfavourable terms.

Pursuant to § 221 (4) sent. 2 German Stock Corporation Act, the provision in § 186 (3) sent. 4 German Stock Corporation Act applies accordingly to this case of an exclusion of the subscription right in its entirety. According to the resolution, the limit stipulated in this provision for the exclusion of the subscription right of 10 percent of the capital stock has to be complied with. It is ensured by means of a respective stipulation in the authorisation resolution that the limit of 10 percent is not exceeded in the case of a capital reduction, since the authorisation to exclude the subscription right must not exceed an amount of 10 percent of the registered capital stock, neither at the time of the becoming effective, nor – in the event that this value is lower – at the time of the utilisation of this authorisation. To the aforementioned maximum limit of 10 percent of the capital stock, the proportionate amount of the capital stock has to be credited which is attributable to shares which since the granting of this authorisation have – subject to an exclusion of subscription rights – either been issued on the basis of an authorisation of the Management Board to exclude subscription rights in direct or analogous application of § 186 (3) sent. 4 German Stock Corporation Act or disposed of as acquired treasury shares in analogous application of § 186 (3) sent. 4 German Stock Corporation Act, until the issue – subject to an exclusion of subscription rights pursuant to § 186 (3) sent. 4 German Stock Corporation Act utilising this authorisation pursuant to § 186 (3) sent. 4 German Stock Corporation Act – of Bonds with conversion and/or warrant rights or conversion and/or warrant obligations.

§ 186 (3) sent. 4 German Stock Corporation Act further stipulates that the issue price may not be significantly

lower than the market price. This provision is intended to ensure that no significant economic dilution of the value of the shares occurs. Whether or not such dilution effect occurs in the event of an issue of Bonds carrying warrant or conversion rights or warrant or conversion obligations without granting subscription rights may be determined by calculating the hypothetical market price of the Bonds in accordance with generally accepted financial mathematical methods and comparing it to the issue price. If in the process of a duly conducted examination this issue price is found to be only insignificantly lower than the hypothetical market price at the time of the issue of the Bonds, the exclusion of the subscription right is permissible in accordance with the rationale and purpose of the provision in § 186 (3) sent. 4 German Stock Corporation Act, because the deduction is merely insignificant. Therefore, the authorisation resolution stipulates that, prior to the issue of Bonds carrying warrant or conversion rights or warrant or conversion obligations, the Management Board upon a duly conducted examination has to come to the conclusion that the intended issue price does not lead to a significant dilution since the issue price is not significantly lower than the hypothetical market price determined in accordance with generally accepted financial mathematical methods. This would result in the calculational value of a subscription right being close to zero, thus ensuring that the shareholders will not suffer any material economic disadvantages from the exclusion of the subscription rights. Independently from this examination conducted by the Management Board, a determination of terms and conditions which are closely related to market conditions – and thus the avoidance of a significant dilution of the value – is ensured in cases where a book-building procedure is conducted. In the course of this procedure, the Bonds are being offered at a fixed issue price; however, individual terms of the Bonds (for example, applicable interest rate and, as the case may be, their term) are stipulated on the basis of the purchasing orders submitted by investors, thus leading to a determination of a total value of the Bonds which is close to market conditions. All this ensures that the exclusion of the subscription right does not lead to a significant dilution of the value of the ordinary shares.

Besides, also after the exercise of warrant or conversion rights or the occurrence of warrant or conversion obligations, the shareholders have the opportunity, at any time, to maintain the extent of their portion of the capital stock of CECONOMY AG by acquiring ordinary shares

through the stock market. In contrast, the authorisation to exclude the subscription right facilitates the determination of terms and conditions close to market conditions, the highest possible extent of security regarding a placement with third parties and the utilisation of favourable market situations at short notice by CECONOMY AG.

