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Annual General Meeting on 18 June 2025

Report of the Management Board to the Annual General Meeting on agenda item 10 on the reasons for the authorization of the Management Board to exclude subscription rights

The Management Board of Formycon AG submits the following report pursuant to Section 221(4) sentence.2 German Stock Corporation Act (*Aktiengesetz, AktG*) in conjunction with Section 186(4) sentence 2 German Stock Corporation Act on the reasons for the authorization of the Management Board to exclude subscription rights. This report is available from the date of convening the Annual General Meeting on the Company's website at

https://www.formycon.com/en/investor-relations/annual-general-meeting-2025/.

The report will also be available for inspection by shareholders at the Annual General Meeting.

Under agenda item 10, the Management Board and the Supervisory Board propose that the existing authorization to issue bonds with warrants and/or convertible bonds (or combinations of these instruments) be cancelled and that the Management Board be authorized, with the approval of the Supervisory Board, to issue convertible bonds, warrant bonds, profit participation rights and/or profit participation bonds (or combinations of these instruments) in bearer or registered form (referred to collectively below as "**Bonds**") with a total nominal value of up to EUR 550,000,000.00, in each case with or without restrictions on term, on one or more occasions up to 17 June 2030 and to grant the creditors or holders of Bonds conversion or option rights on the Company's no-par value bearer shares equivalent to a pro rata amount of the share capital of up to EUR 8,832,213.00 as set out in more detail in the relevant terms and conditions of the Bonds. The Management Board and the Supervisory Board also propose cancelling the 2022 Conditional Capital and replacing it with a new conditional capital (2025/I Conditional Capital).

The Management Board and the Supervisory Board consider it expedient to resolve a new authorization to issue Bonds and a new conditional capital in order to increase flexibility, among other things.

To ensure an appropriate use of the range of possible capital market instruments that securitize conversion or option rights, it appears appropriate to set the permissible issue volume in the authorization again at EUR 555,000,000.00. The conditional capital, which serves to fulfil the conversion or option rights or conversion or option obligations, shall amount to EUR 8,832,213.00 – i.e. no more than 50% of the Company's share capital existing at the time of the resolution of the Annual General Meeting on this authorization. This ensures that this authorization can be fully utilized. The number of shares required to fulfill conversion or option rights, conversion or option obligations or to grant shares instead of the cash amount due from a Bond with a certain issue volume generally depends on the market price of the Company's share at the time the Bond is issued. If a sufficient issue volume is available, the possibility of making full use of the authorization for the issue of Bonds is ensured.

Adequate capitalization is fundamental for the Company's development. By issuing convertible bonds and bonds with warrants the Company can utilize attractive financing options depending on the market situation to provide the Company with capital at a low current interest rate. By issuing profit participation rights with conversion or option rights, the interest rate can also be based on the Company's current dividend, for example. The conversion and option premiums gained benefit the Company when they are issued. Practice shows that some financing instruments can only be placed by granting option or conversion rights.

When Bonds are issued, shareholders must generally be granted a subscription right to the Bonds (Section 221(4) sentence 2 German Stock Corporation Act in conjunction with Section 186(1) German Stock Corporation Act). The Bonds may also be acquired by a credit institution, a securities institution or a company operating in accordance with Section 53(1) sentence 1 or Section 53b(1) sentence 1 or (7) German Banking Act (*Kreditwesengesetz, KWG)* (financial institution) or a syndicate of such credit or financial institutions with the obligation to offer them indirectly to the shareholders for subscription within the meaning of Section 186(5) German Stock Corporation Act (so-called indirect subscription right). This is not a restriction of the shareholders' subscription rights. The shareholders are ultimately granted the same subscription rights as in the case of a direct subscription. For technical reasons, only one or more financial institutions are involved in the settlement.

