Manz AG
Reutlingen

- ISIN DE000A0JQ5U3 -

Annual General Meeting 2023
on Tuesday, July 4, 2023

Report of the Managing Board to the Annual General Meeting on Item 7 of the Agenda concerning the authorization to grant subscription rights to members of the Managing Board and executives of the company and its Group companies as part of a Performance Share Plan (Manz Performance Share Plan 2023) and the creation of Conditional Capital IV as well as the amendment of the Articles of Incorporation

The Company already grants members of the Executive Board, members of the management of affiliated companies of the Company and executives of the Company below the Executive Board and executives of affiliated companies of the Company below the management a variable compensation component with a long-term incentive effect. This is intended to promote the entrepreneurial activities of the eligible Executive Board members and executives, to bind them to the Company or the affiliated companies in the long term, and to ensure that their compensation is in line with the market and is consistent. The Manz Performance Share Plan 2019 resolved for this purpose by the Annual General Meeting on July 2, 2019, in the scope of up to 180,000 subscription rights and up to 360,000 shares in the company (this corresponds to around 4.2 % of the share capital) has been almost exhausted by issuing performance shares.

In order to continue to align the compensation structure with sustainable and multi-year corporate growth and to be able to issue performance shares in the future as well, a new Manz Performance Share Plan 2023 is to be resolved, which corresponds to the Manz Performance Share Plan 2015 and the Manz Performance Share Plan 2019 in terms of its structure and exercisability, and which implements the requirements of the compensation system for the members of the Managing Board of Manz AG resolved by the Supervisory Board and approved by the Annual General Meeting on July 7, 2021. On this basis, the Managing Board and the Supervisory Board shall be able to issue up to 238,000 subscription rights (performance shares) for the purchase of up to 476,000 shares of the company. Accordingly, a new Conditional Capital IV is also to be created.

Item 7 of the agenda of the Annual General Meeting of Manz AG on July 4, 2023 contains the proposal to authorize the Managing Board and, as far as members of the Managing Board are concerned, the Supervisory Board to grant subscription rights (performance shares) to a total of up to 476,000 no-par value shares of the company to members of the Managing Board of the company, to members of the management of affiliated companies of the company, as well as to executives of the company below the Managing Board and to executives of affiliated companies of the company below the management. Accordingly, a new Conditional Capital IV is also to be created and inserted into the Articles of Association as § 3 (7).

The creation of Conditional Capital IV in the amount of EUR 476,000.00, corresponding to around 5.6% of the current capital stock of the Company, serves to enable the Company to issue new no-par value shares and use them to transfer them to the beneficiaries in the event that they exercise the performance shares granted to them. The new shares will only be issued if performance shares are issued to beneficiaries in accordance with the conditions set out in the resolution of the Annual General Meeting and the beneficiaries exercise their subscription rights after the expiry of the waiting period and in accordance with the achievement of the performance targets set out in the authorization. Due to the earmarking of the conditional capital, shareholders have no subscription rights to the new shares in accordance with the provisions of the Stock Corporation Act.

Compared with phantom stocks (stock appreciation rights), which are generally serviced by a cash payment after expiry of the waiting period and achievement of the performance targets, the issue of performance shares entitling the holder to subscribe for shares in the Company offers the advantage that, after the shares have been issued, the beneficiaries can decide whether they wish to remain shareholders in the Company or sell the shares on the stock exchange. The shareholder base of the Company tends to be broadened and equity strengthened. The Company avoids the outflow of liquid funds.

The performance shares are generally to be issued in annual tranches which are expected to be of roughly equal size. According to current planning, the allocation of the performance shares to the individual groups of beneficiaries shall essentially correspond to the allocation of the maximum number to be issued contained in the authorization. However, the Executive Board and Supervisory Board reserve the right to decide on the issue of performance shares and the size of the individual tranches on an annual basis, taking into account the overall situation of the Company. Fluctuations in the annual volume may also occur to the extent that the number of participating executives and/or the stock market price of Manz stock changes.

Shares may not be issued from Conditional Capital IV before the end of the waiting period of four calendar years after the issue date of the relevant tranche of performance shares. These can only be exercised if the minimum value for at least one of the performance targets has been exceeded, otherwise the performance shares lapse without compensation.

The performance targets for the performance shares are the EBITDA margin and the development of enterprise value. The EBITDA margin and value added performance targets each have a weighting of 50% for the overall degree of target achievement.

