

# CECONOMY

**Separate meeting of the holders of preference shares of CECONOMY AG on 12 April 2022**

**Report of the Management Board to the separate meeting of holders of preference shares and, at the same time, report of the Management Board to the Extraordinary General Meeting of CECONOMY AG on 12 April 2022 on Agenda Item 4 (Conversion of the non-voting preference shares into ordinary shares with voting rights by cancelling the preferential right to profits and by making corresponding amendments to the Articles of Association)**

Under Agenda Item 4 of the Extraordinary General Meeting of 12 April 2022, the Management Board and the Supervisory Board propose to convert the non-voting preference shares into ordinary shares with voting rights by cancelling the preferential right to profits and by making corresponding amendments to the Articles of Association. In addition, the Management Board and the Supervisory Board propose that the resolution of the General Meeting to convert the preference shares into ordinary shares by way of a special resolution of the holders of ordinary shares be approved. Furthermore, the required consent of the holders of preference shares to the conversion of the preference shares into ordinary shares is to be obtained by way of a special resolution at a separate meeting of the holders of preference shares also to be held on 12 April 2022 following the General Meeting.

The Management Board submits the following written report in respect of the above proposed resolutions to the Extraordinary General Meeting of the Company convened for 12 April 2022 and to the separate meeting of the holders of preference shares convened for the same date:

## **1. Current share and capital structure of CECONOMY AG**

The capital stock of CECONOMY AG currently amounts to EUR 918,845,410.90 – subject to the capital increase against contribution in kind in accordance with Agenda Item 2 No. 1 of the Extraordinary General Meeting of 12 April 2022 becoming effective – and is divided into 356,743,118 ordinary shares with voting rights and 2,677,966 non-voting preference shares. The preference shares thus account for 0.75% of all shares issued by the Company.

Both the preference shares and the ordinary shares of CECONOMY AG are admitted to trading on the regulated market of the Düsseldorf Stock Exchange and the Frankfurt Stock Exchange, with a simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) and are traded under ISIN DE0007257503 (ordinary shares) and ISIN DE0007257537 (preference shares). The ordinary shares of CECONOMY AG are also included in the German share index SDAX.

Pursuant to § 4 (4) of the Articles of Association, the preference shares carry a preferential right to profits, the details of which are set out in § 21 of the Articles of Association. According to this provision, the holders of preference shares will receive an advance dividend of EUR 0.17 per preference share, payable in arrears, from the annual balance sheet profits and – after payment of a dividend of EUR 0.17 per ordinary share to the holders of ordinary shares – an additional

dividend of EUR 0.06 per preference share, which does not have to be paid in arrears. Except as otherwise provided by mandatory law, the preference shares do not confer voting rights.

In the view of the Management Board, the current higher price of the preference shares compared to the ordinary shares – and, in particular, the higher price up to the date of publication of the ad hoc announcement of 5 November 2021 regarding, among other things, the possible conversion of the preference shares – is primarily due to the narrow market, the dividends to be paid in arrears and, possibly, also the increased activity of shareholders trading preference shares in order to be able to react to a possible future adoption of the resolution.

## **2. Future share and capital structure of CECONOMY AG**

The conversion of the non-voting preference shares into ordinary shares with voting rights does not change the amount of the capital stock of the Company. It will continue to amount to EUR 918,845,410.90 – subject to the capital increase against contributions in kind pursuant to Agenda Item 2 No. 1 of the Extraordinary General Meeting on 12 April 2022 becoming effective. However, the share capital will – subject to the capital increase against contribution in kind pursuant to Agenda Item 2 No. 1 of the Extraordinary General Meeting on 12 April 2022 becoming effective – in future consist of 359,421,084 ordinary shares with voting rights.

As a result of the conversion, the preferential share in the profits attributable to the preference shares will no longer apply, meaning that each share will convey the same entitlement to profits. To compensate for the loss of the preferential right to profits, the former holders of preference shares will be granted voting rights at the General Meeting following the conversion of their shares into ordinary shares. Each share of the Company will then have the same voting right of one vote per share. All shareholders will therefore in future be subject to the legal provisions applicable to shareholders with voting shares in listed companies; this includes, in particular, the notification obligations applicable under §§ 33 et seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz*).

## **3. Procedure for the conversion of preference shares into ordinary shares**

The conversion of the non-voting preference shares into ordinary shares with voting rights is effected by cancellation of the preferential right to profits conveyed by the preference shares by way of an amendment to the Articles of Association. As a result, the rights attaching to the preference shares will be adjusted to those attaching to the ordinary shares and the class of the preference shares will be cancelled in its entirety. In contrast, there will be no exchange of shares. Instead, the rights attached to the preference shares will be adjusted to the effect that the preferential right to profits will be replaced by the right to vote. The respective proportionate interest of each shareholder held in the capital stock of the Company remains unchanged.

The conversion of the non-voting preference shares into ordinary shares with voting rights requires a resolution of the General Meeting cancelling the preference and amending the Articles of Association, which pursuant to § 179 (2) sent. 2 German Stock Corporation Act in conjunction with § 19 of the Articles of Association of CECONOMY AG must be adopted by a simple majority of the votes cast and of the capital stock represented at the time the resolution is adopted. This resolution is to be adopted by the Extraordinary General Meeting on 12 April 2022 under Agenda Item 4.1.

