



**Manz AG**  
**Reutlingen**

- ISIN DE000A0JQ5U3 -

**2020 Annual General Meeting**  
**(virtual general meeting)**  
**Tuesday, June 30, 2020, at 10:00 a.m.**

**Report of the Managing Board to the Annual General Meeting on Item 5 of the agenda concerning the exclusion of subscription right and another tender right in accordance with Section 71 (1) no. 8, Section 186 (4) Sentence 2 AktG (authorization to acquire and use treasury shares)**

Section 71 (1) no. 8 AktG offers stock corporations the opportunity to acquire treasury shares up to a total of 10 of their share capital on the basis of an authorization by the Annual General Meeting. Agenda Item 5 for Manz AG's Annual General Meeting to be held on June 30, 2020, includes the proposal to reissue a corresponding authorization. This is intended to enable the Managing Board, in the interests of the Company and its shareholders, to acquire treasury shares up to a total of 10 of the Company's share capital either via the stock exchange or by means of a public purchase offer addressed to all shareholders. It should also be possible for the acquisition to be carried out by a business dependent on the Company or in which the Company holds a majority interest or by third parties on behalf of the Company or a business dependent on the Company or in which the Company holds a majority interest. During the term of the authorization to acquire treasury shares, use is to be made of the legal provision allowing a period of up to five years.

- a) If the acquisition occurs by means of a public offer, the principle of equal treatment within the meaning of Section 53a AktG must be observed at the outset, as in the case of acquisition of the shares on the stock exchange. However, if the number of shares offered at the fixed offer price exceeds the number of shares requested by the Company, it should be possible under the proposed authorization for the acquisition to take place in proportion to the shares tendered (tender quota). Only if an acquisition is made on the basis of tender quotas instead of participation quotas can the acquisition process be technically executed within an economically reasonable framework. Additionally, it should be possible to provide for preferential ac-

ceptance of smaller numbers of shares up to a maximum of 50 shares per shareholder. This option serves, on the one hand, to avoid small, generally uneconomical residual holdings and the resulting possible discrimination of small shareholders. On the other hand, it also serves to simplify the technical processing of the acquisition procedure. Lastly, it should be possible in all cases to provide for rounding according to business principles in order to avoid fractional shares. This also simplifies technical processing. The Managing Board, in agreement with the Supervisory Board, considers the exclusion of any other shareholders' rights to offer shares to be objectively justified and reasonable for the shareholders.

- b) The treasury shares acquired by the Company may be resold via the stock exchange or a public offer to all shareholders. This approach ensures that the principle of equal treatment of shareholders is complied with when redispensing of the shares. Insofar as the shares are sold through an offer to all shareholders, the Managing Board shall be authorized to exclude shareholders' subscription rights to the treasury shares for fractional amounts. The option of excluding the subscription right for fractional amounts serves to provide for a technically feasible subscription ratio. The treasury shares excluded from the shareholders' subscription rights as free fractions will be realized either by disposal on the stock exchange or in another manner in the best interest of the Company. The potential dilution effect is low because it is limited to fractional amounts.
- c) In addition, according to the proposed authorization, the Company may also sell the acquired treasury shares for cash outside the stock exchange without a public offer directed to all shareholders if the disposal price is not significantly lower than the stock exchange price at the time of the disposal. This authorization makes use of the option for simplified exclusion of subscription rights permitted under Section 71 (1) no. 8 AktG in corresponding application of Section 186 (3) Sentence 4 AktG. It serves the Company's interest in attaining the best possible price when disposing of treasury shares. This puts the Company in a position to quickly, flexibly and cost-effectively take advantage of opportunities arising from the respective stock market conditions. The disposal proceeds attainable by setting a price close to the market typically result in a significantly higher influx of funds per share sold than would occur through share placement with subscription rights, which usually includes a not insignificant deduction from the stock market price. By foregoing a time-consuming and expensive preemptive rights process, equity requirements can additionally be met by taking advantage of short-term market opportunities. This thus ensures appropriate protection of the asset and voting interests of shareholders.

