BROCKHAUS TECHNOLOGIES

Report by the Executive Board on agenda item 9 relating to the exclusion of subscription rights in connection with Contingent Capital 2024/II in accordance with section 221 (4) sentence 2 in conjunction with section 186 (4) sentence 2 of the German Stock Corporation Act (AktG)

In accordance with section 221 (4) sentence 2 of the AktG in conjunction with section 186 (4) sentence 2 of the AktG, the Executive Board is submitting the following report on agenda item 9:

On July 9, 2020, the Annual General Meeting authorized the Executive Board of Brockhaus Technologies AG ("**Company**") to issue convertible/warrant bonds with a total nominal value of up to EUR 75,000,000.00 by July 8, 2025, and, in this connection, to grant or impose conversion/option rights and conversion/option obligations for no-par value registered shares of Brockhaus Technologies AG ("**BKHT shares**") representing a calculated proportion of the share capital of up to EUR 2,000,000.00 in total. The Annual General Meeting also authorized the Executive Board to exclude shareholders' subscription rights when issuing convertible/warrant bonds and, at the same time, adopted the Contingent Capital 2020 to service the conversion or option rights and fulfill conversion or option obligations arising from these bonds.

The Executive Board has not made use of this authorization to issue bonds.

In order to give the Company continued flexibility in financing its activities over the next three years, the authorization dated July 9, 2020, is to be canceled and a new authorization to issue convertible/warrant bonds and to exclude subscription rights is to be resolved. The Contingent Capital 2020 is to be canceled and a new Contingent Capital 2024/II in the amount of up to EUR 1,090,000.00 is to be resolved. The Contingent Capital 2024/II would therefore comprise less than 10% of the Company's share capital existing at the time the Annual General Meeting decides on the authorization. The Executive Board is to be authorized to issue subordinated or non-subordinated convertible/warrant bonds (including all arrangements envisaged hereinafter referred to "**bonds**") with a total nominal value of up to EUR 40,875,000.00 on one or more occasions, also simultaneously in different tranches, and, in this connection, to grant conversion and/or option rights or impose conversion and/or option obligations in respect of BKHT shares representing a calculated proportion of the share capital of up to EUR 1,090,000.00 in total.

The renewed authorization to issue bonds is intended to give the Company wider options for financing its activities in addition to the traditional forms of raising debt capital or equity and to enable the Executive Board, with the approval of the Supervisory Board, to obtain flexible and timely financing in the interests of the Company, in particular when attractive capital market conditions arise.

The bonds may also help optimize the Company's capital structure. In addition to granting of conversion or option rights, the Company is also to be able to establish conversion or option obligations or to grant the holders or creditors BKHT shares or shares in another listed company instead of paying a due cash amount (substitution right).

The authorization gives the Company the necessary flexibility to place the bonds itself or through direct or indirect Group companies. The authorization also includes the option of assuming guarantees for bonds issued through Group companies of the Company, granting the holders or creditors of such bonds conversion/option rights or imposing conversion/option obligations upon them in respect of BKHT shares, and making further declarations and taking further actions required for a successful issuance. Apart from in euros, bonds can be issued in other currencies of OECD countries, with or without a limit to their term. In order to increase flexibility, the terms and conditions of the bond may stipulate that the Company is not to grant a holder of conversion or option rights BKHT shares, but may instead pay the consideration in cash in full or in part or deliver shares in another listed company.

The relevant conversion or option price per share at the time of issuance must not, except where there is a conversion or option obligation, be below 80% of the average closing price of the BKHT share in XETRA trading (or in a comparable successor system) ("**minimum price**"). The **average closing price** within the meaning of the authorization is to be calculated as the arithmetic mean of the closing auction prices on the relevant trading days. If there is no closing auction, the closing auction price is replaced by the price determined in the last auction on a trading day and, in the absence of an auction, by the last price determined on a trading day (in each case in XETRA trading or a comparable successor system). In the case that subscription rights are excluded, the applicable price shall be the average closing price calculated in this manner on the ten stock exchange trading days prior to the resolution by the Executive Board to issue the bonds or, following a public solicitation to submit subscription offers, on the Company's resolution to accept such offers.

In the case of bonds with a conversion or option obligation, the conversion or option price must either at least equal the minimum price set out above or correspond to at least 80% of the average closing price during the last ten trading days prior to the date of final maturity, even if this closing price and the applicable conversion or option price derived from it is below the minimum price set out above.

