

Report of the Executive Board to the Annual General Meeting on the Authorisations Specified in Agenda Item 7 for the Exclusion of the Subscription Right Pursuant to Sec. 203 (1) and (2) Sentence 2 in conjunction with Sec. 186 (4) Sentence 2 of the AktG

The existing Authorised Capital 2020/I as set out in Art. 4 (3) of the Articles of Association has been used in the amount of EUR 707,361.00, since its creation by the Annual General Meeting of 17 July 2020. The Executive Board and the Supervisory Board propose under Agenda item 7, the creation of a new Authorised Capital 2021 in the amount of EUR 3,941,125.00 for the maximum statutory period of five years.

This authorised capital will generate a flexible option for obtaining additional equity if that is in the interest of the company according to the opinion of the Executive Board with the consent of the Supervisory Board. The new authorised capital should expand the company's possibilities for acting in the interest of the shareholders and enable the company to react to any financing requirements within short. In case of any capital increase, shareholders generally have a legal subscription right. However, the Executive Board should be authorised to exclude this subscription right in certain cases with the consent of the Supervisory Board.

The report made by the Executive Board on this topic will be announced as follows:

Shareholders will have a general subscription right if the authorised capital is used. The authorisation applied for comprises the option, however, to exclude the shareholders' subscription right in the following cases:

1. Exclusion of the Subscription Right for Fractional Amounts

The Executive Board shall be authorised to exclude fractions which arise as a consequence of the subscription ratios from the shareholder's subscription right in order to facilitate the processing. This should enable the presentation of a practicable subscription ratio in view of the amount of the relevant capital increase. The technical performance of the capital increase and the exercise of the subscription right would be significantly impaired without such an exclusion of the subscription right for fractions. The new shares which were excluded from the subscription right as free fractions will either be sold in the stock exchange or otherwise utilised for the company in the best possible manner.

2. Exclusion of the Subscription Right in Case of a Capital Increase in Exchange for a Contribution in Kind

The authorisation to exclude subscription rights in capital increases against contributions in kind for the above mentioned purposes should enable the company to have treasury shares available to offer them as consideration when it acquires companies, parts of companies or an interest in a company or other essential operating resources or assets, including for accounts receivable against the company. The authorisation to issue common shares and/or preferred shares for a capital increase should enable the company to have more leeway for financing the acquisition of companies, parts of companies or an interest in a company or any other essential operating resources or assets. This form of financing acquisitions is often requested and used in international competition and due to the increasing globalisation of the economy, all the more in times when it is difficult to obtain borrowings. The suggested authorisation should provide the company with the necessary scope for action to flexibly and quickly react to any opportunities opening up for acquiring companies, parts of companies or an interest in a company or other essential operating resources or assets, including accounts receivable against the company. A capital increase based on a resolution of the Annual General Meeting can normally not be implemented within short, whenever purchasing options arise. This situation shall be remedied by the proposed creation of authorised capital with the exclusion of the subscription right if contributions in kind are used for acquiring companies, parts of companies or an interest in a company or other essential operating resources or assets, including accounts receivable against the company. Whenever common and/or preferred shares are issued without exclusion of the subscription right, the relative participation ratio and the relative voting interest of existing shareholders will not decrease, if the subscription right is exercised. In case of an exclusion of the subscription right, the relative participation ratio and the relative voting interest of existing shareholders would decrease. However, if a subscription right is granted, it would not be possible to acquire companies, parts of companies or an interest in a company or other essential operating resources or assets, including accounts receivable against the company, by granting shares and the benefits associated with such for the company and the shareholders could not be achieved. Whether this authorisation by excluding the subscription right should be used, will be verified

on a case-by-case basis. The company has currently no concrete acquisition plans for which this option should be used. The Executive Board will only use the Authorised Capital 2021 if a concrete purchase option arises and the Supervisory Board would only give its consent if such a purchase is in the recognised interest of the company.

