Convenience Translation

General Meeting of home24 SE on June 17, 2021

Report of the management board on the partial utilization of the Authorized Capital 2020

Based on the authorization of the general meeting of June 3, 2020 and the articles of association of the company, the management board resolved on December 8, 2020, with the consent of the supervisory board, to partially utilize the Authorized Capital 2020 in the amount of EUR 2,640,918.00 in December 2020. In the process, the subscription rights of shareholders were excluded in the context of the increase in the capital in return for cash contribution, which was entered in the company's commercial register on December 9, 2020. As part of this capital increase, the company's share capital was increased by EUR 2,640,918.00 from EUR 26,409,186.00 to EUR 29,050,104.00. The volume of the capital increase from authorized capital with exclusion of subscription rights thus corresponded to a pro rata amount of the company's share capital of around 10% of the share capital - based on the company's share capital existing at the time Authorized Capital 2020 becomes effective on June 3, 2020 and the share capital existing at the time Authorized Capital 2020 is utilized. The volume limit provided for in Authorized Capital 2020 for shares issued against cash contributions with exclusion of subscription rights was therefore complied with. The new shares were subscribed by Joh. Berenberg, Gossler & Co. KG. The Joh. Berenberg, Gossler & Co. KG was required to place and transfer these shares in a private placement with institutional investors, including existing investors, using an accelerated bookbuilding process. The new shares were issued in accordance with the resolution of the management board dated December 8, 2020 at a placement price of EUR 17.58. The supervisory board approved this resolution of the management board on the determination of the placement price by resolution dated December 8, 2020. The new shares were admitted to trading on December 11, 2020 and on December 14, 2020 they were included in the existing listing in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) on the Frankfurt Stock Exchange. The gross proceeds from the capital increase amounted to approximately EUR 46.4 million. The company has earmarked the net proceeds from the capital increase primarily to strengthen its European business. To date, investments were made in additional current assets and performance marketing. In addition, the company intends to invest parts of the net proceeds in customer-oriented technologies and the showroom concept.

In setting the price, the requirements of Article 9 para 1 letter c) sub letter ii) SE-Regulation in conjunction with Sections 203 para. 1 and 186 para. 3 sentence 4 AktG were observed, compliance with which is prescribed by Authorized Capital 2020 for the exclusion of subscription rights in the event of a capital increase against cash contributions of up to 10% of the capital stock. Accordingly, the price for the new shares may not be significantly lower than the stock market price of the company's share.

The placement price of EUR 17.58 per share corresponded to a discount of about 5% on the Xetra closing price of the company's shares on the date of pricing. Accordingly, the discount was within the range generally recognized as permissible for a non-substantial undercutting of the stock market price.

By excluding shareholders' subscription rights, the company has made use of an option provided by law in Article 9 para 1 letter c) sub letter ii) SE-Regulation in conjunction with Sections 203 para. 1, 186 para. 3 sentence 4 AktG to exclude subscription rights in the case of cash capital increases of companies traded on the stock exchange. Such exclusion of subscription rights was necessary in this case in order to take advantage of the favorable market situation for such a capital measure at the time of the partial utilization of Authorized Capital 2020 from the perspective of the management board and the supervisory board at short notice and to be able to achieve the highest possible issue proceeds by setting a price close to the market price. In contrast, the minimum two-week subscription period required when granting subscription rights (Section 186 para. 1 sentence 2 AktG) would not have permitted a short-term reaction to the current market conditions.

In addition, if subscription rights are granted, the final subscription price must be announced no later than three days before the end of the subscription period (Section 186 para. 2 sentence 2 AktG). Due to the longer period between pricing and settlement of the capital increase and the volatility of the stock markets, there is thus a higher market and, in particular, price change risk than in the case of an allotment without subscription rights. A successful placement in the context of a capital increase with subscription rights would therefore have required a corresponding safety discount on the current stock market price when setting the price and would therefore probably have led to conditions that were not close to the market. For the above reasons, it was in the interest of the company to exclude the subscription right. On the other hand, by setting the price close to the current stock market price and limiting the volume of shares issued with exclusion of subscription rights to around 10% of the capital stock existing at the time Authorized Capital 2020 became effective, the interests of the shareholders were also adequately safeguarded. This is because, in view of the liquid stock exchange trading, the shareholders are in principle given the opportunity to maintain their relative shareholding in the company by means of an additional purchase via the stock exchange at comparable conditions. By issuing the new shares close to the current stock market price, it was also ensured that the capital increase did not result in any significant economic dilution of the shareholders' shareholdings.

In accordance with the authorization in Article 4 para. 7 of the articles of association of the company, the new shares were issued with profit participation rights from January 1, 2020. Accordingly, the new shares were already endowed with the same profit participation rights as the existing shares. This made it unnecessary to assign a separate securities identification number to the new shares for the period up to this year's virtual general meeting. This avoided the low trading liquidity of the new shares that would otherwise have been expected in the case of stock exchange trading under a separate securities identification number, which would otherwise have made the marketing of the new shares more difficult and possibly led to price markdowns. For this reason, it was in the interests of the company to set the profit participation right for the beginning of the financial year 2020. Based on the above considerations, the exclusion of subscription rights made in compliance with the requirements of Authorized Capital 2020 when it was utilized was objectively justified overall.

Berlin, May 2021

home24 SE
– The Management Board –

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