The calculated proportion of the share capital represented by the shares to be obtained for each bond may not exceed the nominal amount or an issue price of the bonds that is lower than the nominal amount. Section 9 (1) and section 199 (2) of the AktG remain unaffected.

In principle, shareholders have a right to subscribe to the bonds to be issued in accordance with section 221 (4) of the AktG in conjunction with section 186 (1) of the AktG. In order to facilitate the issue, it is intended to permit the possibility of issuing the bonds in accordance with section 186 (5) sentence 1 of the AktG to credit institutions and other issuing houses with the obligation that the bonds must be offered to shareholders in accordance with their subscription rights (indirect subscription right).

The Executive Board, with the approval of the Supervisory Board, is also to be authorized at its dutiful discretion to exclude shareholders' subscription rights. The relevant provisions can be found in section 9.2h) of the proposed resolution for the Annual General Meeting. In order to protect shareholders against dilution, the authorization to exclude shareholders' subscription rights is limited in scope to bonds with a conversion or option right or a conversion or option obligation in respect of shares representing a pro rata amount of up to 20% of the share capital at the time this authorization becomes effective or, if this amount is lower, at the time this authorization is exercised. The calculation rules specified under 9.2h) in the invitation to the Annual General Meeting and described in more detail in following the presentation of the exclusion of subscription rights apply to that.

With the approval of the Supervisory Board, the Executive Board is to be authorized to exclude shareholders' subscription rights in the following cases:

Subscription rights are to be able to be excluded, with the approval of the Supervisory Board, where the bonds are issued in return for cash payment at an issue price that is not significantly lower than their theoretical market price computed in accordance with generally accepted actuarial methods. This enables the Company to seize favorable market opportunities very quickly on a short-term basis and, by determining the conditions in accordance with prevailing market terms, to achieve better terms and conditions for the bonds. If the subscription rights were not excluded, any such market-oriented determination of the terms and conditions and smooth placement would not be possible. Pursuant to section 186 (2) sentence 2 of the AktG, which is also applicable to bonds in accordance with section 221 (4) of the AktG, the subscription price (and thus the terms and conditions of the bonds) must be published no later than three days before expiry of the subscription period when subscription rights are granted to shareholders. There would then be the risk that market circumstances change in this period and that the terms and conditions of the bonds therefore no longer conform with market conditions.

That risk would have to be countered, by way of precaution, by applying discounts to the interest rate or the issue price of the bonds, for example. Consequently, the bonds might ultimately not be able to be placed at optimal conditions. Granting of a subscription right could also jeopardize any successful placement with third parties, or result in additional expenses, due to uncertainty about whether it would be exercised (subscription behavior). Finally, if the Company grants subscription rights, it cannot react swiftly to favorable or unfavorable market conditions due to the length of the subscription period.

In the event of exclusion of subscription rights when issuing bonds in exchange for cash payment as envisaged in this case, the provision of section 186 (3) sentence 4 of the AktG applies *mutatis mutandis* pursuant to section 221 (4) sentence 2 of the AktG. Accordingly, the option of excluding subscription rights may only be used for bonds with a calculated proportion of up to 20% of the share capital attributable to the shares to be issued or granted on the basis of these bonds. The present authorization reduces this threshold to a maximum of 10%. Applicable in this case is the amount of the share capital at the time the authorization becomes effective or, if this amount is lower, at the time when this authorization is exercised. This limit shall include shares that are issued from authorized capital in direct or *mutatis mutandis* application of section 186 (3) sentence 4 of the AktG since granting of the authorization up to the time of it being utilized pursuant to an authorization of the Executive Board to exclude subscription rights or that are issued as acquired treasury shares during the term of the authorization in a way other than through a sale on the stock exchange or through an offer made to all shareholders in *mutatis mutandis* application of section 186 (3) sentence 4 of the AktG.

Section 186 (3) sentence 4 of the AktG stipulates in the case where shares are issued with the exclusion of subscription rights that the issue price of the shares must be not significantly below the stock exchange price. This is to prevent a material economic dilution of the value of the shares and to enable the shareholders to maintain their proportionate shareholding in the Company's share capital by purchasing additional shares via the stock exchange on nearly identical terms. Whether or not there will be such a dilutive effect in connection with the issuance of bonds with the exclusion of subscription rights can be determined by calculating the hypothetical stock market value of the bonds based on recognized methods, particularly actuarial methods, and comparing that value to the issue price. If, according to the Executive Board's due review, this issue price is only insignificantly lower than the hypothetical market value at the time of issue of the bonds, the notional market value of a subscription right would decrease to almost zero. Given that the shareholders will then not suffer any material economic disadvantage on account of the exclusion of their subscription rights due to the discount being insignificant only, an exclusion of subscription rights is permissible in accordance with the intent and purpose of section 186 (3) sentence 4 of the AktG.