To protect shareholders, the authorisation contains a restriction on the total scope of capital measures of CECONOMY AG for which subscription rights are excluded. On aggregate, pursuant to this authorisation, the shares that are or have to be issued for the fulfilment of warrant or convertible bonds which are issued subject to an exclusion of subscription rights in application, *mutatis mutandis*, of § 186 (3) sent. 4 German Stock Corporation Act may not amount to more than 10 percent of the capital stock existing at the time the authorisation becomes effective. Shares that are newly issued subject to an exclusion of the subscription right in direct or analogous application of § 186 (3) sent. 4 German Stock Corporation Act or which are issued from authorised capital against contribution in kind subject to an exclusion of the subscription right for the purpose of corporate mergers or for the acquisition (also indirectly) of companies, divisions of companies, operational activities, branches of activity or company interests, are to be counted towards this maximum limit. The use of treasury shares subject to an exclusion of subscription rights is not to be credited to the maximum limit. Reference is made in this respect to the report of the Management Board to the General Meeting on the creation of a new authorised capital (Agenda Item 6).

In consideration of all the circumstances mentioned above, the Management Board, in agreement with the Supervisory Board of CECONOMY AG, considers the authorisation to exclude the subscription right of the shareholders within the defined limits to be objectively justified and appropriate for the reasons stated above and also taking into account the possible dilution effect when using the authorisation.

Currently, there are no specific plans to utilise the authorisation to issue warrant or convertible bonds. In each case, the Management Board will examine with due care whether the utilisation of the authorisation is in the interest of CECONOMY AG and its shareholders. The Management Board will report to the General Meeting on any utilisation of the authorisation.

## FURTHER DETAILS AND INFORMATION

### ATTENDANCE AT THE GENERAL MEETING AND EXERCISE OF VOTING RIGHTS

Holders of ordinary shares are entitled to attend the General Meeting and to exercise their voting rights, holders of preference shares are entitled to attend the General Meeting, if they have registered for the General Meeting in advance. The registration must be received by CECONOMY AG no later than **Wednesday, 6 February 2019, 24:00 CET**, in text form and in the German or English language, at

CECONOMY AG  
c/o Deutsche Bank AG  
Securities Production  
General Meetings  
Postfach 20 01 07  
60605 Frankfurt am Main

or by fax at: +49 (0)69 12012-86045  
or by e-mail at: wp.hv@db-is.com

Furthermore, evidence must be provided of the right to attend the General Meeting and to exercise the voting right. For this purpose, a proof of share ownership issued by the depository institution maintaining the securities account is required in text form in the German or English language. The proof of share ownership has to relate to the beginning of the twenty-first day prior to the General Meeting ("Record Date") – in this case **Wednesday, 23 January 2019, 0:00 CET** – and be received by CECONOMY AG no later than **Wednesday, 6 February 2019, 24:00 CET**, at

CECONOMY AG  
c/o Deutsche Bank AG  
Securities Production  
General Meetings  
Postfach 20 01 07  
60605 Frankfurt am Main

or by fax at: +49 (0)69 12012-86045  
or by e-mail at: wp.hv@db-is.com

In relation to the Company, only such person who has provided proof of eligibility will be regarded as a shareholder for the purposes of participation in the General Meeting and the exercising of voting rights.

The right to attend the General Meeting and the extent of the right to vote are determined based on the shareholder's share ownership on the Record Date. The Record Date does not constitute an obstacle for dispositions in respect of shares; in particular, shares may be acquired and disposed of regardless of the Record Date. Also in the event of the disposal of the shares, in whole or in part, after the Record Date, with regard to attendance and the extent of the voting rights the shareholding of the shareholder as of the Record Date is exclusively relevant, which means that disposals of shares occurring after the Record Date have no effect on the entitlement to attend and the extent of the voting rights. The same applies with regard to acquisitions of shares after the Record Date. Persons who are not holding shares as of the Record Date and who only become shareholders thereafter, are not entitled to attend and to exercise voting rights in the General Meeting on 13 February 2019, unless they have been granted power of attorney in this respect or have been authorised to exercise such rights.

## **PROXY VOTING**

Holders of preference shares are not entitled to vote in the General Meeting on 13 February 2019. Therefore, the following explanations regarding proxy voting only apply to holders of ordinary shares.

