

Report of the Executive Board on agenda item 7

EXASOL AG

Report of the Executive Board on the Authorized Capital 2022 (agenda item 7)

The Authorized Capital 2020 in Section 7 (2) of the Articles of Association expires on July 21, 2025. To the extent that it still exists, it is to be cancelled and replaced by new authorized capital, Authorized Capital 2022. This is intended to ensure that the Company will continue to have the necessary financial flexibility in the future.

The Authorized Capital 2020 in the original amount of EUR 11,108,935 was utilized in December 2020 in the amount of EUR 2,221,000 in a cash capital increase excluding shareholders' subscription rights. The capital increase was entered in the commercial register on December 11, 2020. As a result, the authorized capital 2020 has decreased to EUR 8,887,935. In addition, the authorization to exclude shareholders' subscription rights in the event of capital increases against cash contributions in the original amount of EUR 2,221,787 has been reduced to EUR 787. The Authorized Capital 2022 is intended to authorize the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period up to July 5, 2027, in whole or in partial amounts, once or several times, by issuing up to 7,331,661 no-par value registered shares against cash and/or non-cash contributions. The amount of the proposed new Authorized Capital 2022 is less than the amount of the current Authorized Capital 2020 and represents 30 percent of the current capital stock of EUR 24,438,870.

When Authorized Capital 2022 is used to issue shares against cash contributions, shareholders generally have a subscription right (Section 203 (1) sentence 1 in conjunction with Section 186 (1) AktG), although the granting of an indirect subscription right within the meaning of Section 186 (5) AktG is also sufficient. The issue of shares with the granting of such an indirect subscription right is already not to be regarded as an exclusion of subscription rights by law. The shareholders are ultimately granted the same subscription rights as in the case of a direct subscription. Merely in order to facilitate the settlement, one or more credit institution(s) (whereby pursuant to Section 186 (5) AktG such companies which are also authorized to conduct the issuing business are deemed to be equivalent to these) are involved in the settlement.

However, the Executive Board is to be authorized, with the approval of the Supervisory Board, to exclude subscription rights in certain cases.

- a) The Executive Board shall be able to exclude subscription rights for fractional amounts with the approval of the Supervisory Board. The purpose of this exclusion of subscription rights is to facilitate the handling of an issue with shareholders' subscription rights in principle, because this allows a technically feasible subscription ratio to be represented. The value of the fractional amounts per shareholder is generally low, therefore the possible dilution effect is also to be regarded as low. In contrast, the cost of the issue without such an exclusion is significantly higher. The exclusion therefore serves the purpose of practicability and easier execution of an issue. The new shares excluded from shareholders' subscription rights as free fractions will be utilized in the best possible way for the Company either by



sale on the stock exchange or in some other way. The Executive Board and the Supervisory Board consider the possible exclusion of subscription rights for these reasons to be objectively justified and, after weighing up the interests of the shareholders, also appropriate.

- b) Subscription rights may also be excluded in the case of capital increases against contributions in kind. In particular, the Company should be able to acquire companies, parts of companies, shareholdings or other assets (including third-party receivables from the Company or companies affiliated with the Company) or respond to offers for acquisitions or mergers in order to strengthen its competitiveness and increase its earning power and enterprise value. Practice shows that the shareholders of attractive acquisition targets often have a strong interest - e.g. to maintain a certain influence on the object of the contribution in kind - in acquiring shares in the Company as consideration. From the point of view of an optimum financial structure, another argument in favor of the possibility of paying the consideration not exclusively in cash but also in shares or only in shares is that, to the extent that new shares can be used as acquisition currency, the Company's liquidity is conserved, borrowing is avoided and the seller(s) participate in future share price opportunities. This leads to an improvement in the Company's competitive position in acquisitions.

The possibility of using treasury stock as an acquisition currency thus gives the Company the necessary scope to seize such acquisition opportunities quickly and flexibly, and enables it to acquire even larger units in return for shares. It should also be possible for the Company to acquire other assets (including receivables) in return for shares. For both, it must be possible to exclude shareholders' subscription rights. Because such acquisitions often have to be made at short notice, it is important that they are not normally resolved by the annual general meeting, which is held only once a year, or by an extraordinary general meeting convened for this purpose. Authorized capital is required, which the Executive Board can access quickly with the approval of the Supervisory Board.

If opportunities arise to acquire companies, parts of companies or interests in companies or other assets, the Executive Board will in each case carefully examine whether it should make use of the authorization to increase capital by granting new shares. In particular, this will include examining the valuation relationship between the Company and the acquired shareholding or other assets and determining the issue price of the new shares and the further conditions of the share issue. The Executive Board will only use the authorized capital if it is convinced that the acquisition of the company, part of the company or interest in a company or other asset in return for the granting of new shares is in the well-understood interests of the Company and its shareholders. The Supervisory Board will only give its required approval if it has also reached this conclusion.

The issue amount cannot, of course, be determined at present, as there is no specific intention to use the shares. The determination of the respective issue amount is therefore by law incumbent upon the Executive Board with the approval of the Supervisory Board. In

accordance with customary practice, the issue price may also be set at the pro rata amount of the shares in the Company's share capital. This is intended to counter the risk that, in the case of valuations which cannot be objectified, payment obligations or liability consequences are linked to the determination of the issue amount in the amount of the value of the contribution in kind assumed between the Company and the contributor. The Executive Board will, of course, carefully examine in each specific case whether the number of shares issued when acquiring companies, parts of companies or interests in companies or other assets is appropriate in view of the agreed value of the respective object of the contribution in kind.