3. Exclusion of the Subscription Right in Case of Cash Capital Increases pursuant to Sec. 186 (3) sentence 4 of the AktG

Sec. 186 (3) sentence 4 of the AktG provides that the subscription right can be excluded, in particular, if the capital increase against cash contributions will not exceed 10 % of the share capital and if the issue priced will not fall significantly below the market price. This authorisation to exclude the subscription right will put the management in the position to quickly and flexibly as well as cost effectively use any options opening up based on the relevant situation at the stock exchange. The management will thus be able to obtain new equity capital within short and close to the market price and thus to strengthen the company's equity basis. Furthermore, any need for capital arising from the short-term use of market chances could be covered quickly and flexibly. It is thus in the best interest of the company and the shareholders. Such cash capital increases are, in addition, restricted to 10 % of the share capital which takes account of the shareholders' need for a protection against any too strong dilution of their shares. This limit of 10 % as specified in Sec. 186 (3) sentence 4 of the AktG includes any shares that were issued or sold by applying, directly or accordingly, this provision based on any other authorisation during the term of this authorisation. Furthermore, shares shall be included in this limit which were issued or are to be issued based on bonds with conversion or option rights or conversion obligations which were issued according to this provision at the time of its use. In addition, any discount from the current market price of the share of the company will probably not exceed 3 %, however amount to a maximum of 5 % of the market price. New shares are thus issued close to the market price so that every shareholder interested in preserving their stake will have the option to acquire shares in the market under almost the same conditions as provided for in the issue.

4. Exclusion of the Subscription Right to Fulfil the Greenshoe Option

The exclusion of the subscription right is, finally, also permitted to fulfil the greenshoe option agreed with underwriters in the event of a further IPO of the Company. Another IPO will enable the company to have better access to the capital market and thus to easily and flexibly cover its need for capital. This is important in particular in view of another expansion of the company which might be possible in the future. Greenshoe is customary for IPOs. That applies not only to first-time IPOs but, also to other public offerings. Therefore, a provision shall also be made for this, even though there are currently no concrete plans for another IPO by using an over-allotment option. Greenshoe is a so-called over-allotment option. In case of a public offering of (more) shares, it predominantly serves to precisely determine the placement volume and to stabilise the share price. Its function is as follows: The issuing banks will not only sell the planned placement volume (100 %) on the allocation date, but also a certain number of additional shares (up to 15 % of the actually planned placement volume) that were provided otherwise. These additional shares can be used to stabilise the price. The issuing banks may redeem shares on the market, insofar as generally customary returns during the issue of sold shares in the market result in a price reduction below the placement price. This helps to compensate any price decline caused by returns. Insofar as such a redemption is not made in the market, the second element of the over-allotment option takes effect, the coverage of the over-allotted and sold shares, e.g. by shares of other shareholders or by a capital increase of the company. Therefore, an over-allotment option allows for a better utilisation of the market potential in pricing. Since investors can thus be given a certain security in the price development, they will be willing to pay a slightly higher price. The over-allotment option will thus, besides and due to the stabilisation, lead to an increase of the earnings to be achieved in the issue and is thus in the interest of the company and the shareholders.

5. Exclusion of the Subscription Right for Bonds with Warrants and Convertible Bonds

In addition, it should be possible to exclude the subscription right with the consent of the Supervisory Board, insofar as it is necessary to provide the holders of existing bonds with warrants and/or convertible bonds or those to be issued in the future, with a subscription right for new shares, if that is provided for in the conditions of the relevant bonds. Such bonds normally include an anti-dilution mechanism to facilitate their placement on the capital market, which provides that such holders will, instead of being offered a reduction of the option or conversion price, be granted a subscription right for new shares to

which also the shareholders are entitled, when shares with subscription rights for shareholders are issued in the future. They will thus be put in the position as if their option or conversion right had already been exercised or a conversion obligation had already been fulfilled. The advantage is that the company – in contrast to an anti-dilution mechanism by reducing the option or conversion price – may achieve a higher issue price for the shares to be issued upon conversion or exercise of the option.

