ENCAVIS AG

Hamburg

Report of the Management Board on item 11 of the agenda pursuant to section 71 (1) no. 8 sentence 5 AktG in conjunction with section 186 (4) sentence 2 AktG

Agenda item 11 contains the proposal of the Management Board and the Supervisory Board to authorise the Company pursuant to section 71 (1) no. 8 AktG to acquire, either itself or through dependent companies or companies in which the Company holds a majority interest, or through third parties acting on its or their behalf, treasury shares up to an amount of 10 % of the current share capital or – if this amount is lower – of the share capital of the Company existing at the time of the exercise of the authorisation.

The Management Board submits a written report on this matter pursuant to sections 71 (1) no. 8, 186 (4) sentence 2 AktG, which is published below:

The authorisation granted to the Management Board by the Annual General Meeting on 18 May 2017 to acquire and use treasury shares expires on 17 May 2022. In order to maintain the room for manoeuvre, the limited authorisation shall be renewed for a period of [two years].

Types of acquisition

The proposed resolution under item 11 of the agenda provides for authorising the Management Board, with the prior consent of the Supervisory Board, to acquire treasury shares representing a maximum of 10% of the share capital existing at the time the resolution is adopted or – if this value is lower – at the time the authorisation is exercised. The acquisition shall be effected on the stock exchange, by means of a public purchase offer addressed to all shareholders or on the basis of a public invitation to all shareholders to submit offers for sale. The principle of equal treatment under stock corporation law must be observed in each case. In the case of a public invitation to all shareholders to submit offers for sale, the addressees of this invitation may decide how many shares they would like to offer to the Company and at what price (if a price range is determined).

If the acquisition is made by means of a public purchase offer directed to all shareholders or by means of a public invitation to submit offers for sale, the volume of the offer or the invitation to submit offers for sale may be limited. This may result in the quantity of shares in the Company offered by the shareholders exceeding the quantity of shares demanded by the Company. In this case, an allocation must be made according to quotas. In this context, it shall be possible to carry out an allotment according to the ratio of the shares subscribed or offered in each case (tender quotas) instead of according to participation quotas, because the acquisition procedure can be handled more effectively from a technical point of view in this way within an economically sensible framework. Furthermore, it shall be possible to provide for a preferential acceptance of small numbers of up to 100 tendered shares per shareholder. This possibility serves to avoid fractional amounts when determining the quotas to be acquired and small residual amounts and therefore to facilitate the technical handling of the share buyback. A de facto impairment of small shareholders can also be avoided in this way. Finally, it shall be possible to provide for rounding in accordance with commercial principles in order to avoid fractional shares. In this respect, the acquisition quota and the number of shares to be acquired by individual tendering shareholders may be rounded as necessary in order to technically manage the acquisition of whole shares. The Management Board and the Supervisory Board consider this exclusion of any further tender rights of the shareholders to be objectively justified.

The respective price offered or the limits of the purchase price range per share determined by the Company (excluding incidental purchase costs) may not be more than 10 % higher than the arithmetic mean of the closing prices of the Company’s shares in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days prior to the date of the public announcement of the offer or the public invitation to submit offers for sale. If after the publication of a public offer addressed to all shareholders or a public invitation to all shareholders to submit offers to sell, there are significant deviations in the relevant price, the purchase offer or the invitation to submit offers to sell may be adjusted. In this case, the average price of the last three trading days prior to the public announcement of any adjustment shall be used. The purchase offer addressed to all shareholders or the invitation to all shareholders to submit offers for sale may provide for further conditions.

Use of treasury shares

The proposed possibility of selling or using treasury shares serves to simplify the procurement of funds. Pursuant to section 71 (1) no. 8 sentence 5 AktG, the Annual Gen-eral Meeting may also authorise the Management Board to sell the shares in a form other than via the stock exchange or on the basis of an offer to all shareholders. According to the proposed resolution, the Management Board also requires the prior consent of the Supervisory Board for the use of treasury shares.

The prerequisite for this is, in the alternative proposed here under agenda item 11 d) section (1), that the treasury shares are sold in accordance with section 186 (3) sentence 4 AktG at a price that is not significantly lower than the stock exchange price of the Company’s shares of essentially the same class that are already listed at the time of the sale. In this way, use is made of the legally permissible and customary possibility of a simplified exclusion of subscription rights. Dilution protection is provided for shareholders by the fact that the shares may only be sold at a price that is not significantly lower than the relevant stock exchange price. The final determination of the selling price for the treasury shares will be made shortly before the sale. The Management Board – with the approval of the Supervisory Board – will set the discount on the stock exchange price as low as possible according to the market conditions prevailing at the time of the placement. The discount on the exchange price will in no case exceed 5 % of the exchange price. The possibility of selling treasury shares under exclusion of subscription rights and in a form other than via the stock exchange or through an offer to all shareholders is in the interest of the Company in view of the strong competition on the capital markets. This opens up the opportunity for the Company to offer treasury shares quickly and flexibly to national and international investors, to expand the group of shareholders and to stabilise the value of the share. Sale at a purchase price not significantly lower than the stock exchange price and limitation of the proportion of treasury shares that can be sold under this type of exclusion of subscription rights to a maximum of 10 % of the share capital (at the time the authorisation becomes effective and at the time it is exercised) adequately safeguard the asset interests of the shareholders. Other shares that are issued or sold during the term of the authorisation under exclusion of subscription rights in direct or analogous application of section 186 (3) sentence 4 AktG are to be included in the maximum limit of 10 % of the share capital. Shares to be issued for the purpose of servicing option and/or conversion rights or obligations under option bonds and/or convertible bonds and/or profit participation rights shall also be counted, provided that these bonds or profit participation rights are issued during the term of this authorisation under exclusion of the subscription right in corresponding application of section 186 (3) sentence 4 AktG. Since the treasury shares are placed close to the stock exchange price, each shareholder can essentially acquire shares on the market at approximately the same conditions in order to maintain their participation quota.

