Branicks

Annual General Meeting on August 22, 2024

Written report of the management board according to sections 203 (2) sentence 2, 186 (4) sentence 2 of the German Stock Corporation Act (Aktiengesetz, AktG) on item 7 of the agenda regarding the reasons for authorizing the management board to exclude shareholders' subscription rights when using the authorized capital 2024[1]

The authorization granted to the management board by the general meeting on March 24, 2022 to increase the company's share capital by up to 16,372,232.00 euro with the approval of the supervisory board by issuing new no-par value registered shares against cash and/or non-cash contributions (authorized capital 2022) is to be revoked and renewed.

Due to partial use of the authorization, the authorized capital 2022 still exists in the amount of 15,959,088.00 euro at the time the general meeting is convened.

Under agenda item 7, the management board and supervisory board propose to the general meeting the creation of new authorized capital 2024 in section 5 of the articles of association of up to 16,713,102.00 euro, corresponding to around 20% of the current share capital.

For reasons of flexibility, the new authorized capital 2024 can be used for both cash and non-cash capital increases. Shareholders of the company generally have a subscription right in the event of capital increases from authorized capital 2024. The shares may also be taken over by one or more banks or companies specified by the management board within the meaning of section 186 (5) sentence 1 AktG with the obligation to offer them to shareholders for subscription (so-called indirect subscription right).

However, the management board should also, with the consent of the supervisory board, be authorized to exclude the subscription right of shareholders

[1] Convenience translation; the German text is legally binding.

- to exclude fractional amounts from the subscription right of shareholders;
- if the new shares are issued in return for cash, and the issue price of the new shares is not significantly below the market price of already listed shares that are essentially the same. The number of shares that are issued in this manner without a subscription right may not exceed 20% of the share capital, neither at the time this authorization becomes effective nor at the time this authorization is exercised. In a direct or appropriate application of section 186 (3), sentence 4 AktG, the maximum amount of 20% of the share capital must include other shares which are issued or sold without a subscription right during the term of this authorization. Shares to be issued to service option and/or conversion rights or conversion obligations arising from option bonds and/or convertible bonds and/or profit participation rights are to be taken into account as well, provided these bonds or profit participation rights are issued during the term of this authorization to exclude the subscription right in accordance with the section 186 (3), sentence 4 AktG;
- if the capital increase is made in return for a contribution in kind, in particular for the purpose of acquiring companies, parts of companies, shareholdings or other assets related to an acquisition project, or in the context of mergers; or
- to the extent this is necessary to grant holders or creditors of option and/or convertible bonds with option and/or conversion rights or option or conversion obligations that previously were issued by the company or companies in which the company holds a 100% stake, either directly or indirectly, a subscription right to bonds to the same extent they would be entitled to after the exercise of the option or conversion rights and/or after the fulfillment of option or conversion obligations.

The management board makes the following report in accordance with section 203 (2) sentence 2 and section 186 (4) sentence 2 AktG with regard to this authorization to exclude the subscription right of shareholders with the consent of the supervisory board:

The subscription right should first be excluded for fractional amounts. The purpose of this authorization is to provide a workable subscription ratio for the amount of the respective capital increase. Without the exclusion of the subscription right for fractional amounts, the technical implementation of the capital increase would be considerably more difficult, especially in the event of a capital increase using round amounts. The new shares excluded from the subscription right of shareholders as free fractions will be utilized by the company in the best-possible way, either by being sold on the stock exchange or in any other way. For these reasons, the management board and the supervisory board consider the authorization to exclude subscription right to be appropriate.

In accordance with section 203 (1) and section 186 (3) sentence 4 AktG, the subscription right should also be excluded if the new shares are issued against a cash contribution at an amount that does not significantly fall below the exchange price and if the total amount pertaining to the shares issued does not exceed 20% of the share capital, either at the time of the effective date or at the time the authorization is exercised. The authorization enables the company to meet capital requirements even in the short term and to thus make quick and flexible use of market opportunities. The exclusion of the subscription right makes it possible to act quickly without having to perform the more cost and time-consuming subscription right procedure and also makes it possible to place the shares at prices close to the stock market price, i.e., without the usual discount for subscription issues. Such capital increases will also allow the company to attract new investors, both at home and abroad. If the authorization is exercised, the management board will, with the consent of the supervisory board, specify the discount on the stock market price as low as this is possible at the market conditions prevailing at the time the issue price is definitively determined. The discount on the stock market price will never be higher than 5% of the stock market price.