### **Authorisation of a third party**

Shareholders may also have their voting right exercised by a proxy – e.g. a bank, a shareholder association or any other third party. Even in case of an authorisation of proxies, a timely registration of the shareholder for the General Meeting and a timely provision of the proof of share ownership of the shareholder in accordance with the provisions described above (cf. ATTENDANCE AT THE GENERAL MEETING AND EXERCISE OF VOTING RIGHTS) are required. Unless a proxy for the exercise of the voting right is granted to a bank or an equivalent institution or company (§§ 135 (10), 125 (5) German Stock Corporation Act) or to a shareholder association or a person pursuant to § 135 (8) German Stock Corporation Act, the granting of the proxy, its revocation and the evidence of such granting vis-à-vis the Company have to be in text form.

Proxy forms are available on the Company's website at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting). In addition, proxy forms may also be requested from the following address

CECONOMY AG  
Group Corporate Legal  
Benrather Straße 18-20  
40213 Düsseldorf

or by fax at: +49 (0)211 5408-7005  
or by e-mail at: hv2019@ceconomy.de

Notwithstanding any other method of transmission of the proof of authorisation of a proxy permitted by law, such proof may be transmitted electronically to the e-mail address of the Company, hv2019@ceconomy.de.

Where proxies for the exercise of voting rights are granted to banks, equivalent institutions or companies (§§ 135 (10), 125 (5) German Stock Corporation Act) or to shareholder associations or persons pursuant to § 135 (8) German Stock Corporation Act, the special statutory provisions in § 135 German Stock Corporation Act apply, which require – inter alia – that the proxy declaration has to be documented verifiably by the proxy. In this respect, exceptions from the general text form requirement may therefore apply. We therefore request shareholders who intend to grant a proxy to a bank, to an equivalent institution or company (§§ 135 (10), 125 (5) German Stock Corporation Act) or to a shareholder association or persons pursuant to § 135 (8) German Stock Corporation Act, to coordinate the form of the proxy with the proxy recipient.

### **Authorisation of the proxies nominated by the Company**

Shareholders may also authorise proxies nominated by the Company to exercise their voting rights. In this case, too, a timely registration of the shareholder for the General Meeting and a timely provision of the proof of share ownership of the shareholder in accordance with the provisions described above (cf. ATTENDANCE AT THE GENERAL MEETING AND EXERCISE OF VOTING RIGHTS) are required.

The proxies nominated by the Company will exercise the voting right only on the basis of express and unambiguous instructions. Therefore, the shareholders have to issue express and unambiguous instructions in respect of the items of the Agenda with regard to which they wish the voting right to be exercised. The proxies nominated by the Company are obliged to vote in accordance with the instructions given to them. In the event that individual ballots are conducted in respect of an item on the Agenda, any instruction issued in this regard will apply accordingly in respect of each individual sub-item. To the extent

that no express and unambiguous instruction was given, the proxies nominated by the Company will refrain from voting with regard to the respective subject matter of the ballot. The proxies nominated by the Company do not accept any instructions to submit a request to address the General Meeting, to record objections to General Meeting resolutions or to ask questions or table motions. They are available only for the adoption of resolutions on such resolution proposals from the Management Board, the Supervisory Board or from shareholders which have been published together with this calling or subsequently pursuant to § 124 (1) or (3) German Stock Corporation Act.

Proxies and instructions to the proxies nominated by the Company must be in text form and may also be granted through the web-based proxy and instruction system. They may be granted, changed or revoked

- until **Tuesday, 12 February 2019, 12:00 CET**, at the address

CECONOMY AG  
Group Corporate Legal  
Benrather Straße 18-20  
40213 Düsseldorf

or

- until **Wednesday, 13 February 2019, 12:00 CET**,

by fax at: +49 (0)211 5408-7005,  
by e-mail at: [hv2019@ceconomy.de](mailto:hv2019@ceconomy.de)  
or through the web-based proxy and instruction system  
under [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting)

In each case, receipt by the Company will be relevant.

Requests for the respective forms may also be addressed to the above address, fax number or e-mail address. The forms may also be downloaded on the Internet at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting).

For the access to the web-based proxy and instruction system, the entry ticket number will be required. More detailed information regarding the authorisation and the granting of instructions through the web-based proxy and instruction system are available on the Internet at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting).