The authorization to exclude subscription rights when disposing of treasury shares is limited to a total of no more than 10 % of the Company's share capital, based on

Section 186 (3) Sentence 4 AktG, including any other authorizations to issue or sell shares or bonds with option or conversion rights or option or conversion obligations under exclusion of subscription rights in accordance with correspondingly or by analogous application of Section 186 (3) Sentence 4 AktG.

The need to protect shareholders from dilution is accounted for by ensuring that the shares can only be offered at a price that is not significantly below the relevant trading price. The final disposal price for the treasury shares will be established shortly before the disposal. Here the Managing Board will make every effort – while taking into account current market conditions – to keep any discounts from the trading price as small as possible. Interested shareholders can maintain their participation quota with essentially the same conditions by making purchases on the market.

- d) The Company shall further retain the option to transfer treasury shares to third parties insofar as this is for the purpose of acquiring companies, parts of companies or interests in companies or other assets or for carrying out corporate mergers. The shareholders' subscription rights are also to be excluded. Because the Company competes in global markets, it must be able at all times to act quickly and flexibly in both the national and international markets. This also requires the ability to merge with other companies or to acquire companies, parts of companies and interests in companies to improve its competitive position. Especially in connection with the acquisition of companies or parts of companies, it may also be advantageous to acquire other assets, such as those that can be of economic advantage to the Company or a part of the Company. In individual cases, the ideal implementation in the interests of the Company involves carrying out the corporate merger or acquisition by granting shares in the acquiring company. In past experience in both the domestic and international markets, it has also been observed that shares in the acquiring company are frequently desired as consideration in corporate mergers and for attractive objects for acquisitions in general.

Although the option to grant shares for these purposes is also provided for in Section 3 (3) of the Articles of Incorporation, the authorized capital 2016 resolved by the Annual General Meeting on July 12, 2016, under Item 6 of the agenda also provides for this option. It should also be feasible though to grant shares in the Company for the acquisition of companies, parts of companies or interests in companies or other assets without having to increase capital, which takes more time and is also associated with higher administrative costs, particularly due to the requirement for entry in the commercial register. The proposed authorization should provide the Company with the necessary room to maneuver quickly and flexibly in taking advantage of any opportunities for mergers or acquisitions that may arise. If

a subscription right were granted, this would not be possible and the associated benefits for the Company would not be achievable.

When the opportunity for such a transaction arises, the Managing Board will carefully examine whether it should make use of the authorization to dispense treasury shares. When determining the valuation ratios, the Managing Board will ensure that the best interests of shareholders are adequately protected. Normally it will base its assessment of the value of the shares offered as consideration on the trading price of the Company shares. A schematic orientation to the share price is not provided for however, in particular so as not to put in question previously secured negotiating results through fluctuations in the share price.

- e) In addition, the Managing Board and - when issuing shares to members of the Managing Board - the Supervisory Board shall be authorized to use acquired Manz AG treasury shares to service subscription rights that have been or will be issued to members of the Managing Board and executives as part of the Manz Performance Share Plan 2015 approved by the Annual General Meeting on July 7, 2015, under Item 6 on the agenda, or as part of the Manz Performance Share Plan 2019 approved by the Annual General Meeting on July 2, 2019, under Item 6 on the agenda. This authorization to reissue clearly defines the group of people to whom the Manz shares can be transferred.

The Manz Performance Share Plan 2015 for Managing Board members and Company executives as well as the Company or its subsidiaries was explained in a report from the Managing Board at the Annual General Meeting on July 7, 2015. Likewise, the Manz Performance Share Plan 2019 for members of the Managing Board and Company executives and its group companies, which was approved during the Annual General Meeting 2019, was explained in a report by the Managing Board to the Annual General Meeting on July 2, 2019.

