Grant Thornton

Non-technical Summary of the Expert Report

on behalf of the Federal Republic of Germany, represented by the Federal Ministry of Finance, on the question:

"Does the fact that delisting-offers are linked to the 6-month average share price provide adequate protection for investors?"

Research project fe 6/21

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1 In 2015 § 39 BörsG was amended to protect the interest of shareholders to make a divestment decision at a fair price. To achieve this, the amendment provides for a **cash offer** to shareholders at the **average share price of the last six months** prior to publication of the withdrawal from the regulated market or the change from the regulated market to the non-regulated market.

2 Against this background, the research project deals with the question:

"Does the fact that delisting-offers are linked to the 6-month average share price provide adequate protection for investors?"

3 An event study was used to empirically investigate whether after the announcement of

- a delisting of a share from the regulated market ("regulated delisting"),
- a delisting of a share from non-regulated markets ("non-regulated Delisting") or
- a downlisting

a significant price reaction can be detected. A significant price drop due to the announcement would mean a loss of wealth for investors because they could potentially have sold their shares at a higher market price before the announcement.

4 The empirical study includes announcements in a period from 8 October 2013 to 31 December 2021. During the investigation period, a total of 246 cases of regulated delisting, non-regulated delisting or downlisting were identified.

5 With regard to **regulated delistings**, it can be summarized that announcements of a regulated delisting **before the amendment of § 39 BörsG led** to statistically significant negative abnormal returns, i. e. to a loss of wealth of the shareholders. **After the amendment of § 39 BörsG**, the abnormal returns are smaller and sometimes even positive and it cannot be proven statistically that they are different from zero. A wealth loss of the shareholders, as it was observed before the amendment of § 39 BörsG, can therefore no longer be empirically proven. In this respect, the amendment of § 39 BörsG has improved the protection of investors.

6 For **downlistings**, it can be summarized that announcements of a downlisting **do not lead to statistically significant negative abnormal returns**, regardless of the regulatory environment in which the downlisting takes place. Rather, the results indicate that after the amendment of § 39 BörsG on the day of the announcement, a statistically significant positive abnormal return is achieved on average. However, the finding that the cumulative abnormal returns are not significantly different from zero shows that this effect is only short-term in nature. As a result, a wealth loss of the shareholders following the announcement of a downlisting cannot be empirically proven.

7 **Non-regulated delistings** do not fall within the scope of § 39 BörsG. However, their announcement is accompanied by statistically significant **negative abnormal returns** and a loss of shareholder wealth.

8 In literature, it is controversially discussed whether linking the acquisition offer to the 6-month average share price leads to **incentives for the major shareholder** to carry out a delisting at the expense of the minority shareholders. An economically rational major shareholder will consider a regulated delisting if he expects a (financial) advantage from it. The study also discusses these potential incentives from the perspective of the major shareholder.