Management Board report to the Annual General Meeting on item 5 of the agenda relating to the exclusion of subscription rights in accordance with Sec. 221 (2) No. 2 AktG in conjunction with Sec. 186 (3) and (4) sentence 2 AktG.

The proposed resolution is to authorise the Management Board, with the approval of the Supervisory Board, until 19 June 2028 to issue on one or more occasions convertible bonds and/or warrant-linked bonds and/or profit-linked bonds (or combinations of these instruments) as bearer or registered instruments (collectively known hereafter as "**bonds**"), with or without fixed maturities up to a total amount of € 800,000,000.00 and to grant the bond holders or creditors conversion rights or warrants to bearer shares in the Company representing up to € 35,390,530.00 in share capital in accordance with the detailed terms and conditions for the convertible bonds and warrants.

Issuing bonds as described above gives the Company attractive sources of alternative financing on capital markets, in addition to the classic methods of raising equity and debt. In particular the authorisation to issue profit-based or profit-related instruments such as profit-linked bonds provides an opportunity to strengthen the Company's funding structure by issuing hybrid financial instruments and so to ensure the conditions for its future commercial development. For these reasons a proposal is being made to the Annual General Meeting to grant authorisation to issue bonds.

The issue of bonds enables the Company to raise capital that, depending on the structuring of the bond, can be recognised as equity or preferred equity both for rating purposes and for financial reporting. The premiums paid for the conversion rights or warrants and the recognition as equity strengthen the Company's capital base. The additional alternatives proposed, in addition to granting conversion rights and/or warrants, of creating conversion obligations and of combining convertible bonds, warrant-linked bonds and/or profit-linked bonds, expand the framework for structuring these financial instruments. Furthermore, the authorisation enables the Company to distribute the bonds itself or via its direct or indirect investee companies. Bonds may be issued not only in euros, but also in other currencies, such as the statutory currency of an OECD country, and both with and without fixed maturities.

To ensure greater flexibility for bonds that grant a conversion right or warrant, the terms of the bond may provide that the Company does not deliver bearer shares in the Company to the holders of the bonds or warrants, but rather settles them in cash.

The Act Transposing the Shareholder Rights Directive (ARUG), which largely came into effect in September 2009, makes it clear that for a contingent capital increase to service convertible bonds and similar instruments it is sufficient for the resolution authorising the issue of the corresponding instruments to define a minimum issue amount for the shares to be delivered when the bonds are converted or the warrants exercised, or the way in which such an amount is calculated. The authorisation therefore provides for the conversion or strike price to be at least 80% of the average price for the Company shares, which is defined in detail in the authorisation. Since the conversion or strike price can be structured as a minimum price pursuant to ARUG, the authorisation also enables the conversion price and the conversion ratio to be defined as variable in the terms of the convertible bonds, in particular to depend on the share price during the term of the bonds.

The conversion rights or warrants are adjusted to maintain their value – notwithstanding Sec. 9 (1) AktG – to the extent that the adjustment is not already required by law, if the economic value of the conversion rights or warrants is diluted during the term of a bond and no subscription rights are granted in compensation.

In general, shareholders are entitled to a subscription right. However, it should be possible to exclude subscription rights under the following conditions:

to the extent that bonds with conversion rights or obligations or warrant-linked bonds are issued, the Management Board is to be authorised, with the approval of the Supervisory Board, to exclude subscription rights in corresponding application of Sec. 186 (3) sentence 4 AktG as long as the shares issued on the basis of conversion rights or obligations or warrants do not exceed 10% of the Company's share capital. This limit for the simplified exclusion of subscription rights is reduced by the amount of share capital attributable to convertible bonds and/or warrant-linked bonds that have been issued or sold, excluding subscription rights, in direct or corresponding application of Sec. 186 (3) sentence 4 AktG, from 20 June 2023 onwards. Offsetting these other transactions ensures that – without another resolution by the Annual General Meeting –bonds are not issued with a subscription rights exclusion if this would mean that shareholders' subscription rights were excluded for more than 10% of share capital in direct or analogous application of Sec. 186 (3) sentence 4 AktG without a particular reason. This additional restriction is in the interests of shareholders who want to maintain the level of their equity interest when further capital is raised.

In the event that subscription rights are excluded in this way, the corresponding application of Sec. 186 (3) sentence 4 AktG requires that the issue price set for the bonds may not be materially below market value. This protects shareholders against the dilution of their equity stake. Since the authorisation provides that the issue price for the bonds may not be significantly below market value, the value of a subscription right would fall to practically zero. To ensure that this requirement for issuing bonds is met, the issue price may not be significantly lower than the theoretical market value of the convertible bonds or warrant-linked bonds, as measured by accepted methods of financial mathematics. In this case the shareholders are certain that they are protected against a dilution of their equity stake and so the exclusion of subscription rights is not to their economic disadvantage. Shareholders wishing to maintain their share of the Company's share capital or to buy bonds in line with their equity stake can do so by making purchases in the market.

