Manz AG
Reutlingen

- ISIN DE000A0JQ5U3 -

Annual General Meeting 2023
on Tuesday, July 4, 2023

Report of the Executive Board to the Annual General Meeting on item 6 of the agenda on the exclusion of subscription rights pursuant to Section 203 (2), Section 186 (4) sentence 2 AktG (Authorized Capital 2023)

At the Annual General Meeting of Manz AG, under agenda item 6 of the Annual General Meeting 2023 to be held on July 4, 2023, a new authorized capital (Authorized Capital 2023) in the total amount of up to 4,270,143.00 euros will be proposed, which is to be available for capital increases in cash and in kind. The new authorized capital is to replace the previous authorization pursuant to Section 3 (3) of the Articles of Association (Authorized Capital 2021) in the amount of EUR 3,097,636.00, which was partially exercised by the Executive Board with the approval of the Supervisory Board on May 23, 2022.

The new Authorized Capital 2023 is to be based on the proven provisions of the previous Authorized Capital 2021. The new authorization is intended to enable the Company to act quickly and flexibly in the interests of its shareholders when increasing the capital stock. As decisions on meeting capital requirements generally have to be made at short notice, it is important that the Company is not dependent in this respect on the rhythm of the Annual General Meetings or on the long notice period for convening an Extraordinary General Meeting. The legislator has taken this requirement into account with the instrument of authorized capital. The most common reasons for using authorized capital are to strengthen the equity base and to finance corporate acquisitions.

Shareholders generally have subscription rights when Authorized Capital 2023 is utilized. However, subject to the conditions set out below, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights.

a) The Executive Board is to be authorized, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the case of cash capital increases within the framework of Art. 203 paras. 1 and 2, Art. 186 paras. 3 sentence 4 AktG. This exclusion of subscription rights makes it possible, in the interests of the Company, to place new shares on the capital markets in Germany and abroad in a targeted manner by issuing the shares at short notice taking advantage of favorable stock market situations at prices fixed close to the market and as high as possible. The concept of protecting shareholders against dilution is taken into account by the fact that the shares may only be placed at a price which is not significantly lower than the relevant stock market price. The final placement price will be determined as soon as possible before the placement. The Executive Board will endeavor - taking into account current market conditions - to keep any discount on the stock market price as low as possible. The discount to the stock market price at the time of utilization of the authorized capital will be less than 3% if possible, but in any case less than 5% of the current stock market price.

The proceeds achievable in a placement with exclusion of subscription rights generally lead to a significantly higher inflow of funds than in a share placement with subscription rights, which generally results in not insignificant discounts from the stock market price. A significant reason for this is that a placement without a statutory subscription period can take place immediately after the issue price has been fixed and therefore no price change risk has to be taken into account in the issue price for the period of a subscription period. It is true that Sec. 186 (2) AktG permits publication of the subscription price up to the third last day of the subscription period. However, in view of the frequently observed volatility on the stock markets, even then there is a market risk for several days, which leads to safety margins when determining the subscription price and thus to conditions that are not close to the market. In addition, if a subscription right exists, its successful placement with third parties is at risk or entails additional expenses due to the uncertainty of its exercise (subscription behavior). In addition, if a subscription right is granted, the Company cannot react to favorable or unfavorable market conditions at short notice due to the length of the subscription period, but is exposed to declining share prices during the subscription period, which may lead to an unfavorable placement for the Company. By foregoing the time-consuming and costly processing of the subscription right, the equity requirement can be covered promptly from market opportunities arising at short notice.

Capital increases based on this authorization to exclude subscription rights may not exceed a total of 854,028.00 euros, which corresponds to just under 10% of the current capital stock, or 10% of the capital stock at the time the authorization is exercised. This means that even in the event of several capital increases within the authorization period, subscription rights may not be excluded for more than a total of 10% of the capital stock on the basis of this authorization. In addition, there is the restriction that the upper limit also takes into account shares which are issued until the issue of new shares from the authorized capital on the basis of other authorizations to exclude subscription rights in direct or corresponding application of Section 186 (3) sentence 4 AktG. Conversion or option rights or conversion obligations to shares in the Company associated with bonds with warrants or convertible bonds, profit participation rights or participating bonds (or combinations of these instruments) issued in the period of this authorization in analogous application of Section 186 (3) sentence 4 AktG with exclusion of subscription rights against cash contributions are thus to be counted towards the limit. Furthermore, the sale of treasury shares is to be counted if it takes place during the period of this authorization on the basis of an authorization pursuant to Section 71 (1) no. 8 sentence 5 AktG in conjunction with Section 186 (3) sentence 4 AktG excluding subscription rights. This ensures that no shares are issued from the authorized capital under exclusion of subscription rights pursuant to Section 203 (1) and (2), Section 186 (3) sentence 4 AktG if this would result in the exclusion of shareholders' subscription rights for a total of more than 10% of the capital stock without any particular objective reason.