For each performance target there is a "target value", a "minimum value" and a "maximum value". The target value defines the value at which the degree of target achievement for the respective performance target is 100%. The minimum value defines the lower end of the target corridor, at which the degree of target achievement for the respective performance target is 0%. The maximum value defines the value at or above which the degree of target achievement is 200%.

The EBITDA margin performance target relates to the average value of the EBITDA margins according to the Company's consolidated financial statements during the performance period for the EBITDA margin performance target, which covers a period of four financial years from the beginning of the financial year in which the performance shares are granted. The minimum value is an EBITDA margin of 5%. The target is an EBITDA margin of 10%. The maximum value for the EBITDA margin performance target is achieved with an EBITDA margin of 15%.

Corporate value development refers to the percentage increase in the Company's enterprise value. The performance period for the corporate value development performance target covers a period of at least four calendar years, beginning at the start of the issue period in which the performance shares are granted and ending at the end of the vesting period. The enterprise value is defined as the market capitalization of the Company. The minimum value consists of an enterprise value development of 0%. The target consists of an enterprise value development of 20%. The maximum value for the performance target is achieved with an enterprise value development of 30%.

The overall degree of target achievement for the respective tranche corresponds to the average of the degrees of target achievement for the two performance targets. The exercisability of the performance shares is graded according to the overall degree of target achievement by multiplying the performance shares issued to the beneficiaries of a tranche by the overall degree of target achievement. Each performance share can therefore entitle the holder to subscribe for up to two shares in the Company (number cap).

The opportunity associated with the performance shares is limited by a cap: The number of performance shares to be serviced is reduced if and to the extent that the value of the shares to be issued at the end of the waiting period exceeds 300% of the grant value of the performance shares granted to the beneficiary in the relevant tranche. In addition, the authorization provides for the right of the Supervisory Board or the Executive Board to limit the exercisability of the performance shares at their discretion in the event of extraordinary developments. Reasons for this may include company acquisitions, disposals of parts of companies, the raising of hidden reserves or external influences that would lead to windfall profits.

Exercisable performance shares may be exercised by the beneficiaries within an exercise period of three months. This period begins after the date on which the consolidated financial statements of the Company for the last financial year before expiry of the waiting period of the relevant tranche have been approved and the waiting period has expired. The exercise price to be paid by the beneficiary to the Company for the acquisition of one share as a result of the exercise of performance shares corresponds to the lowest issue price prescribed by law (Section 9 (1) of the German Stock Corporation Act (AktG)), which is currently 1.00 euro.

The Company wishes to have a high degree of flexibility in implementing the Performance Share Plan. It therefore reserves the right, instead of issuing new shares from Conditional Capital IV, to deliver treasury shares which it holds or acquires for this purpose or to pay out the respective value of the shares to be issued, less the exercise price. Although the payment of the settlement amount leads to an outflow of funds, it avoids dilution through the issue of new shares and, in the case of a relatively minor exercise, disproportionately high administrative costs. The issue of new shares is also avoided if the performance shares are serviced with treasury shares, which may be preferable if the share price situation is favorable. For this purpose, it is necessary to exclude the Company's shareholders from subscribing to treasury shares.

The Executive Board and Supervisory Board are to be authorized to determine the further details of the granting and fulfillment of performance shares, for the issue of shares from conditional capital and the further plan conditions, including the treatment of performance shares if beneficiaries have left the service or employment relationship with the Company or its affiliated company at the end of the vesting period due to termination or a termination agreement. As the Performance Share Plan also aims to bind executives to the Company, it is intended to make the exercise of performance shares in the event of termination or conclusion of a termination agreement dependent in principle on their being exercisable at the time of termination of the service or employment relationship. However, the Executive Board and Supervisory Board would like to be able to decide flexibly in which cases they allow exceptions to this.

On the basis of the Manz Performance Share Plan 2023, executives are to be aligned with the sustainable development of the Manz Group through a long-term variable compensation component with a multi-year assessment basis. The Managing Board and Supervisory Board are convinced that the proposed authorization to issue performance shares to members of the

Managing Board, to members of the management teams of affiliated companies of the company, and to executives of the company below the Managing Board and to executives of affiliated companies of the company below the management teams is particularly suitable for bringing about a sustainable performance incentive for the executives of the Manz Group and thus contributing to a sustainable increase in the value of the company in the interests of the company and its shareholders.

Reutlingen, May 2023

Manz AG
The Board