Manz AG

Reutlingen

- ISIN DE000A0JQ5U3 -

Annual General Meeting 2024 held on Tuesday, July 2, 2024

Report of the Managing Board to the General Meeting on item 6 of the agenda concerning the exclusion of the subscription right pursuant to Section 203 (2), Section 186 (4) Section 2 of the German Stock Corporation Act (AktG) (Authorized Capital 2024)

Under agenda item 6 of the Annual General Meeting 2024 to be held on July 2, 2024, a new authorized capital (authorized capital 2024) totaling up to EUR 4,271,287.00, which corresponds to 50 % of the current share capital, shall be proposed to the Annual General Meeting of Manz AG, which is to be available for cash and non-cash capital increases. The new authorized capital is intended to replacethe previous authorization (authorized capital 2023) in the amount of EUR 4,270,143.00 in accordance with Section 3 (3) of the Articles of Incoporation.

The new authorized capital 2024 shall be based on the established regulations of the previous authorized capital 2023, and shall enable the company to utilize the scope of flexibility in its right to increase capital that was included in the German Stock Corporation Act (AktG) aspart of the Future Financing Act of December 11, 2023. Going forward, the company should be able to exclude shareholders' subscription rights in the amount of up to 20 % of the share capital when exercising the authorized capital through a capital increase against cash contributions, instead of up to 10 % of the share capital as was previously the case, if the issue price of the new shares is not significantly lower than the market price of Manz shares (so-called simplified exclusion of subscription rights).

The new authorization is intended to enable the company to act quickly and with the requisite flexibility in the interests of its shareholders when increasing the share capital. Because decisions concerning coverage of capital requirements usually must be made at short notice, it is important that the Company not be constrained by the yearly cycle of general meetings or by the long notice period before an extraordinary general meeting. The instrument of authorized capital is the government's response to these restrictions. The most common reasons to use authorized capital are to strengthen the equity base and to finance acquisitions.

In principle, shareholders have preemptive rights with regard to the use of the Authorized Capital 2024. However, the Managing Board is authorized, with Supervisory Board approval, to exclude shareholders from their preemptive subscription rights under the following conditions.

a) The Managing Board should be authorized, with Supervisory Board approval, to suspend the legal preemptive rights of shareholders in cases of cash capital increases in return for cash pursuant to Section 203 (1 - 2), Section 186 (3) Section 4 of the German Stock Corporation Act (AktG). This suspension of subscription rights allows us, in the best interests of the Company, to systematically place new shares in domestic and international capital markets, whereby the shares are issued on short notice under favorable trading conditions and at rates as high as possible yet close to market prices. 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 determination of the placement price is made as close as possible to the time of the placement. 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. The discount from the trading price at the time the authorized capital is used will be less than 3% whenever possible, but always less than 5%.

   Generally, the sales that can be generated from placement under a subscription right exclusion will result in a significantly higher cash inflow than a share placement with performance shares, which generally result in significant discounts from the stock exchange price. One important reason for this is the fact that an issue without a compulsory subscription period can be carried out immediately after determining the issue price and thus no allowance needs to be made for price change risk for the subscription period in the issue price. Section 186 (2) German Stock Corporation Act (AktG) does allow for the publication of the subscription price up to the third day to the end of the subscription period. But in view of the frequently observed volatility on stock markets there is still a market risk over a period of several days, which results in safety margins in determining the subscription price and thus to conditions that are not in line with the market. Where a subscription right exists, the necessary placement with third parties is also put at risk or subject to additional costs due to the uncertainty of its exercise. In addition, because of the length of the subscription period when granting a subscription right the Company is unable to respond at short notice to either favorable or unfavorable market conditions and thus is exposed to falling share prices, which can result in an unfavorable issue for the Company. By foregoing a time-consuming and expensive preemptive rights process, capital requirements can be met by taking advantage of short-term market opportunities.

Capital increases due to this authorization to exclude subscription rights may not, in total, exceed either 1,708,514.00 euros, which corresponds to roughly 20% of the current share capital, nor 20% of the share capital at the time the authorization is exercised. This means that, even in cases of multiple capital increases within the authorization period, subscription rights cannot be exempted for more than a total of 20% of share capital as a result of this authorization. An additional restriction requires that the maximum limit include shares that are issued up until the issue of new shares from the authorized capital in direct or indirect application of Section 186 (3) Section 4 of the German Stock Corporation Act (AktG) while utilizing other authorizations to exempt shareholder subscription rights. Therefore, conversion or option rights or conversion obligations for shares in the Company that are associated with warrants or convertible bonds, profit-sharing rights, or profit-sharing bonds (or combinations of these instruments) that are issued during this authorization in accordance with Section 186 (3) Sentence 4 Stock Corporation Act (AktG) for cash, excluding the performance shares, must be offset against the limit Furthermore, sales of own shares must be offset if they were conducted during this authorization based on an authorization in accordance with Section 71 (1) No. 8 Sentence 5 German Stock Corporation Act (AktG) in conjunction with Section 186 (3) Sentence 4 German Stock Corporation Act (AktG), excluding the performance shares. This ensures that no shares are issued from the authorized capital excluding the performance shares according to Section 203 (1) and (2), Section 186 (3) Sentence 4 German Stock Corporation Act (AktG) if this would result in the performance shares of the shareholders being excluded for more than 20% of the share capital without a specific objective reason for this.