In accordance with the statutory provisions, these requirements take account of the shareholders' need for protection against dilution of their shareholdings. Furthermore, due to the issue price of the new shares being close to the stock exchange, each shareholder is given the opportunity to acquire the shares required to maintain his shareholding quota at approximately the same conditions via the stock exchange. The asset and voting right interests of the shareholders are therefore adequately protected.

b) The authorization to increase the capital stock with the approval of the Supervisory Board against contributions in kind excluding subscription rights for the purpose of acquiring companies, parts of companies or equity interests in companies or other assets or for carrying out business combinations is intended to enable the Executive Board in appropriate cases to acquire companies, parts of companies or equity interests in companies or other assets not only by paying a purchase price in cash but also by transferring shares in the Company or to carry out business combinations in this way. Depending on the size of such an acquisition and the expectations of the respective seller, it may be expedient or necessary to provide the consideration in the form of shares in the Company. This conserves the Company's liquid funds and reduces the scope of any purchase price financing. The exclusion of shareholders' subscription rights is a necessary precondition for this.

The Company faces global competition. It must be able to act quickly and flexibly in national and international markets at all times. This also includes the possibility of merging with other companies or acquiring companies, parts of companies and shareholdings in companies to improve its competitive position. In particular in connection with the acquisition of companies or parts of companies, it may also make economic sense to acquire other assets, such as those that serve the company or part of the company economically.

The proposed authorization to exclude subscription rights is intended to strengthen the Company in the competition for interesting acquisition targets and enable it to act quickly and flexibly with the approval of the Supervisory Board when an opportunity arises. In individual cases, the optimum implementation in the interests of the Company may be to carry out the business combination or acquisition by granting shares in the acquiring company created by the exercise of the authorized capital. Practice also shows that on both international and national markets, the provision of shares in the acquiring company is frequently demanded as consideration in the context of business combinations and for attractive acquisition targets.

If such plans materialize, the Executive Board will carefully consider whether to make use of the authorization to grant treasury shares. When determining the valuation ratios, the Executive Board will ensure that the interests of the shareholders are adequately safeguarded. As a rule, it will base its assessment of the value of the shares given as consideration on the stock market price of the Company's shares. However, a schematic link to a stock market price is not envisaged, in particular so that negotiation results once achieved are not called into question by fluctuations in the stock market price. The value of the company, part of the company or shareholding to be acquired or the other assets will be determined in accordance with recognized valuation standards. As the value of the companies, parts of companies or equity interests in companies or other assets to be acquired in the future, and thus their acquisition price, is not yet known, no fixed issue price can be stated at present.

The extent of the exclusion of subscription rights in the amount of the authorized capital is necessary in order to be able to provide the consideration in full or at least to a significant extent in the form of shares in the Company, even in the case of a major acquisition.

c) Furthermore, the Executive Board shall be authorized, with the approval of the Supervisory Board, to exclude subscription rights to the extent necessary to grant the holders of bonds with warrants or convertible bonds as well as profit participation rights or participating bonds (or combinations of these instruments) issued by the Company or direct or indirect Group companies of the Company subscription rights to new shares to the extent to which they would be entitled after exercising their option or conversion rights or after fulfilling their conversion obligation.

To facilitate placement, such bonds are generally equipped with anti-dilution protection which, in addition to the possibility of reducing the conversion price, provides that the holders may be granted subscription rights to new shares in the event of subsequent capital increases, as is the case for shareholders. They are thus placed in the same position as if they were already shareholders. A subscription right for holders or creditors of existing option or conversion rights or of convertible bonds with conversion obligations offers the possibility of preventing the option or conversion price having to be reduced in the event of the authorized capital being exercised. This ensures a higher issue price for the shares to be issued upon exercise of the option or execution of the conversion. In order to provide the bonds with such protection against dilution, the subscription rights of shareholders to these shares must be excluded. This serves to facilitate the placement of the bonds and thus the shareholders' interest in an optimal financial structure of the Company.

d) The authorization of the Executive Board, with the approval of the Supervisory Board, to exclude any fractional amounts from shareholders' subscription rights serves to present a practicable subscription ratio and thus to facilitate the implementation of capital increases with the granting of subscription rights. The value of such fractional amounts is generally low, whereas the cost of the issue would be significantly higher without such exclusion. The new shares excluded from subscription rights as free fractional shares are utilized in the best possible way for the Company.

The interests of the shareholders are therefore not unreasonably impaired overall by the authorization to exclude subscription rights.

There are currently no concrete plans to utilize the new Authorized Capital 2023. Corresponding anticipatory resolutions with the option to exclude subscription rights are common practice nationally and internationally. In any case, the Executive Board will carefully examine whether the utilization of the Authorized Capital 2023 is in the interest of the Company and its shareholders. If the proposed authorization is utilized, the Executive Board will report on this at the next Annual General Meeting.

Reutlingen, May 2023

Manz AG
The Board