During the General Meeting, proxies and instructions to the proxies nominated by the Company may also be granted, changed or revoked at the entrance and exit control until the end of the general debate.



All other permitted modes of attendance and representation, in particular attendance in person or attendance through a proxy will, of course, not be affected by this offer to exercise voting rights through the proxies nominated by the Company. Further details on the exercise of voting rights through the proxies nominated by the Company and on the General Meeting may also be found on the website of the Company at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting).

## **RIGHTS OF SHAREHOLDERS PURSUANT TO §§ 122 (2), 126 (1), 127, 131 (1) GERMAN STOCK CORPORATION ACT**

### **Motions to supplement the Agenda pursuant to § 122 (2) German Stock Corporation Act**

Shareholders whose shares, in the aggregate, represent 5 per cent of the capital stock or a proportionate amount of 500,000 euros – this is the equivalent of at least 195,583 no-par value shares –, may request that items be placed on the Agenda and published. Such request must be made in writing or in electronic form pursuant to § 126a German Civil Code (which means with a qualified electronic signature) to the Management Board of the Company and has to be received by the Company no later than **Sunday, 13 January 2019, 24:00 CET**. Such requests may solely be addressed to:

Vorstand der CECONOMY AG  
Group Corporate Legal  
Benrather Straße 18-20  
40213 Düsseldorf

or in electronic form pursuant to § 126a German Civil Code by e-mail to: [hv2019@ceconomy.de](mailto:hv2019@ceconomy.de)

Motions to supplement the Agenda that are addressed differently will not be considered.

Any new item for the Agenda has to be accompanied by a stating of reasons or a resolution proposal. Parties presenting the motion shall furnish evidence that they have been holders of such shares for not less than 90 days prior to the date of receipt of the request and that they will hold the shares until a decision on the motion by the Management Board. In calculating this minimum holding period, § 70 German Stock Corporation Act is to be observed.

The publication and communication of motions to supplement the Agenda are made in the same way as the calling of the meeting.

## **Shareholder motions pursuant to § 126 (1) German Stock Corporation Act**

Shareholders of the Company may submit counter-motions against proposals of the Management Board and/or the Supervisory Board with respect to specific items on the Agenda.

Motions pursuant to § 126 German Stock Corporation Act may be addressed solely to

CECONOMY AG  
Group Corporate Legal  
Benrather Straße 18-20  
40213 Düsseldorf

or by fax to: +49 (0)211 5408-7005  
or by e-mail to: hv2019@ceconomy.de

Counter-motions that are addressed differently will not be considered.

Shareholder motions received no later than **Tuesday, 29 January 2019, 24:00 CET**, at the above contact details and in due form, in particular accompanied by a stating of reasons, will be made accessible on the following website without undue delay

[www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting)

Any responses from the management will also be made accessible on the above website.

The Company may refrain from publishing counter-motions and the reasons stated therefor if one of the exclusion requirements pursuant to § 126 (2) German Stock Corporation Act is met, e.g. if the counter-motion would result in a resolution of the General Meeting violating the law or the Articles of Association. The reasons stated for a counter-motion need not be made accessible if they exceed a total of 5,000 characters.

Shareholders are requested to provide proof of their status as shareholders already at the time of sending their counter-motions. Please note that counter-motions, even if they have been sent to the Company in advance in due time, will only be considered in the General Meeting if they are submitted verbally at the meeting. This does not affect the right of each shareholder to bring forward counter-motions regarding the different items on the Agenda during the General Meeting even without prior transmission to the Company.

## **Election nominations by shareholders pursuant to § 127 German Stock Corporation Act**

Pursuant to § 127 German Stock Corporation Act, the Company's shareholders may submit election nominations for the election of Supervisory Board Members or auditors.

Election nominations pursuant to § 127 German Stock Corporation Act may be addressed solely to

CECONOMY AG  
Group Corporate Legal  
Benrather Straße 18-20  
40213 Düsseldorf

or by fax to: +49 (0)211 5408-7005  
or by e-mail to: [hv2019@ceconomy.de](mailto:hv2019@ceconomy.de)

Election nominations that are addressed differently will not be considered.