However, the Management Board is to be authorized to exclude the shareholders' subscription rights to the Bonds in certain cases with the approval of the Supervisory Board.

a) The Management Board shall be authorized to exclude subscription rights for fractional amounts with the approval of the Supervisory Board. This exclusion of subscription rights is intended to facilitate the handling of an issue with shareholders' subscription rights in principle, as this allows a technically feasible subscription ratio to be established. The value of the fractional amounts per shareholder is generally low, so the potential dilution effect is also to be regarded as low. In contrast, the cost of the issue is significantly higher without such an exclusion. The exclusion therefore serves the purpose of practicability and ease of execution of an issue. For these reasons, the Management Board and the Supervisory Board consider the possible exclusion of subscription rights to be objectively justified and, taking into account the interests of the shareholders, also appropriate.

b) Furthermore, the Management Board shall be able to exclude subscription rights with the approval of the Supervisory Board in order to grant the holders or creditors of Bonds that have already been or will be issued by the Company or a dependent Company or a Company in which a majority interest is held directly or indirectly, a subscription right to the extent to which they would be entitled as shareholders after exercising the option or conversion rights or after fulfilment of conversion or option obligations. This offers the possibility to grant the holders of Bonds already issued or still to be issued at this time a subscription right as protection against dilution instead of a reduction in the option or conversion price. Providing Bonds with such dilution protection is in line with the market standard.

c) Furthermore, the Management Board shall be authorized to exclude this subscription right with the approval of the Supervisory Board in corresponding application of Section 221(4) sentence 2 German Stock Corporation Act in conjunction with Section 186(3) sentence 4 German Stock Corporation Act when issuing Bonds with conversion or option rights or conversion or option obligations against cash payment if the issue price of the Bonds is not significantly lower than their theoretical value determined using recognized, in particular financial mathematical methods. This can be expedient to quickly take advantage of favorable stock market situations and to be able to place a Bond on the market quickly and flexibly at attractive conditions. As the stock markets can be volatile, achieving the most favorable issue result possible often depends to a greater extent on whether it is possible to react to market developments at short notice. Favorable conditions that are as close to market conditions as possible can generally only be set if the Company is not tied to them for an excessively long offer period. In the case of rights issues, a not inconsiderable haircut is generally required to ensure the chances of success of the issue for the entire offer period. Section 221(4) sentence 2 German Stock Corporation Act in conjunction with Section 186(2) German Stock Corporation Act allows the subscription price (and thus, in the case of bonds with warrants and convertible bonds, the conditions of these Bonds) to be published by the third last day of the subscription period. In view of the volatility of the stock markets, however, there is still a market risk over several days, which leads to safety discounts when determining the Bond conditions. Also, when granting a subscription right, an alternative placement with third parties is more difficult or involves additional expense due to the uncertainty of exercise (subscription behavior). Finally, if a subscription right is granted, the Company cannot react at short notice to a change in market conditions due to the length of the subscription period, which can lead to less favorable capital procurement for the Company.

The interests of the shareholders are safeguarded by ensuring that the Bonds are not issued at a price significantly below the theoretical value determined using recognized, in particular financial mathematical methods. When setting the price, the Management Board will take into account the respective situation on the capital market and keep the discount on the theoretical value determined using recognized, in particular financial mathematical methods as low as possible. This means that the calculated value of a subscription right will be so low that the shareholders will not suffer any notable economic disadvantage as a result of the exclusion of subscription rights.

Conditions can also be set in line with the market and thus avoid a notable dilution of value by the Management Board carrying out a so-called bookbuilding process. In this procedure, investors are asked to submit purchase applications based on preliminary Bond terms and conditions, specifying, for example, the interest rate and/or other economic components deemed to be in line with the market. After the end of the bookbuilding period, the terms and conditions still outstanding at that time, e.g. the interest rate, will be set in line with the market according to supply and demand on the basis of the purchase requests submitted by investors. In this way, the total value of the Bonds is determined close to the market. Through such a bookbuilding process, the Management Board can ensure that no significant dilution of the value of the shares occurs as a result of the exclusion of subscription rights.

Shareholders also have the opportunity to maintain their share in the Company's share capital by acquiring it on the stock exchange at approximately the same terms. This ensures that their financial interests are adequately protected. The authorization to exclude subscription rights in accordance with Section 221(4) sentence 2 German Stock Corporation Act in conjunction with Section 186(3) sentence 4 German Stock Corporation Act only applies to Bonds with rights to shares representing a proportionate amount of the share capital of no more than 20% of the share capital, neither at the time this authorization becomes effective nor at the time it is exercised.