Furthermore, shareholders' subscription rights for fractional amounts are also to be excluded with the approval of the Supervisory Board. That is to ensure a practicable subscription ratio regarding the amount of the respective issue. Without the exclusion of subscription rights for fractional amounts, the technical execution of the capital increase and the exercise of subscription rights would be significantly more difficult, particularly for bond issuances of round sums. The fractional shares for which shareholders' subscription rights are excluded will be realized for the Company on the best possible terms by being sold on the stock exchange or otherwise.

Moreover, with the approval of the Supervisory Board, it is to be possible to exclude subscription rights in favor of holders or creditors of conversion or option rights on shares of the Company or of parties with corresponding conversion or option obligations (hereinafter referred to collectively as “**holders**”) from bonds issued by the Company or its Group companies in order to protect against dilution. Such anti-dilution protection is usually envisaged in the terms and conditions of the bond and, in addition to the possibility of reducing the conversion or option price, specifies that the holders of the bonds can be granted a subscription right to new bonds also for a subsequent issue of further bonds, equivalent to the subscription rights of the shareholders. In this way, they are placed in the position they would hold if they were already shareholders. Such granting of a subscription right offers the possibility of preventing a situation where the conversion or option price of bonds previously issued has to be reduced or cash compensation has to be made to the holders of the said rights or obligations. This ensures a higher issue price of the shares that are issued when implementing the conversion or exercising the option. In order to grant subscription rights as anti-dilution protection to the holders of bonds previously issued, shareholders’ subscription rights to the new bonds used for this purpose must be excluded.

Finally, subscription rights are to be excluded, with the approval of the Supervisory Board, if the bonds are issued in exchange for contributions in kind for the purpose of the direct or indirect acquisition of companies, equity interests in companies, parts of companies or other assets (including receivables) and this is in the overriding interests of the Company. This requires that the value of the contribution in kind be in reasonable proportion to the value of the bond. The theoretical market price of the bond computed in accordance with generally accepted methods is authoritative in determining that. Among other things, the issue of bonds in exchange for contributions in kind without subscription rights is intended to enable the Executive Board to use the bonds also as an acquisition currency, for example for the direct or indirect acquisition of companies, equity interests, parts of companies, other assets or rights to acquire assets and receivables against the Company or its Group companies. In particular, transactions relating to the acquisition of companies or equity interests normally require quick decisions. The envisaged authorization enables the Executive Board to react in a quick and flexible manner to advantageous offers or other opportunities arising on the market and, for example, to seize opportunities to acquire companies or equity interests in companies in exchange for the issuance of bonds in the interests of the Company and its shareholders.

In order to protect shareholders’ rights more extensively, the calculated proportion of the share capital attributable, in aggregate, to shares to be issued or granted on the basis of conversion/option rights and/or conversion/option obligations under bonds is limited to no more than 20% of the Company’s share capital at the time the resolution on this authorization is adopted or, if this amount is lower, of the share capital existing at the time this authorization is utilized, if the shares are issued subject to the exclusion of shareholders’ subscription rights. This corresponds to the legal assessment in section 186 (4) sentence 2 of the AktG. The above-mentioned capital limit shall also include the pro rata share capital that is attributable to treasury shares used with the exclusion of subscription rights during the term of this authorization and to shares that are issued from authorized capital with subscription rights excluded (with the exception of exclusion of subscription rights for fractional amounts).

Apart from that, the proposed resolution also authorizes the Executive Board to determine further details, such as the interest rate, the type of interest and the issue price, in the terms and conditions of the bond.

It is common practice both nationally and internationally to adopt anticipatory resolutions such as this one and to specify the possibility of excluding subscription rights in them. The Executive Board will carefully consider on a case-by-case basis whether use of the proposed authorization, and in particular the exclusion of subscription rights, is in the interests of the Company and its shareholders. If the proposed authorization is used, the Executive Board will report on this at the next Annual General Meeting.

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