

FAQ – Frequently Asked Questions

New Agenda Item No. 11. - Resolution on the Preparation of a Spin-off and Transfer Agreement in accordance with Section 83 (1) AktG in Conjunction with Art. 52 SE-VO

Q. Why is MFE asking for this motion?

A. Since the company is in a very difficult situation, as shown by the earnings, the share price trends, the debt situation and the outlook provided by the management, shareholders need to have increased responsibility and involvement and take initiative. The purpose of the proposed resolution is to accelerate the process of separating and re-focusing P7S1's various business areas in the best interest of P7S1 and all its stakeholders. The management has announced this purpose before and, according to the statements made in the Annual Report for the 2023 financial year, itself aims to pursue it. In MFE's view, such a separation may offer considerable advantages for the Company and its employees, as well as for all shareholders.

Q. P7S1 management suggested in its public communication to shareholders to vote against the spin-off. Do you have any explanations for that?

A. MFE has not asked the other shareholders to approve a spin-off but asked the management to constructively prepare and evaluate a spin-off, without excluding any other separation measures. In case of approval, the management will have all the time to evaluate the alternatives, also with the help of independent advisors, and in the meantime, it will be free to continue its attempts to divest non-core businesses. In fact, the preparation of the spin-off creates one additional “free option” that does not exclude any alternative options. More importantly, under the spin-off option all shareholders will be treated equally on a pro-rata basis.

The final decision whether or not to actually approve the spin-off belongs to the shareholders, after having made a detailed review of all the pro's and con's.

MFE's motion only requests the management to take the necessary preparations. So far, the initial response with vague statements and imprecise assessments of the financial consequences of a spin-off indicate that further homework and a thorough analysis of all options for a separation is necessary. It appears that the urgency is still not fully understood by the Company.

Particularly, so far there have been no clear statements by the management on the amount of synergies currently realized by the different segments, the amount of EBITDA transferred by way of spin-off, the leverage ratio of both P7S1 concentrating on the Entertainment Business and the new holding company concentrating on the non-core activities, the costs of a separated financing for each of the companies nor the shareholder rights of minority shareholders. The response proves the need for the management to prepare a spin-off – parallel to analyzing and assessing other separation options - and to let the shareholders decide thereon based on detailed reports next year (provided that the separation has not been effected otherwise by then). Our goal is to initiate the necessary homework to be done by the management, including an exact shaping and identifying of potential critical areas. The shareholders can then take an informed decision instead of dismissing the concept based on vague statements without supporting in-depth information from the outset.

Q. What are the purposes of this motion?

A. The purpose of the proposed resolution is to accelerate, in the best interest of the Company and all of its stakeholders including all shareholders, the process of separating the non-core activities and re-focusing the Company's various business areas which the management has announced before and, according to the statements made in the Annual Report for the 2023 financial year, itself aims to pursue. In MFE's view, such a separation offers considerable advantages for the Company and its employees, as well as for all shareholders.

Q. P7S1 management said that the proposed Spin-off is not in the best interest of all shareholders but favors only MFE. How do you see it?

A. By nature, a spin-off does not give preferential treatment to any specific shareholders. All shareholders will be treated equally. Therefore, we cannot follow P7S1's reasoning that a spin-off would benefit only MFE. On the contrary, we believe that a spin-off would enhance the value of the Company in all shareholders' favor. Since MFE is heavily invested in P7S1, the interests of MFE and all other shareholders in P7S1's value increase are aligned. More importantly, the spin-off proposal allows the shareholders themselves to decide what is in their best interest.

However, as shareholders, we certainly do not have all the inside knowledge of the management. Therefore, we did not want to exclude other options to sell/separate the non-core business segments. While we appreciate that P7S1 sticks to its initial position, we certainly expect a more thorough analysis and discussion of the topics, particularly the preparation of the spin-off of the non-core assets. An immediate voting "no" recommendation without proper and in-depth analysis seems a bit shortsighted – at least from MFE's perspective.

Q. P7S1 management said that the spin-off is worse for shareholders than selling the single assets. What is your view?

A. As clearly stated in our motion, MFE's proposal does not explicitly prevent the management from disposals in the interest of the Company and its shareholders. Our proposal to instruct the management to prepare the spin-off leaves sufficient time for management to implement alternative separation options if they deliver a better outcome for the Company and all shareholders. However, our proposal makes sure that there is a clear, defined path to the spin-off option if the alternative options do not bring better results in an appropriate time frame.

Q. The Company argues that it would not be in the shareholders interest to be invested in the non-core holding company. Why do you believe that is wrong?

A. All P7S1 shareholders are already invested in the non-core activities (through P7S1 shares). The alleged conglomerate discount which P7S1 warns against would therefore also apply to P7S1 in its current makeup. Contrary to P7S1's statement, we believe that the preparation of a spin-off would be in all shareholders' interest. Since MFE is heavily invested in P7S1, the interests of

MFE and all other shareholders in P7S1's value increase are aligned. More importantly, the spin-off proposal allows the shareholders themselves to decide what is in their best interest. The initial response of the Executive Board and the Supervisory Board suggests that they intend to take that decision on their own without even involving the shareholders - despite of the various severe challenges the Company is facing.