According to the resolution proposed under agenda item 11 d) section (2), the Company also has the possibility to have treasury shares at its disposal for the acquisition of contributions in kind, in particular in the context of the acquisition of companies, parts of companies, shareholdings in companies or in the context of mergers, other assets or claims to the acquisition of other assets including rights and claims against the Company as consideration, if this consideration is demanded. The authorisation proposed here is intended to give the Company the necessary room for manoeuvre to be able to quickly and flexibly exploit opportunities for such acquisitions or mergers as they arise. The proposed exclusion of subscription rights takes this into account. When determining the assessment value ratios, the Management Board and the Supervisory Board will ensure that the interests of the shareholders are adequately protected. In particular, they will base the assessment of the value of the treasury shares granted as consideration on the stock exchange price of the Company's shares. However, in order not to call into question negotiation results once they have been achieved as a result of any fluctuations in the stock exchange price, a systematic link to a stock exchange price is not envisaged.

Furthermore, the authorisation under agenda item 11 d) section (3) provides that the treasury shares acquired on the basis of the proposed authorisation may be used, excluding shareholders' subscription rights, to fulfil conversion and/or option rights or conversion obligations arising from convertible bonds or option bonds issued by the Company or its group entities in which the Company directly or indirectly holds a 100 % interest. The proposed resolution does not create a new authorisation to grant further conversion and/or option rights. It merely serves the purpose of granting the administration the possibility of using treasury shares in whole or in part instead of using conditional capital to fulfil conversion and/or option rights or conversion obligations that have already been established based on other authorisations. There are no detrimental effects on shareholders other than the dilution effects potentially involved in an exclusion of subscription rights when issuing convertible bonds and/or option bonds. All this does is increase the flexibility of the Management Board in that it does not have to service convertible bonds and other instruments from conditional capital but can use treasury shares for this purpose as well if this appears more favourable in the specific situation in the interests of the Company and its shareholders. Conversion and/or option rights or conversion obligations that can be serviced by treasury shares do not currently exist, but could, for example, be established based on the authorisations of the Annual General Meetings of 18 May 2017, 8 May 2018 and 13 May 2020 to issue convertible bonds and other instruments.

In addition, the Management Board is to be authorised under agenda item 11 d) section (4) to be able to use treasury shares in other ways than by way of an offer to all shareholders for the implementation of what is known as a scrip dividend. In the case of a stock dividend using treasury shares, shareholders are offered to assign their entitlement to payment of the cash dividend, deriving from the Annual General Meeting's resolution on the appropriation of profits to the Company in order to subscribe to treasury shares in return. The implementation of a stock dividend using treasury shares can be carried out as an offer directed to all shareholders while maintaining the subscription right and observing the principle of equal treatment. In the practical handling of the stock dividend, only whole shares are offered to shareholders for subscription; with regard to the part of the dividend entitlement that does not reach the subscription price for a whole share or else exceeds it, shareholders are referred to the subscription of the cash dividend and cannot receive any shares as such. An offer of partial rights or the establishment of trading of subscription rights or fractions thereof is usually not implemented because shareholders receive a cash dividend on a pro rata basis instead of the subscription of treasury shares. However, the Management Board is also to be authorised to exclude the subscription rights of shareholders in connection with the implementation of a stock dividend in order to be able to implement the stock dividend under optimum conditions. Depending on the capital market situation, it may be advantageous to organise the implementation of the stock dividend using treasury shares in such a way that the Management Board offers all dividend-entitled shareholders treasury shares for subscription in return for assignment of their dividend entitlement, in compliance with the general principle of equal treatment (section 53a AktG), thereby granting shareholders a subscription right on an economically sound basis while nonetheless legally excluding the shareholders' subscription right to new shares. Such an exclusion of subscription rights enables the implementation of the stock dividend on flexible terms. In view of the fact that all shareholders are offered the treasury shares and excess dividend amounts are settled by cash payment of the dividend, an exclusion of subscription rights in this case appears to be justified and appropriate.

Finally, the treasury shares acquired on the basis of this authorisation resolution may be redeemed by the Company in accordance with the resolution proposed under agenda item 11 d) section (5) without a new resolution of the Annual General Meeting being required for this purpose. According to section 237 (3) AktG, the Annual General Meeting of a company may resolve to redeem its fully paid-up no-par value shares without this necessitating a reduction of the company's share capital. The authorisation proposed here expressly provides for this alternative in addition to redemption with a capital reduction. The redemption of treasury shares without a capital reduction automatically increases the arithmetical proportion of the remaining no-par value shares in the Company's share capital. The Management Board shall therefore also be authorised to make the necessary amendment to the Articles of Association with regard to the number of no-par value shares changing as a result of a redemption.

The subscription right of shareholders to acquired treasury shares shall be excluded to the extent that these shares are used in accordance with agenda item 11 d) sections (1) to (4) in a manner other than by sale on the stock exchange or by offer to all shareholders. In addition, in the event of a sale of treasury shares by way of an offer for sale to all shareholders, it shall be possible to exclude shareholders' subscription rights for fractional amounts. The exclusion of subscription rights for fractional amounts is necessary in order to be able to technically execute the disposal of acquired treasury shares by way of an offer to shareholders. The treasury shares excluded from the shareholders' subscription rights as free fractions shall be utilised either by sale on the stock exchange or in another manner in the best possible way for the Company.

The Management Board will report to the Annual General Meeting on each use of the authorisation.

Hamburg, April 2021

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The Management Board