Election nominations received no later than **Tuesday, 29 January 2019, 24:00 CET**, at the above contact details and in due form will be made accessible on the following website without undue delay

[www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting)

Any responses from the management will also be made accessible on the above website.

The Company may refrain from publishing an election nomination if one of the exclusion requirements pursuant to § 127 sent. 1 German Stock Corporation Act in conjunction with § 126 (2) German Stock Corporation Act is met, e.g. if the election nomination would result in a resolution of the General Meeting violating the law or the Articles of Association. In addition, the Management Board is further not obliged to make an election nomination accessible, if the proposal does not contain the name, practised profession and place of residence of the proposed candidate and, in the event of a nomination of Supervisory Board members, does not contain information about their membership in other supervisory boards which are to be established pursuant to statutory law. Unlike counter-motions pursuant to § 126 German Stock Corporation Act, no reasons need to be stated for election nominations.

Shareholders are requested to provide proof of their status as shareholders already at the time of sending their election nominations. Please note that election nominations, even if they

have been sent to the Company in advance in due time, will only be considered in the General Meeting if they are submitted verbally at the meeting. This does not affect the right of each shareholder to submit election nominations for the relevant items on the agenda during the General Meeting even without prior transmission to the Company.

### **Right to information pursuant to § 131 (1) German Stock Corporation Act**

In the General Meeting, each shareholder is entitled to request information from the Management Board regarding the Company's affairs, to the extent that such information is necessary for a proper assessment of the agenda (cf. § 131 (1) German Stock Corporation Act). The obligation to provide information also includes the legal and business relationships of the Company with affiliated enterprises as well as the situation of CECONOMY Group and the enterprises included in the consolidated financial statements of CECONOMY AG. Requests for information in the General Meeting must be made verbally.

The Management Board may refrain from answering individual questions for the reasons set forth in § 131 (3) German Stock Corporation Act, for example if, based on prudent commercial assessment, providing the information requested would have the potential of causing material harm to the Company or an affiliate. The chairman of the General Meeting is entitled to limit appropriately the time available to shareholders and proxies to speak and ask questions, and particularly to set a reasonable time frame for the course of the General Meeting, for individual items on the Agenda or for individual questions and speaking contributions (cf. § 17 (3) of the Articles of Association of CECONOMY AG).

### **Further Explanations**

Additional explanations with respect to shareholder rights pursuant to §§ 122 (2), 126 (1), 127, 131 (1) German Stock Corporation Act can be found on the Company's website at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting).

## **REFERENCE TO THE COMPANY'S WEBSITE**

The information pursuant to § 124a German Stock Corporation Act with respect to this year's Annual General Meeting can be found on the Company's website at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting).

## **VOTING RESULTS**

The voting results determined by the chairman of the General Meeting will be published on the Company's website at [www.ceconomy.de/general-meeting](http://www.ceconomy.de/general-meeting) within the period required by law.

## **TOTAL NUMBER OF SHARES AND VOTING RIGHTS**

At the time of the calling of the General Meeting, the capital stock of CECONOMY AG is divided into 359,421,084 no-par value shares. Of these, 356,743,118 shares are ordinary shares, conferring 356,743,118 voting rights, and 2,677,966 shares are non-voting preference shares.

Düsseldorf, January 2019

CECONOMY AG

THE MANAGEMENT BOARD

# INFORMATION REGARDING DATA PROTECTION

## 1. General information

### a) Introduction

CECONOMY AG, Benrather Straße 18-20, 40213 Düsseldorf, attaches great importance to data protection and the protection of privacy. With the following information on data protection, we would like to inform our shareholders about the processing of their personal data and their rights in this respect in accordance with the applicable data protection laws, in particular Regulation (EU) 2016/679 (General Data Protection Regulation – GDPR), in connection with the preparation, conduct and follow-up of the General Meeting.