The scope of the cash capital increase involving the exclusion of the subscription right according to section 186 (3) section 4 AktG is also limited to 20% of the share capital at the time the authorization becomes effective or if this amount should be lower, at the time the authorization to exclude the subscription right is exercised. This 20% limit includes those shares that were issued or sold during the term of the authorization to exclude the subscription right in the direct or corresponding application of section 186 (3) sentence 4 AktG, for example treasury shares. Shares to be issued for servicing option and/or conversion rights or conversion and/or option obligations arising from convertible or option bonds or profit participation rights are to be taken into account as well, provided these bonds or profit participation rights were issued during the term of the authorization to exclude the subscription right, in accordance with the application of section 186 (3) sentence 4 AktG. This limitation takes into account the shareholders' need to protect their shareholdings from dilution. Since the new shares are placed at a price close to the stock market price, shareholders can purchase shares on the market in order to maintain their participation rate at roughly the same terms.

It should also be possible to exclude the subscription right of shareholders, if the capital increase is based on a contribution in kind, in particular for the purpose of acquiring companies, parts of companies, shareholdings in companies or other assets related to an acquisition project or in the context of mergers. This gives the company the room it needs to maneuver and to seize opportunities to acquire other companies, shareholdings or parts of companies and to perform mergers but also to acquire other important assets for the company that are related to an acquisition in a fast, flexible and liquidity-conserving manner to improve its competitive position and strengthen its profitability. In the context of such transactions, a very high equivalent has to be provided, which is not or cannot be paid in money. In some cases, the owners of attractive companies or other attractive acquisition properties also demand the buyer’s shares in return. In order for the company to be able to acquire such companies or other acquisition properties, it must be able to offer shares in return. Since such an acquisition usually takes place at short notice, it can generally not be decided by the shareholders’ meeting, which is generally held only once a year. This requires the creation of authorized capital, which the management board can access quickly with the consent of the supervisory board. The management board would in such case ensure that the interests of the shareholders are adequately protected when determining the valuation ratios. In doing so, the management board takes into account the market price of the company's shares. The management board will only exercise this authorization if the exclusion of the subscription right is, in that case, in the company's best interest. There are currently no concrete acquisition plans for which the possibility of capital increases in kind that exclude the subscription right granted under the proposed authorization would be used.

Finally, the subscription right should be excluded to the extent required to grant the holders or creditors of option and/or convertible bonds which were issued by the company or group companies in which the company directly or indirectly holds a 100% stake, by using the authorized capital, a subscription right to new shares that is equivalent to the subscription right they have after having exercised the option or conversion right or after the fulfillment of a conversion and/or option obligation arising from these bonds. In order to make bonds easier to place on the capital market, the corresponding option or bond terms usually include dilution protection. One possibility to provide dilution protection is to give the holders or creditors of the bonds a subscription right to the new types of shares to which they are entitled in the event of subsequent share issues. They are put in the same position they would have had if they had been shareholders already. In order to provide the bonds with such a dilution protection, the shareholders' subscription right for new shares must be excluded. This is done to facilitate the placement of the bonds and thus to protect the interest of the shareholders in the best-possible financial structure for the company.

Alternatively, it is possible to reduce just the option or conversion price to achieve such dilution protection but only to the extent the option or bond terms allow this. However, this would be more complicated and costly for the company in the terms of their settlement. It would also reduce the inflow of capital from the exercise of option and conversion rights or conversion and option obligations. It would also be conceivable to issue bonds without dilution protection. These would be much less attractive to the market, however.

In each individual case, the management board and the supervisory board will carefully consider whether they will exercise any of the authorizations to increase the capital and exclude the subscription rights of shareholders. They will only take advantage of this possibility if, in the opinion of the management board and the supervisory board, this is in the best interest of the company and therefore its shareholders.
The management board will report on the exercise of the authorization at the shareholders' meeting that follows a possible issue of shares of the company from the authorized capital that exclude the subscription right.

Frankfurt / Main, July 2024

BRANICKS Group AG
The Management Board

Sonja Wärntges Christian Fritzsche Johannes von Mutius Torsten Doyen