- c) Furthermore, the Executive Board shall be able, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in order to grant subscription rights to holders of options, convertible bonds or convertible profit participation rights to be issued. Options, convertible bonds and convertible profit participation rights provide for protection against dilution in their terms of issue, granting the holders subscription rights to new shares in subsequent share issues. They are thus placed in the same position as if they were already shareholders. In order to provide the options, convertible bonds or convertible profit-sharing rights with such protection against dilution, the subscription rights of shareholders to these shares must be excluded. This serves to facilitate the placement of the options, convertible bonds and convertible profit participation rights and thus the interests of the shareholders in an optimum financial structure for the Company. In addition, the exclusion of subscription rights in favor of the holders of options, convertible bonds and convertible profit participation rights has the advantage that, in the event of the authorization being exercised, the option or conversion price for the holders of existing options, convertible bonds or convertible profit participation rights does not need to be reduced in accordance with their respective terms. This enables a higher inflow of funds and is therefore in the interest of the Company and its shareholders.
- d) Finally, the proposed resolution provides for authorization to exclude subscription rights in accordance with Section 186 (3) sentence 4 AktG when issuing the new shares against cash contributions. This authorization relates to a maximum of 10 percent of the Company's share capital.

This maximum amount may only be utilized once in total. This means that if and to the extent that, following the resolution of the Annual General Meeting on agenda item 6, the Company makes use during the term of this authorization of concurrently existing authorizations to exclude subscription rights pursuant to Section 186 (3) sentence 4 AktG, for example in connection with the resale of treasury shares or the issue of bonds with warrants and/or convertible bonds, the number of shares that may be issued in a capital increase from Authorized Capital 2022 with exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG will be reduced accordingly.

The law only permits an exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG if the issue price is not significantly lower than the stock market price of



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shares already listed with essentially the same features. A discount of 3 to 5 percent from the current stock market price is generally not considered significant. In any case, the discount should be kept as low as possible.

The Executive Board and the Supervisory Board consider the authorization to exclude subscription rights in accordance with Section 186 (3) sentence 4 AktG to be necessary in order to be able to exploit the opportunities offered by the capital market in the future quickly and flexibly without having to comply with the formal steps and statutory deadlines required for a capital increase with subscription rights. In particular, the Company will be enabled to react quickly and flexibly to favorable stock market situations. It is true that Section 186 (2) sentence 2 AktG permits publication of the subscription price no later than three days before expiry of the subscription period if subscription rights are granted. However, in view of the volatility on the stock markets, even in this case there is a market risk, namely a price change risk, over a period of several days which may lead to safety margins when determining the selling price and thus to conditions which are not in line with the market. In addition, if subscription rights are granted, the Company cannot react to favorable market conditions at short notice due to the length of the subscription period. The authorization to exclude subscription rights is therefore in the interests of the Company and its shareholders. Moreover, by issuing the shares in close alignment with the stock market price, the interests of the shareholders are safeguarded. This is because they do not have to fear any significant price losses and can, if necessary, purchase shares at comparable prices on the stock exchange in order to maintain their shareholding quota. The possibility of excluding subscription rights in accordance with Section 186 (3) sentence 4 AktG thus enables the management to take advantage of favorable stock market situations at short notice. In addition, by avoiding a subscription right discount, equity can be strengthened to a greater extent than in the case of a capital increase with subscription rights.

The authorizations explained in the preceding paragraphs to exclude subscription rights in the case of capital increases against contributions in cash and/or in kind are limited in total to an amount not exceeding 10 percent of the capital stock, neither at the time this authorization takes effect nor at the time it is exercised. The following shall be counted towards the aforementioned 10 percent limit: (i) shares issued from authorized capital during the term of this authorization to the exclusion of shareholders' subscription rights, (ii) treasury shares sold during the term of this authorization to the exclusion of subscription rights, and (iii) those shares issued to service bonds (including profit participation rights) with conversion or option rights or a conversion obligation (or a combination of these instruments) issued on the basis of the conversion price valid at the time of the Executive Board's resolution on the utilization of Authorized Capital 2022, provided that the bonds or profit participation rights were issued during the term of this authorization under exclusion of shareholders' subscription rights. Shares issued on the basis of the Conditional Capital 2020 in the version dated June 30, 2021 or any future version due to the exercise of subscription rights to shares by employees of the Company and employees of affiliated companies of the Company within the meaning of Arts. 15 et seq. AktG or on the basis of any further conditional capital on the basis of the exercise of subscription rights to shares by employees of the Company or employees or members of the management of an affiliated company shall not be counted towards the



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aforementioned 10 percent limit. The restriction also limits at the same time a possible dilution of voting rights of shareholders excluded from the subscription right.

Having weighed up all the above circumstances, the Executive Board, in agreement with the Supervisory Board, considers the authorizations to exclude subscription rights to be objectively justified and appropriate for the reasons stated, also taking into account the potential dilution effect to the detriment of shareholders if the relevant authorizations are utilized. The Executive Board will report to the Annual General Meeting on any utilization of Authorized Capital 2022.