

## **Management Board report at the Annual General Meeting regarding point 6 of the agenda about the exclusion of shareholder rights**

The Management Board prepared a written report in accordance with Articles 71, Paragraph 1 Number 8 and Article 186, Paragraph 4 Sentence 2 of the German Stock Corporation Act about the reasons for the proposed authorization to acquire the treasury stock subject to a partial limitation on the principle of equal treatment and a possible shareholders' right to tender as well as the proposed authorization to sell treasury stock in a method other than through the stock exchange or by maintaining the principle of equal treatment. The report also outlines the proposed issue amount. The report will be available for inspection by shareholders at the company's offices from the date at which the Annual General Meeting is convened. The report will be sent free of charge to any Shareholder immediately on request. The report will be announced in the following manner:

Under Agenda Item 6, the Management Board and Supervisory Board propose in accordance with Article 71, Paragraph 1, Number 8 of the German Stock Corporation Act and in line with general corporate practice to authorize the company to acquire treasury stock up to October 22, 2009 up to the extent of ten percent of the current authorized capital or – if this figure is lower – the authorized capital at the time of exercising the current authorization.

When the company acquires treasury stock, the principle of equal treatment in accordance with Article 53a of the German Stock Corporation Act is to be upheld. The proposed acquisition of shares through the stock exchange, a public bid or public invitation to shareholders shall take this principle into account. If a public bid is signed, acceptance must be undertaken in line with quotas. A preferential acceptance of small amounts of up to 100 tendered shares per shareholder as well as commercial rounding can be stipulated. These options help avoid fractional amounts when establishing quotas to acquire and small residual amounts and therefore ease technical execution.

In accordance with the proposed authorization, treasury stock acquired by the company can be either withdrawn or sold through a public bid to all shareholders or on the stock exchange. With both the last possibilities, equal treatment shall also be maintained during the sale of shares.

- 1) The proposed authorization, in line with the legal regulations outlined in Article 71, Paragraph 1, Number 8, Sentence 5 of the German Stock Corporation Act, stipulates that the Management Board, with approval from the Supervisory Board, can effect a sale of the acquired shares in a means other than either through the stock exchange or a bid to all shareholders if the shares acquired are sold at a cash price which does not fall significantly below that of stock exchange price of the equivalent company shares at the time of the sale.

The possibility of a sale in any form other than through the stock exchange or a bid to all shareholders is in the interests of the company and shareholders, since domestic and foreign shareholders can be gained from the sale to institutional investors, for example. Furthermore, the company is in a position to adapt its equity to current business requirements and react quickly and flexibly to favorable stock exchange situations. Shareholders' asset and voting right interests are maintained. Shareholders are not disadvantaged as a result of low volume, since shares sold as a result of the exclusion from subscription rights can only be sold at a price which does not fall significantly below the exchange price at the time of sale. In exercising the authorization, any other issue or sale of shares or an issue of options or conversion rights, in as far as this corresponds to the exclusion of subscription rights in accordance with Article 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act during the period of authorization is to be taken into

account. Interested shareholders can therefore acquire enough shares necessary to retain their participating interest under approximately the same conditions through the stock exchange.

- 2) Furthermore, the company shall have the possibility to offer treasury stock in the context of business combinations and acquisitions (also indirect) of companies, parts of companies or holdings in companies as an adequate counterperformance.

The price used for treasury stock in this instance is determined by the circumstances of the individual case and the time it takes place. In establishing the price the Management Board and Supervisory Board will align themselves to the interests of the company.

As in the past, the Management Board regularly examines opportunities for the company to acquire companies or holdings in companies. The acquisition of such holdings or companies through granting shares is in the interests of the company if the acquisition leads to stabilizing or strengthening the Arcandor Group's market position or enables or facilitates entry into new business areas. In order to take due consideration of the interests of the seller or the company in payment in the form of company shares in the case of a successful completion of contracts promptly and flexibly, if authorized capital cannot be used, it is necessary for the Management Board to be authorized to grant treasury shares with an exclusion of subscription rights with approval from the Supervisory Board. Since the volume of the treasury shares is limited and the shares are to be issued at a value aligned to the stock exchange price, at the time of one of the previously mentioned disposals of treasury stock for the purpose of a business combination or company or holding

acquisition where subscription rights are excluded, interested shareholders have the possibility to acquire the shares at the stock exchange price and thus at largely comparable conditions .

As a result of the present considerations, the Supervisory Board considers the proposed sale of treasury stock to be in the interests of the company and shareholders and can justify the exclusion of shareholders' subscription rights in individual cases. The Management Board and Supervisory Board will examine and consider in every case if the business combination or acquisition through granting treasury stock with the exclusion of subscription rights is in the interest of the company.

- 3) Furthermore, the company shall obtain the possibility to use treasury stock to fulfill option or conversion rights and conversion requirements from certain option or convertible bonds issued by the company or a direct or indirect subsidiary of the company.

As a result of the proposed resolution, no new or further authorizations for the issue of options or convertible bonds will be made. It serves the purpose of giving the administration the possibility to service options or conversion rights and conversion duties which are issued as a result of other authorizations with treasury stock instead of recourse to contingent capital available otherwise if this is in the interests of the company after examination by the Management Board and Supervisory Board in individual cases. There are currently no option or conversion rights or conversion requirements where the granting of treasury stock as a result of the proposed authorization would be considered.

- 4) Furthermore, the company shall have the possibility to exclude the subscription rights for the benefit of the holders of option and conversion rights when selling share through a bid to all shareholders. In this way a subscription right for the shares can be ensured to the extent of entitlements after exercising option or conversion rights or after fulfilling conversion requirements. This enables the company to avoid option or conversion rights being reduced, which according to the conditions of option or conversion rights would occur in the event of a sale of treasury stock to all shareholders without granting corresponding subscription rights to option and conversion right holders.

ARCANDOR Aktiengesellschaft  
Essen, March 2008

## **THE MANAGEMENT BOARD**

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Dr. Thomas Middelhoff

Dr. Matthias Bellmann

Dr. Peter Diesch

Prof. Dr. Helmut Merkel

Marc Sommer

Peter Michael Wolf