6. Exclusion of the Subscription Right to Implement an Share Dividend (Scrip Dividend)

The Executive Board should, with the consent of the Supervisory Board, also be authorised to exclude the statutory subscription right of shareholders to be able to implement a so-called *scrip dividend* under optimum conditions. In the context of a scrip dividend, shareholders are offered to contribute to the company, as a contribution in kind, their claim to a dividend distribution which arises under the profit appropriation resolution passed by the Annual General Meeting, in order to obtain new shares of the company.

The implementation of a scrip dividend can be made as a real subscription right issue, in particular by observing the provisions of Sec. 186 (1) of the AktG (minimum subscription period of two weeks) and Sec. 186 (2) of the AktG (announcement of the issue price not later than three days prior to the expiry of the subscription period). For this purpose, shareholders are only offered whole shares for subscription; for that part of the dividend claim that falls below (or exceeds) the subscription price for a whole share, shareholders might receive the cash dividend and may, insofar, not subscribe any shares; the company does neither plan to offer partial rights nor to establish any trade in subscription rights or fractions thereof. Since shareholders receive a cash dividend instead of receiving new shares, that seems justified and adequate.

In individual cases it might, depending on the capital market situation, be preferable to offer and prepare the grant of a share dividend, without being bound to the restrictions of Sec. 186 (1) of the AktG (minimum subscription period of two weeks) and Sec. 186 (2) of the AktG (announcement of the issue price not later than three days prior to the expiry of the subscription period). Therefore, the Executive Board shall also be authorised to formally exclude the shareholders' subscription right as a whole, but to offer all shareholders eligible for dividends new shares for subscription in exchange for contributing their claim to dividends, thus maintaining the general principle of equal treatment (Sec. 53a of the AktG). The distribution of a share dividend by formally excluding the subscription right allows for the implementation of a capital increase under more flexible conditions. The exclusion of the subscription right seems also insofar to be justified and adequate, since new shares are offered to all shareholders and since any excessive dividend fractions will be compensated by cash dividend payments.

Considering all circumstances, the relevant authorisation for excluding the subscription right in the limits described above, is necessary and imperative in the interest of the company and thus of its shareholders. The Executive Board will exercise the authorisation with the consent of the Supervisory Board. The conditions will be determined at the relevant time such that the interests of the shareholders and of the company remain protected under consideration of the prevailing conditions. The Executive Board will report to the Annual Meeting about any use of this authorisation.

Use of the Authorisation

The company has currently no concrete plans for utilising the Authorised Capital 2021. Such anticipatory resolutions offering the option of an exclusion of the subscription right are customary on a national and international level. The consent of the Supervisory Board is required for all cases of an exclusion of the subscription right as proposed herein. In addition, the Executive Board will verify carefully in each case, whether the utilisation of the Authorised Capital 2021 is in the interest of the company; it will also verify, in particular, whether such a subscription right exclusion is factually justified in each individual case. The Executive Board will report to the next Annual General Meeting about any use of this authorisation.

The Executive Board's written report pursuant to Sec. 203 (2) sentence 2 in conjunction with Sec. 186 (4) sentence 2 of the AktG on the authorisation of the Executive Board to exclude the shareholders' subscription right in connection with a resolution on Agenda item 7 will be made available to the shareholders at

<https://www.eqs.com/de/ueber-eqs/investoren/corporate-governance/>

from the convocation of the Annual General Meeting.

Notice: *The official version of the EQS Group AG report is in German. The English translation is provided as a convenience to our shareholders. While we strive to provide an accurate and readable version of our report in English, the technical nature of a report often yields awkward phrases and sentences. We understand this can cause confusion. So, please always refer to the German report for the authoritative version.*