### b) Controller for the purposes of Article 4 no. 7 GDPR

CECONOMY AG, Benrather Straße 18-20, 40213 Düsseldorf

### c) Contact details of the Data Protection Officer

CECONOMY AG, Data Protection Officer, Benrather Straße 18-20, 40213 Düsseldorf

E-mail: [datenschutz@ceconomy.de](mailto:datenschutz@ceconomy.de)

## 2. Information on data processing

### a) Categories of data

In particular, we process the following categories of personal data:

- first and last name,
- address,
- number of shares,
- class of shares,
- type of ownership of the shares and
- entry ticket number.

In addition, we may also process the personal data of a proxy nominated by a shareholder (in particular his/her name and place of residence). If shareholders or their proxies contact us, we also process the personal data required to respond to any concerns (such as the contact data provided by the shareholder or proxy, such as e-mail address or telephone number). If necessary, we also process information on motions, questions, election proposals and requests from shareholders at the General Meeting.

### b) Purposes and legal basis of the processing

We use personal data to enable shareholders to attend and exercise their rights at the General Meeting. The

processing of personal data is indispensable for the proper preparation, conduct and follow-up of the General Meeting and to enable shareholders to attend the General Meeting pursuant to §§ 118 et seqq. German Stock Corporation Act. The legal basis for the processing of personal data is the German Stock Corporation Act in conjunction with Article 6 (1) sent. 1 point c) GDPR.

In addition, we may also process personal data to fulfil other legal obligations, such as regulatory requirements and obligations under stock corporation law, securities law, commercial law and tax law to retain data. The legal basis for the processing are the relevant legal provisions in conjunction with Article 6 (1) sent. 1 point c) GDPR.

All shares of CECONOMY AG – ordinary shares and preference shares – are bearer shares. In contrast to registered shares, CECONOMY AG does not keep a share register within the meaning of § 67 German Stock Corporation Act in which the name, date of birth and address of the shareholder as well as the number of shares must be entered.

#### **c) Categories of recipients of personal data**

In some respects, we make use of external service providers to prepare, conduct and follow up on the General Meeting (in particular for printing and mailing the invitation to the General Meeting as well as for registering for and conducting the General Meeting). Service providers commissioned for the purpose of preparing, processing and following up on the General Meeting will receive from us only such personal data as are necessary for the execution of the commissioned service and will process the data exclusively in accordance with the instructions of CECONOMY AG. Each of our employees and all employees of external service providers who have access to and/or process personal data are obliged to treat such data confidentially.

Participants in the General Meeting may also inspect the data recorded on all participants in the General Meeting in the list of participants to be made accessible at the General Meeting pursuant to § 129 (1) sent. 2 German Stock Corporation Act.

In addition, as far as legally permissible, we may, in compliance with statutory obligations, submit your personal data to authorities (such as criminal prosecution authorities) and courts at home and abroad.

#### **d) Data sources**

As a rule, we or our service providers commissioned for this purpose receive the personal data of the shareholders via our registration office from the credit institutions of the shareholders whom the latter have commissioned with the custody of our shares (so-called custodian banks).

#### **e) Storage period**

The storage period for the data recorded in connection with the General Meeting is regularly up to three years. As a general rule, we anonymise or erase personal data unless we are required by law to provide evidence and retain data for a longer period of time or are required to do so as part of legal proceedings. Information on shareholders' questions and speeches at the upcoming General Meeting will generally be anonymised after one month, unless longer storage is necessary for the reasons stated above.

### **3. Data subjects' rights**

As the party concerned (data subject), shareholders can contact our Data Protection Officer at any time with an informal notification using the contact details listed under 1.c) above in order to exercise their rights under the GDPR, the prerequisites of which must be examined in each individual case. These include, in particular:

- the right to obtain information on data processing and a copy of the data processed (right of access, Article 15 GDPR),
- the right to obtain the rectification of inaccurate data or the completion of incomplete data (right to rectification, Article 16 GDPR),
- the right to obtain the erasure of personal data and, if the personal data have been published, the information to other controllers about the request for erasure (right to erasure, Article 17 GDPR),
- the right to obtain the restriction of data processing (right to restriction of processing, Article 18 GDPR).

Data subjects also have the right to lodge a complaint with a supervisory authority.