The option to grant Manz AG's own shares to those entitled to subscribe in fulfillment of their subscription rights is a suitable means of counteracting the dilution of capital holdings and voting rights that would occur if the subscription rights were fulfilled with newly created shares based on the contingent capital. To the extent that the Company makes use of this option, there is no need to make use of contingent capital II according to Section 3 (5) of the Articles of Incorporation or contingent capital III according to Section 3 (6) of the Articles of Incorporation. Whether and to what extent the authorization to issue treasury shares is used to fulfill the subscription rights or whether new shares are issued instead from the contingent capital, is to be decided by the Managing Board and - if a member of the Managing

Board exercises the subscription right - by the Supervisory Board, which is guided by the interests of the Company and its shareholders.

- f) Furthermore, the Managing Board shall be authorized to use treasury shares to fulfill subscription or conversion rights that arise as a result of exercising option or conversion rights, or to fulfill option or conversion obligations of holders of bonds with warrants or convertible bonds, profit sharing rights, or participating bonds (or combinations of these instruments) issued by Manz AG or its subsidiaries. To the extent that the Company makes use of this option, there is no need to make use of contingent capital I for the purpose of granting new shares according to Section 3 (4) of the Articles of Incorporation. The additional option does not further impact the interests of the shareholders.
- g) Under the proposed resolution, the Managing Board shall also be authorized to exclude the shareholders' subscription rights if the treasury shares are transferred to employees of the Company or to employees or members of the executive bodies of the subordinate affiliated companies. Thus, the Company shall have the option of issuing employee shares to its employees as well as the employees and board members of Group companies. Employee shares can contribute to employees or board members identifying with the Company. From the Managing Board's perspective, the possibility of issuing employee shares is a good addition to the existing compensation structure. Additionally, the use of treasury shares prevents the creation of new shares.
- h) Moreover, the proposed resolution provides authorization for the Company to redeem treasury shares without an additional resolution of the Annual General Meeting. The authorization permits the Company to react appropriately and flexibly to the respective capital market situation. The suggested authorization provides that the Managing Board may redeem the shares with a capital reduction or, in accordance with Section 237 (3) No. 3 AktG, without a capital reduction. By redeeming the shares without reducing the capital, the proportionate amount of the remaining shares in the Company's share capital increases. The Managing Board is authorized to this extent to amend the Articles of Incorporation with regard to the changed number of shares or the share capital. The shareholders' rights are not affected in either of the aforementioned two cases.

Pursuant to lit. (i) of the proposed resolution (i) of the authorization to sell treasury shares for cash outside of the stock exchange without a public offer directed to all shareholders, (ii) of the authorization to transfer treasury shares to third parties to the extent that this is done for the purpose of acquiring companies, parts of companies or equity interests in companies or other assets or to implement mergers, (iii) from the authorization to use

treasury shares to fulfill subscription rights that were or will be issued as part of the Manz Performance Share Plan 2015 or the Manz Performance Share Plan 2019, (iv) from the authorization to use treasury shares to fulfill subscription or conversion rights that arise as a result of exercising option or conversion rights, or (iv) the authorization to use treasury shares to fulfill subscription or conversion rights that arise as a result of exercising option or conversion rights, or to fulfill option or conversion obligations that are granted or imposed as part of the issue of option or convertible bonds, profit participation rights or profit participation bonds (or combinations of these instruments) of the Company or its group companies, as well as (v) the authorization to transfer treasury shares to employees of the Company or employees or board members of subordinate affiliated companies only with the approval of the Supervisory Board. Aside from this, the Supervisory Board shall be able to determine that Managing Board's measures under the suggested resolution of the Annual General Meeting can only be made with its consent.

The Managing Board, in agreement with the Supervisory Board, considers the exclusion of subscription rights in the aforementioned cases to be factually justified for the stated reasons - even when taking a potential dilution effect into account - and reasonable for the shareholders. The Managing Board will inform the respective next Annual General Meeting about the use of the authorization.

Reutlingen, May 2020

**Manz AG**  
***The Managing Board***