Q. P7S1 management said that the spin-off is not taking any new fresh cash to the company. Do you agree?

A. It is true that in the spin-off option P7S1 will not realize cash proceeds from a disposal of non-core assets. However, the full value and the earnings of all business segments will remain with the shareholders – following the spin-off just in two separate entities. Further, as clearly stated, MFE's proposal to the AGM does explicitly not prevent the management from disposals in the interest of the company if pursued faster at an attractive valuation.

Q. P7S1 management stated that the spin-off would imply material dyssynergies. How do you see it?

A. We do not fully understand that statement and are wondering why the operational results of the Entertainment Business should heavily depend on the support by the non-core activities (or vice versa). We further do not understand why the management is not able to precisely state the scope and size of synergies realized by different business segments which are all managed by one and the same Executive Board. Apart therefrom, a spin-off still allows the close cooperation between the different companies at arm's length terms and conditions.

We have learned only from the Company's recent response that there are significant synergies between the Entertainment Business and the non-core assets. We could not find any information on these alleged synergies in the Company's annual accounts and financial reports. At the same time, we would be concerned if assets owned 100% by P7S1 shareholders (Entertainment Business) created relevant synergies with assets in which the group has less than 100% stakes (Non-core Businesses). We would have assumed that no cross-subsidization between the business segments takes place and all the transaction between the Entertainment Business and the Non-core Business

are conducted at fair value and “arm-length”. If this assumption should not hold true, shareholders should be informed.

Based on the vague information provided by P7S1 so far, it is not possible to understand the specifics due to which a spin-off of P7S1's non-core activities would allegedly lead to the loss of significant advertising synergies and direct erosion of value. The statement of dyssynergies contradicts previous statements of the management according to which there are no synergies. We would propose that an in-depth analysis takes place and exact numbers are presented.

Q. P7S1 management said that the spin-off would take an increase in group leverage ratio. What is your view?

A. Reading the initial reactions of the Company, we are even more concerned about the leverage situation of the Company which proves the urgency that something needs to be done.

This particularly concerns the expected impact of debt levels. The management needs to prepare concrete measures to bring the Company back on track.

The Executive Board refers to an increase of the leverage ratio of the remaining part up to 4.1x adjusted EBITDA. No statement is made regarding the leverage ratio regarding the non-core assets. There is typically flexibility in allocating financial debt in the course of a spin-off, unless the non-core business adjusted EBITDA cannot sustain any debt, or the management believes any level of debt on the non-core assets is not marketable at any terms and/or conditions. This would be important information for all shareholders. The statements are particularly concerning since they appear to question the inclusion of the non-core business adjusted EBITDA in the calculation of the “real” financial leverage.

Apart therefrom, the ability to reduce debt by equity financing would be increased for each of the focused entities post spin-off.

MFE appreciates that P7S1's management is focused on reducing leverage and we are glad to learn that the sale of some assets can help to reduce debt. As explicitly stated in our motion, the management is free to proceed with the sale of the assets in the most appropriate, value enhancing and timely manner. MFE's motion and a corresponding shareholders' resolution will not prevent

the management from doing so. MFE only requests to do it fast and prepare for another option in case the disposal attempts continue to fail.

We would encourage the Company to prepare a specific plan to address the debt problem and execute the deleverage strategy and to share further information in that respect with the shareholders.

Q. P7S1 management said that the spin-off would generate a non-convincing equity story in the non-core activities after the spin-off. What do you think of that statement?

A. The Company's statements point out that the acquiring legal entity as an investment holding company which concentrates on the non-core assets would not have an attractive equity story for institutional investors. On the other hand, we acknowledge that the management wants to avoid a holding discount as recently stated.

This exactly holds true for the P7S1 conglomerate right now. By separating the non-core from the core activities, it will be much easier to develop a convincing equity story for both P7S1 concentrating on the Entertainment Business and the non-core holding which would be an investment holding for the non-entertainment activities.

Q. P7S1 management said that the spin-off will imply other negative effects on the acquiring legal entity. What is your view on that?

A. The Executive Board assumes that the market capitalization of the company, to which the spin-off of the relevant shareholdings would be made, would be in the small to mid-cap segment, that this would result in lower investor demand, as investors would not be able to actively trade the share and that the new company would not qualify for relevant indices. As of now, we can only regard that as vague initial assumptions. Over past years, due to the combination of unrelated activities under one roof, P7S1's market cap, trading segment and indices have been constantly downgraded. We believe, a separation would rather unlock value and permit investors to focus on specific business segments without being forced into a conglomerate of unrelated business segments. The

advantage of a spin-off would particularly be that the core Entertainment Business would not be affected by any conglomerate holding discount anymore. Moreover, the new holding company for the non-core activities could pursue its own strategy.

We believe all shareholders should have the ability to decide in which specific business they want to be invested. While it might be the case that certain investors do not want to be invested in the non-core business, there may be other investors who prefer investing in that kind of holding.

Q. P7S1 management said that the spin-off cannot be pursued due to the agreement in place with General Atlantic. Can you follow that?

A. The statements in this regard are very vague. Since shareholders do not have access to specific agreements with General Atlantic, they have to rely on the Company's statements. If there were material restrictions, we would assume that they were included in the annual financial statements. Further, it should be considered, that the spin-off would not directly affect any entity in which General Atlantic is invested since it would be effected on the holding company's level.