This limit shall include the pro rata amount of the share capital attributable to shares (i) that are sold during the term of this authorization on the basis of an authorization to sell treasury shares in accordance with Section 71(1) no. 8 sentence 5 half-sentence 2 German Stock Corporation Act in conjunction with Section 186(3) sentence 4 German Stock Corporation Act with the exclusion of shareholders' subscription rights, (ii) which are issued during the term of this authorization from authorized capital with the exclusion of subscription rights in accordance with Section 203(2) sentence 1 German Stock Corporation Act in conjunction with Section 186(3) sentence 4 German Stock Corporation Act or (iii) on the basis of other capital measures in corresponding application of Section 186(3) sentence 4 German Stock Corporation Act. This also includes shares that were or can be issued to service convertible bonds or bonds with warrants or profit participation rights with conversion or option rights, provided that the underlying Bonds are issued in the future during the term of this authorization up to this point in time with the exclusion of subscription rights in accordance with Section 186(3) sentence 4 German Stock Corporation Act. This offsetting is in the interest of shareholders in minimizing the dilution of their shareholding.

d) Bonds may also be issued against contributions in kind, in particular in order to be able to offer the Bonds to third parties in the context of business combinations or for the purpose of (also indirect) acquisition of companies, parts of companies, equity interests in companies or other assets or claims to the acquisition of assets or claims against the Company or its group companies within the meaning of Section 18 German Stock Corporation Act, provided this is in the interests of the Company. In this case, the Management Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights, provided that the value of the contribution in kind is in reasonable proportion to the theoretical market value of the Bonds determined using recognized principles of financial mathematics. This offers the possibility to use Bonds as acquisition currency in suitable individual cases, e.g. in connection with the acquisition of companies, equity interests in companies or other assets. Practice has shown that it is often necessary in negotiations to provide the consideration not in cash, but also or exclusively in another form. The possibility to offer Bonds as consideration thus creates an advantage in competition for interesting acquisition targets as well as the necessary room for maneuver to take advantage of opportunities to acquire – even larger – companies, equity interests or other assets, while preserving liquidity. This can also be helpful for an optimized financing structure. The Management Board will carefully examine in each individual case whether it will make use of the authorization to issue Bonds with conversion or option rights or conversion or option obligations against contributions in kind with exclusion of subscription rights. It will only do so if this is in the interests of the Company and therefore its shareholders.

Insofar as profit participation rights or participating bonds without conversion or option rights or conversion or option obligations are to be issued, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription rights altogether if these profit participation rights or participating bonds are structured in a manner similar to debt securities, i.e. do not confer any membership rights in the Company, do not grant any participation in liquidation proceeds and the amount of interest is not based on the amount of the annual surplus, the net profit or the dividend. It is also necessary that the interest rate and the issue amount of the profit participation rights or participation bonds correspond to the current market conditions for comparable borrowings at the time of issue. If the aforementioned requirements are met, the exclusion of subscription rights does not result in any disadvantages for the shareholders, as the profit participation rights or participating bonds do not establish any membership rights and do not grant any participation in the liquidation proceeds or profits of the Company. Although it is possible to stipulate that the interest payment depends on the existence of an annual surplus, a balance sheet profit or a dividend. Nevertheless, it would not be permissible to stipulate that a higher annual surplus, a higher balance sheet profit or a higher dividend would lead to a higher interest rate. Therefore, neither the voting rights nor the shareholders' participation in the Company and its profits are changed or diluted by the issue of profit participation rights or participating bonds. In addition, there is no significant subscription right value as a result of the issue conditions in line with the market, which are mandatory for this case of exclusion of subscription rights.

The intended 2025/I Conditional Capital serves to fulfil conversion or option rights or conversion or option obligations on shares of the Company from issued Bonds or to grant the creditors or holders of Bonds shares of the Company instead of payment of the cash amount due. It is also envisaged that the conversion or option rights or conversion or option obligations may instead be fulfilled by the delivery of treasury shares or shares from authorized capital or by other payments.

There are currently no concrete plans to utilize the authorization to issue Bonds. In each case, the Management Board will carefully examine whether exercising the authorization is in the interest of the Company and its shareholders.

If the Management Board makes use of one of the above authorizations to exclude subscription rights in connection with the issue of Bonds during a financial year, it will report on this at the following General Meeting.

Martinsried/Planegg, May 2025

Dr. Stefan Glombitza
Management Board member (CEO)

Nicola Mikulcik
Management Board member (CBO)

Dr. Andreas Seidl
Management Board member (CSO)

Enno Spillner
Management Board member (CFO)