Manz AG
Reutlingen

- ISIN DE000A0JQ5U3 -

2019 Annual General Meeting
Tuesday, July 2, 2019, in Filderstadt

Report of the Managing Board to the General Meeting on item 5 of the agenda concerning the exclusion of the subscription right pursuant to section 221 (4) sentence 2, section 186 (4) sentence 2 of the German Stock Corporation Act (AktG)

The Annual General Meeting of Manz AG shall propose a new authorization to issue option or convertible bonds, profit-sharing rights or profit-sharing bonds or a combination of these instruments ("bonds") under agenda item 5 at the Annual General Meeting taking place on July 2, 2019 in a total nominal amount of up to 150 million euros and the creation of the associated contingent Capital of up to 3,100,000.00 euros This is intended to expand the abilities of Manz AG to finance its activities explained in more detail below, and open up the ability to access flexible and prompt financing in the interest of the company for the Managing Board with the approval of the Supervisory Board, in particular if favorable Capital market conditions occur.

a) The shareholders are generally entitled to the statutory subscription right to bonds associated with option or conversion rights or conversion obligations (section 221 Paragraph 4 in conjunction with section 186 paragraph 1 AktG). To facilitate this process, the option to issue bonds at a credit institution or consortium of credit institutions should be utilized, with the obligation of offering shareholders the bonds according to their subscription rights (indirect subscription right in the sense of section 186 Paragraph 5 AktG).

b) The exclusion of the subscription right for fractional amounts makes it possible to utilize the requested authorization with round figures. This makes it simpler to handle shareholder subscription rights. The exclusion of subscription rights in favor of the holders of option and conversion rights or conversion obligations already issued has the advantage that the option or conversion price for the option or conversion rights or conversion obligations already issued does not have to be reduced, facilitating an overall higher cash inflow. Therefore, both cases in which subscription rights are excluded serve the interests of the company and its shareholders.

c) The Managing Board is furthermore authorized. with the approval of the Supervisory Board, to fully exclude the subscription rights of shareholders if the issuance of bonds associated with option or conversion rights or conversion obligations results in a price that is not significantly less than the market value of these bonds. Doing so makes the company able to use market opportunities quickly and in a flexible manner, obtaining better conditions in determining the interest rate and issue price of the bond with conditions set in line with the market. Conditions in line with the market and smooth placement would not be possible if the subscription rights were granted. Section 186 (2) of the German Stock Corporation Act (AktG) does allow for the publication of the subscription price (and therefore the conditions of these bonds) 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 bond conditions 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. Ultimately, 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 financing Situation for the company.

In case of a complete exclusion of subscription rights, according to section 221 Paragraph 4 sentence 2 AktG the Provision of section 186 paragraph 3 sentence 4 AktG applies accordingly. The limits regulated there for subscription right exclusions of 10% of the Capital stock must be complied with according to the resolution. Furthermore, a specification in the authorization regulation ensures that the ten percent limit is not exceeded even in case of a Capital reduction, since the authorization for the exclusion of subscription rights explicitly may not exceed 10% of the Capital stock, either at the time it comes into effect or - if this value is lower - at the time the available authorization is exercised. New shares are offset against the afore- mentioned ten percent limit that are issued from approved Capital, excluding subscription rights according to section 186 paragraph 3 sentence 4 AktG during the term of this authorization. Furthermore. shares are offset that are purchased based on an authorization by the Annual General Meeting and sold according to section 71 paragraph 1 no. 8 sentence 5 in conjunction with section 186 paragraph 3 sentence 4 AktG, excluding subscription rights.

Section 186 paragraph 3 sentence 4 AktG furthermore States that the issue price for the shares may not be significantly less than the market price in case of a Capital increase. This is intended to ensure that there is no significant economic dilution of the value of the shares. It is possible to determine whether such a dilution effect has occurred in relation to bonds issued without subscription rights associated with option or conversion rights or con- version obligations by calculating the hypothetical market price of the bonds based on recognized, in particular mathematical methods and comparing this to this issue pries for the bond. If this issue price, based on an appropriate review is less than the hypothetical market price to only an insignificant extent at the times the bond is issued, then according to the meaning and purpose of the regulation of section 186 paragraph 3 sentence 4 AktG, an exclusion of subscription rights is permitted due to this insignificant reduction. Therefore, the resolution states that before is- suing bonds associated with option or conversion rights or conversion obligations, the Managing Board must complete an appropriate review and determine that the intended issue pries will not result in any significant dilution of the values of shares. This would lower the calculated market value of a subscription right to almost zero, so that shareholders would not suffer any significant economic disadvantages due to the exclusion of subscription rights, independent of this review by the Managing Board, this ensures that conditions are set in line with the market and that significant dilutions of value are avoided in the case of book building. In this process, bonds are determined based on purchase requests submitted by investors, making it possible to calculate the overall value of the bond in line with market conditions. All of this ensures that there is no significant dilution in the value of the shares due to the exclusion of subscription rights.

In addition, shareholders are able to maintain their share of Capital stock in the company at all times, even if they exercise conversion or option rights or if a conversion obligation applies, by purchasing shares on the market. In contrast. the authorization to exclude subscription rights for the company makes it possible to set conditions in line with the market, ensure the best possible security in placement with third parties, and utilize favorable market situations on short notice.

d) Where profit-sharing rights or profit-sharing bonds are issued without an option or conversion right or conversion obligation, this Managing Board is authorized, with Supervisory Board approval, to completely disapply shareholders’ subscription rights if these profit-sharing rights or profit-sharing bonds have the characteristics of a debenture, i. s. do not give rise to any membership rights in the company, do not grant a share in the liquidation proceeds and the interest payable is not calculated on the basis of net income for the year, net retained profit of the dividend. In addition, the interest payment and the issue price of the profit-sharing rights or profit-sharing bonds must reflect current market conditions at the time of issue. If the above conditions are fulfilled, the exclusion of subscription rights will not result in any disadvantages for shareholders, since the profit-sharing rights or profit-sharing bonds are not grounds for any membership rights and do not grant any share in liquidation proceeds or company profits.

Reutlingen, May 2019

Manz AG
The Managing Board