## **HOTLINE FOR THE ANNUAL GENERAL MEETING OF CECONOMY AG**

If you have any questions, please contact the Hotline for the Annual General Meeting of CECONOMY AG from Monday, 7 January 2019 onwards, at

**Phone: +49 (0)800 – 0008471**

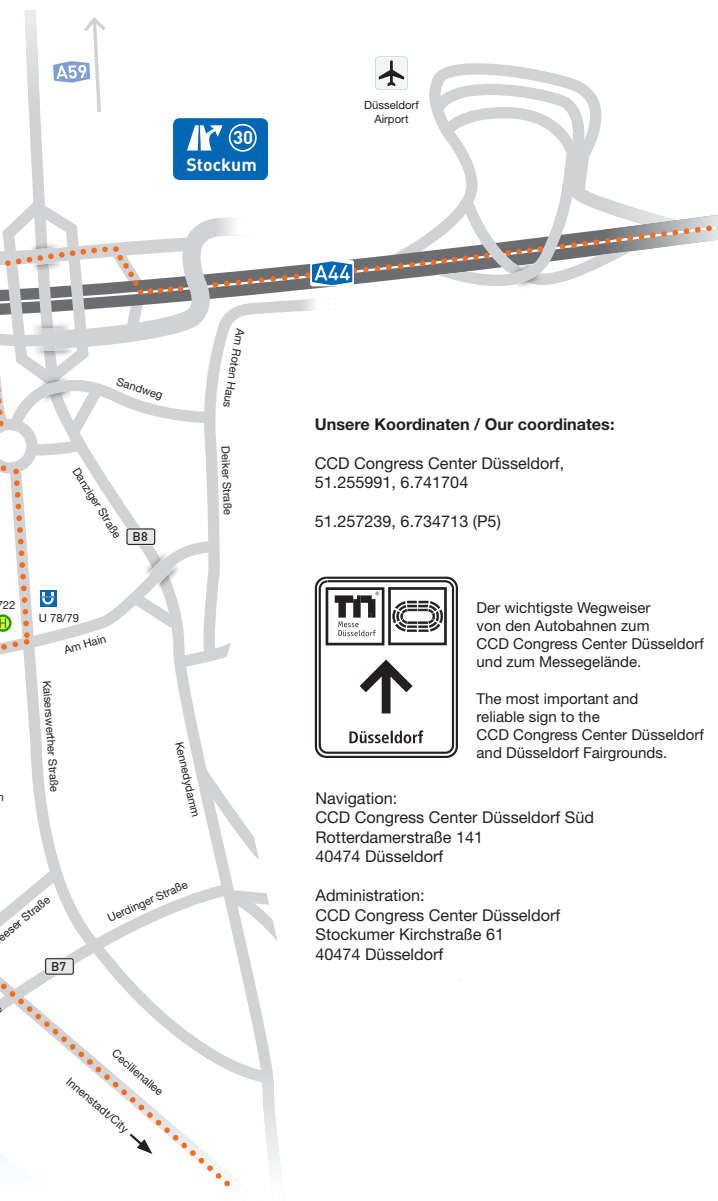
on workdays from Monday to Friday between 9:00 and 18:00 CET.

# CCD Stadthalle Düsseldorf – Parking place P5 + Car park P4

From the car park P4 a shuttle bus service will leave every 15 minutes and take you directly to the Stadthalle.



**Note:**  
You will receive vouchers for catering per each person at the admission.



#### Unsere Koordinaten / Our coordinates:

CCD Congress Center Düsseldorf,  
51.255991, 6.741704

51.257239, 6.734713 (P5)



Der wichtigste Wegweiser  
von den Autobahnen zum  
CCD Congress Center Düsseldorf  
und zum Messegelände.

The most important and  
reliable sign to the  
CCD Congress Center Düsseldorf  
and Düsseldorf Fairgrounds.

#### Navigation:

CCD Congress Center Düsseldorf Süd  
Rotterdamstraße 141  
40474 Düsseldorf

#### Administration:

CCD Congress Center Düsseldorf  
Stockumer Kirchstraße 61  
40474 Düsseldorf