However, offsetting other exclusions of subscription rights in direct or analogous application of Sec. 186 (3) sentence 4 AktG, as is proposed in the authorisation, is no longer justified if the Annual General Meeting passes another resolution on the authorisation that resulted in the offsetting. Because the new resolution eliminates the reason for the offsetting. The proposal for agenda item 5 of the Annual General Meeting of 20 June 2023 therefore provides that the offset rule ceases to apply if after issuing convertible bonds and/or warrant-linked bonds, in analogous application of Sec. 186 (3) sentence 4 AktG, the Annual General Meeting grants another authorisation to issue convertible bonds and/or warrant-linked bonds with the possibility of excluding subscription rights in accordance with Sec. 186 (3) sentence 4 AktG. The offset rule also does not apply if after the sale of treasury shares in accordance with Sec. 71 para 1 no. 8, Sec. 186 (3) sentence 4 AktG, the Annual General Meeting grants another authorisation to sell treasury shares in accordance with Sec. 71 (1) no. 8, Sec. 186 (3) sentence 4 AktG or to issue new shares in accordance with Sec. 203 (2), Sec. 186 (3) sentence 4 AktG. Insofar as convertible bonds or warrant-linked bonds or new shares from authorised capital are again issued with a simplified exclusion of subscription rights or treasury shares can be sold again with a simplified exclusion of subscription rights, the authorisation for a simplified exclusion of subscription rights should continue to apply to the issue of convertible bonds and/or warrant-linked bonds. This is because when the new authorisation for a simplified exclusion of subscription rights takes effect, the block on issuing convertible bonds and/or warrant-linked bonds that was triggered by the use of the authorisation to issue convertible bonds and/or warrant-linked bonds, to issue new shares from authorised capital or to sell treasury shares, no longer applies. Since the majority voting requirements for such a resolution are the same as those for a resolution granting authorisation to issue convertible and/or warrant-linked bonds with the option of excluding subscription rights pursuant to Sec. 186 (3) sentence 4 AktG, the resolution by the Annual General Meeting to grant a new authorisation to issue convertible bonds and/or warrant-linked bonds with the option of excluding subscription rights in accordance with Sec. 186 (3) sentence 4 AktG or a new authorisation to issue new shares from authorised capital with the option of excluding subscription rights in accordance with Sec. 203 (2), Sec. 186 (3) sentence 4 AktG or a new authorisation to sell treasury shares in accordance with Sec. 71 (1) no. 8, Sec. 186 (3) sentence 4 AktG must also be considered to be confirmation of the resolution authorising the issue of convertible and/or warrant-linked bonds in accordance with Sec. 221 (4) sentence 2, Sec. 186 (3) sentence 4 AktG.

These requirements ensure that as stipulated by law, the shareholders are protected against a dilution of their equity stake.

To the extent that profit-linked bonds with no conversion right, warrant or conversion obligation are issued, the Management Board is authorised to exclude the shareholders' subscription rights altogether with the approval of the Supervisory Board, if these profit-linked bonds are structured like bonds, i.e. do not establish any membership rights in the Company, do not share in any liquidation proceeds and the amount of interest is not calculated on the basis of net income, distributable profit or the dividend. In this case the interest and issue amount of the profit-linked bonds must also be in line with market conditions at the time of issue. If these conditions are met, excluding their subscription rights does not disadvantage the shareholders, because the profit-linked bonds do not establish any membership rights nor give any right to share in the liquidation proceeds or the profits of the Company. It is possible to provide that the payment of interest depends on the existence of net income, distributable profit or a dividend. However, it would not be possible to stipulate that higher net income, higher distributable profit or a higher dividend would result in a higher interest payment. The issue of profit-linked bonds therefore neither alter nor dilute the shareholders’ voting rights or their equity interest in the Company and its profits. The subscription right also has no significant value because the terms of issue must be in line with the market price in order for the subscription rights to be excluded in this case.

By means of these two options of excluding subscription rights, the Company has the flexibility to exploit favourable conditions on capital markets at short notice and is enabled to make flexible use of a period of low interest rates or strong demand to issue financial instruments at short notice. The key factor here is that in contrast to an issue of bonds with subscription rights, the issue price can only be set immediately before the issue, which prevents any increased price risk during the subscription period and makes it possible to maximise the issue proceeds in the interests of all shareholders. There are other advantages in terms of the costs of funding and the placement risk, because there is no lead time as with a subscription right. For a placement without subscription rights it is possible to reduce the safety margin that would otherwise be required and the placement risk, which makes the fundraising correspondingly cheaper for the Company and its shareholders.

The Management Board is also authorised with the approval of the Supervisory Board to exclude fractions of shares from the subscription rights. Such fractional shares may result from the amount of the issue volume and the need for a practicable subscription ratio. In this case, excluding subscription rights makes it easier to handle the issue process. The fractions excluded from the shareholders’ subscription rights are sold either via the exchange or otherwise in the best way for the Company.

The proposal is also to give the Management Board the option of excluding shareholders’ subscription rights with the approval of the Supervisory Board in order to grant holders or creditors of conversion rights and/or warrants or of convertible bonds with conversion obligations those subscription rights that they would have after exercising their conversion right or warrant or fulfilling their conversion obligation. The terms of the warrant and conversion generally include clauses to protect holders or creditors of warrants or conversion rights against dilution. This makes it easier to place these financial instruments on the market. A subscription right for holders of existing warrants or conversion rights makes it possible to avoid the need to reduce the strike price or conversion price for holders of existing warrants or conversion rights if use is made of the authorisation. It ensures a higher issue price for the bearer shares that have to be issued in the event that the warrant or conversion rights are exercised. Since this facilitates the placement of the bonds, excluding subscription rights serves the interest of shareholders in an optimal financial structure for their company.

If the proposed authorisation is used, the Management Board will report on this use at the next Annual General Meeting.

The contingent capital increase proposed under agenda item 5 serves to deliver bearer shares to the holders or creditors of bonds issued the Company or its direct or indirect investee companies for cash on the basis of the authorisation under agenda item 5 to be granted by the Annual General Meeting on 20 June 2023, which include a conversion right or obligation or a warrant for new bearer shares in the Company. Alternatively, treasury shares can also be used within the statutory limits.

Hamburg, May 2023

Evotec SE

The Management Board