Furthermore, as a precautionary measure, the holders of ordinary shares are to be asked to approve the resolution of the General Meeting by way of a special resolution pursuant to § 179 (3) German Stock Corporation Act. Pursuant to § 179 (2) sent. 2 and (3) sent. 3 German Stock Corporation Act in conjunction with § 19 of the Articles of Association of CECONOMY AG, this special resolution also requires a simple majority of the votes cast as well as of the capital stock represented at the time the resolution is adopted and is to be adopted by the Extraordinary General Meeting on 12 April 2022 under Agenda Item 4.2.

Pursuant to § 141 (1) and (3) sent. 1 German Stock Corporation Act, the resolution on the conversion of the preference shares into ordinary shares also requires the approval of the holders of preference shares, who will decide on this by way of a special resolution at a separate meeting of the holders of preference shares also to be held on 12 April 2022 following the Extraordinary General Meeting. Pursuant to § 141 (3) sent. 2 German Stock Corporation Act, this special resolution of the holders of preference shares requires a majority of at least three quarters of the votes cast.

If the necessary resolutions are adopted, the amendment to the Articles of Association will be filed with the commercial register. Upon registration of the amendment to the Articles of Association in the commercial register (§ 181 (3) German Stock Corporation Act), the amendment will become effective, the rights attaching to the shares held by the holders of preference shares will be adjusted to those attaching to the ordinary shares, and the special class of preference shares previously existing will be cancelled (§ 141 (4) German Stock Corporation Act).

#### **4. Effects of the conversion of the preference shares into ordinary shares on the stock market listing**

Currently, both the preference shares and the ordinary shares of CECONOMY AG are admitted to trading on the regulated market of the Düsseldorf Stock Exchange and the Frankfurt Stock Exchange, with a simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard) and are traded under ISIN DE0007257503 (ordinary shares) and ISIN DE0007257537 (preference shares).

As a consequence of the conversion into ordinary shares, the previous stock exchange admissions of the preference shares will expire. However, it is intended to obtain instead the admission of the ordinary shares resulting from the conversion to trading on the regulated market of the Düsseldorf Stock Exchange and the Frankfurt Stock Exchange with simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (Prime Standard).

The conversion of the preference shares into ordinary shares is effected under company law upon registration of the resolution of the General Meeting on the conversion and the related amendments to the Articles of Association in the commercial register (§ 181 (3) German Stock Corporation Act). The custodian banks will convert their customers' holdings of preference shares to ordinary shares immediately after the amendments to the Articles of Association have been entered in the commercial register. The shareholders themselves do not have to take any action. There are no separate costs associated with the conversion for the shareholders. The new ordinary shares resulting from the conversion of the preference shares are to be admitted to trading on the stock exchange in the same way as the existing ordinary shares under the securities identification number (ISIN DE0007257503) applicable to the ordinary shares.

CECONOMY AG has no influence on the exact timing of the entry in the commercial register and the corresponding actions of the stock exchanges and the custodian banks. However, it is intended to facilitate as smooth a conversion process as possible in close coordination with the securities exchanges, on the one hand, and the competent commercial register, on the other. A temporary interruption of the stock exchange trading of the existing preference shares prior to the admission of the ordinary shares is to be avoided, if possible. The Company will announce the intended exact date of the conversion in the Company's publications and by public announcement.

## **5. Advantages of the conversion of the preference shares into ordinary shares**

The conversion of the preference shares into ordinary shares is in the interest of the Company and its shareholders. It leads to a standardisation of the rights attaching to the shares of CECONOMY AG and thus to a simplification and higher transparency of the capital structure. As a result of the conversion, all shares of the Company will convey the same rights, in particular voting rights, and will therefore also participate to the same extent in the balance sheet profits of the Company.

The standardisation and simplification resulting from the conversion will create an increased level of transparency that can make an investment in the Company more attractive. At the same time, the reduction to only one class of shares is in line with the internationally recognised and widespread corporate governance principle according to which each share also entitles the holder to exercise one vote ("*one share – one vote*"). In addition, the amalgamation of the share classes will lead to a reduction in the Company's administrative expenses and to a simplification of the reporting system.

It should be noted in this context that the preference shares in CECONOMY AG represent only 0.75% of all shares issued by the Company. As a separate form of investment with higher dividend rights, they are therefore of little significance due to the lack of liquidity.

The aforementioned advantages of the conversion of the preference shares into ordinary shares are not offset by any significant disadvantages. While the conversion is initially associated with one-off costs for the Company, the Company expects that the conversion will have an overall cost-reducing effect in the future.

The shareholders benefit from the aforementioned advantages of the conversion. There will be no significant disadvantages for the shareholders. Although the holders of preference shares give up the preferential right to profits associated with the preference share, they receive the right to vote at the General Meeting as compensation. Although the existing ordinary shareholders will experience a reduction in their proportionate share of voting rights, they will benefit from the discontinuation of the preferential right to profits of the preference share, as all shareholders of the Company will participate equally and uniformly in the profits of the Company.

In considering the conversion of the preference shares into ordinary shares, the Management Board also took into account the development of the price difference between the preference share and the ordinary share, in particular up to the date of publication of the ad hoc announcement of 5 November 2021 regarding, among other things, the possible conversion of the preference shares. Also from this point of view, the Management Board is of the opinion that the proposed conversion is appropriate in view of the related benefits for the Company and its shareholders.

Since no material disadvantages are associated with the conversion, the Management Board is convinced, and the Supervisory Board shares this conviction, that there are no doubts as to the objective justification of the proposed measure. The Management Board therefore recommends – in agreement with the Supervisory Board – that the holders of ordinary shares and the holders of preference shares grant the necessary approvals to the proposed uniform standardisation of the classes of shares.

Duesseldorf, in February 2022

CECONOMY AG

THE MANAGEMENT BOARD