These specifications protect the shareholders rights against dilution of their holdings, according to the law. In addition, because the issue price of the new shares is close to the market price, each shareholder has the option to purchase an amount of shares necessary to maintain their proportional level of interest in the Company on the market at nearly the same terms. This ensures appropriate protection of the equity and voting interests of shareholders.

b) The purpose of the authorization to increase the share capital with the approval of the Supervisory Board, excluding performance shares in order to purchase companies, parts of companies or holdings in companies or other assets, or to carry out corporate mergers is to allow the Managing Board to purchase companies, parts of companies or company holdings or other assets in appropriate cases not only by paying a purchase price in cash, but also by transferring shares in the Company, or carrying out corporate mergers in this fashion. Depending on the size of such an acquisition and the expectations of the respective seller, it may be advantageous or necessary to use shares in the Company as payment. This will preserve the liquid assets of the Company and reduce the scope of a possible financing of the purchase price. This procedure requires the exemption of the preemptive subscription rights of shareholders.

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.

The purpose of the authorization provided to exclude the performance shares is to make the Company more competitive in acquiring entities of interest to it, and to allow the Company to act quickly and flexibly with the approval of the Supervisory Board if an opportunity arises. It is possible that in certain instances it may be in the best interests of the Company to enter into a merger or undertake an acquisition in return for shares of the acquiring company created through the use of the authorized capital. 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.

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. The value of the respective companies, parts of companies, or interests in companies to be acquired will be determined by using established valuation standards. Since the value of companies, parts of companies, and interests in companies which may be acquired in the future is not known, and therefore their purchase prices are also not known, a definite amount which will be spent cannot at present be named.

The scope of the performance share exclusion in the amount of the authorized capital is required to provide all or at least a significant part of payment for a large acquisition in the form of Company shares.

c) Furthermore, with the approval of the Supervisory Board, the Managing Board should be able to exclude the performance shares, to the extent that it is necessary to give holders of warrants or convertible bonds, profit-sharing rights, or profit-sharing bonds (or combinations of these instruments) issued by the Company or direct or indirect affiliated companies of the Company a subscription right to new shares to the same extent as they would be entitled upon exercising their option or conversion right or after fulfilling their conversion obligation.

Such bonds are generally equipped with protection against dilution in order to facilitate placement; this makes it possible to reduce the conversion price and makes it possible to grant the holders the right to purchase new shares, as the shareholders can, in case of subsequent capital increases. In this way, they are treated as if they were already shareholders. A subscription right for owners or creditors of already-existing options rights, convertible rights, or of convertible bonds with convertible requirements provides an opportunity to prevent the reduction of the option or conversion price in the case of the use of authorized capital. This provides for a higher issue price of the shares to be issued as a result of exercising the option or carrying out the conversion. In order to add such protection against dilution to the bonds, the preemptive subscription rights of shareholders to these shares must be exempted. This serves the purpose of making the issue of bonds easier, and therefore serves the interests of the shareholders with regard to an optimal financial structure of the Company.

d) The authorization of the Managing Board to exclude any fractional amounts from the performance shares of the shareholders, with the approval of the Supervisory Board, serves to describe a practical subscription ratio, and therefore makes it easier to carry out capital increases and grant performance shares. The value of such fractional amounts is usually small, whereas the additional effort needed for an issue with such an exclusion is significantly higher. The new shares excluded from the subscription rights as fractional shares will be used in the best way possible for the Company.

Therefore the interests of the shareholders will not be unreasonably affected overall by the authorization to suspend shareholders from their preemptive subscription rights.

Specific plans for the use of the new Authorized Capital 2024 do not yet exist. Similar anticipatory resolutions which include the ability to exempt shareholders from subscription rights are common both in Germany and abroad. The Managing Board will always carefully examine whether the use of the Authorized Capital 2024 is in the interest of the Company and its shareholders. In the event that the proposed authorization is used, the Managing Board will report on it at the next General Meeting.

Reutlingen, May 2024

Manz AG
The Managing Board