



EXPLANATORY REPORT OF THE MANAGEMENT BOARD RELATING TO THE DISCLOSURES PURSUANT TO SECTIONS 289a, 315a OF THE GERMAN COMMERCIAL CODE (HGB)

The Management Board attended to the statutory disclosures regarding takeovers pursuant to Sections 289a, 315a of the German Commercial Code (HGB) in the combined management reports as at December 31, 2022. The disclosures contained in the combined management report of the Company and the Group regarding takeover barriers are in accordance with the Management Board's knowledge.

The following disclosures are made pursuant to sections 315a, 289a of the German Commercial Code (HGB) as per December 31, 2022.

COMPOSITION OF SUBSCRIBED CAPITAL

The subscribed capital (share capital) of BAUER AG amounts to EUR 111,186,566.76. The subscribed capital is divided into 26,091,781 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. The company does not hold its own shares. Each share entails equal rights and entitles the holder to one vote at the General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 44 of the German Securities Trading Act (WpHG). Shares with special rights entailing control powers were not issued. Employees holding a capital share in BAUER AG exercise their rights of control like other shareholders in accordance with the statutory provisions and the Articles of Association.

The members of the Bauer family and the BAUER Stiftung, Schrobenhausen, informed the company that they own a total of 9,399,100 no-nominal-value bearer shares in BAUER AG on the basis of a pool agreement, representing a 36.02% shareholding in the company. The pool agreement provisions include binding voting commitments as well as restrictions on the transferability of pool members' shares. Furthermore, Doblinger Beteiligung GmbH announced that it holds 7,827,533 nonominal-value bearer shares in BAUER AG on June 24, 2021, representing a 29.999995% shareholding. No other direct or indirect participations in BAUER AG share capital exceeding 10% of the voting rights are known to the company.

After 31 December 2022, the composition of the subscribed capital as described above has changed significantly due to the capital increase carried out hereinafter.

AUTHORITY OF THE EXECUTIVE BOARD TO ISSUE OR BUY BACK SHARES

In the Extraordinary General Meeting on November 18, 2022, it was resolved to increase the company's share capital from its current value of EUR 111,186,566.76, divided into 26,091,781 no-nominal-value bearer shares, by up to EUR 74,124,374.99 against cash contributions by the issue of up to 17,394,520 new no-nominal-value bearer shares in the form of common shares (with voting rights) with a proportion of the share capital amounting to EUR 4.26 (rounded) per share. The shareholders are granted the statutory subscription rights and the Executive Board has been authorized, with the consent of the Supervisory Board, to stipulate the further details of the capital increase, its execution and the conditions for the issue of shares.

Since then, article 4 (4) of the company's Articles of Association states that the Executive Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to March 30, 2026, by up to a total of EUR 10 million by issuing new no-nominal-value bearer shares against cash and/or non-cash contributions (2021 authorized capital). To that end, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- a) in the case of capital increases in return for non-cash contributions, particularly for the purpose of purchasing companies, parts of companies, participations in companies and other assets or claims for the purchase of assets, including receivables from companies or their Group companies, or for the purpose of company mergers;
- b) in the event of capital increases against cash contributions where the issue amount of the new shares is not materially below the market price of the already quoted shares at the time that the issue price is set definitively and the shares issued excluding shareholders' subscription rights pursuant to section 186 (3) sentence 4 of the AktG do not in total exceed 10% of the existing share capital either at the time this authority takes effect or at the time of exercising this authority. Shares which have been or are to be sold or issued in direct or corresponding application of section 186 (3) sentence 4 of the AktG while this authority is in place until such time as it is exercised, pursuant to other authorities, excluding subscription rights, are to be set off against the said 10% limit;



- c) to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;
- d) to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as a non-cash contribution to the company in return for the issuance of new shares from the 2021 authorized capital.

By resolution in the Annual General Meeting adopted on June 27, 2019, the company was authorized to purchase treasury stock, over a limited period up to June 26, 2024, representing up to a total of 10% of the company's share capital at the time the resolution was passed. The shares shall be purchased at the discretion of the Executive Board by means of a public tender offer or via the stock market. If the acquisition is effected via the stock market, the acquisition price (excluding ancillary costs) may be no more than 10% above or below the mathematical average of the closing prices per share on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange for the three trading days prior to the date of entering the obligation to purchase. If the acquisition is effected by means of a public tender offer, the purchase price or the limits of the purchase price span per share (excluding ancillary costs) may be no more than 10% above or below the mathematical average of the closing prices per share in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the three trading days prior to the day of publication of the public tender offer. If significant variations of the decisive share price occur after the day of publication of the public tender offer, the purchase price may be adjusted.

The Executive Board shall be authorized to appropriate the shares acquired pursuant to the above authorizations for all legally admissible purposes. Consequently, the acquired shares may also in particular be sold by means other than via the stock market or by means of an offer to the shareholders, if the shares are sold for cash at a price (excluding ancillary costs) not materially below the stock market price of shares of the company carrying the same rights at the time of the sale in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. The shares may also be transferred to third parties, provided this is done for the purpose of effecting company mergers or acquiring companies, parts of companies, shareholdings in companies or other assets. They can also be issued to employees and members of management in the company or affiliated companies as part of share option or employee participation programs. The aforementioned shares may be redeemed without the need for a further General Meeting resolution to approve the redemption or its execution. With regard to the use of the bought-back shares, the authorization provides, in specific cases, for subscription rights of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

APPOINTMENT AND TERMINATION OF APPOINTMENT OF EXECUTIVE BOARD MEMBERS, AMENDMENTS OF THE ARTICLES OF ASSOCIATION

The appointment and termination of appointment of members of the Executive Board of BAUER AG is regulated by sections 84 and 85 of the AktG and sections 30 et seq. of the German Employee Co-Determination Act (MitbestG) in conjunction with articles 5 and 6 of the company's Articles of Association. Pursuant to the company's Articles of Association, the Executive Board comprises at least two persons, who are appointed by the Supervisory Board for a maximum term of office of five years. At the end of the 2022 financial year, the Executive Board comprised three members appointed by the Supervisory Board and a CEO as well as a Labor Director. It is permissible to re-appoint or extend the appointment of an Executive Board member for a further maximum term of five years. Any appointment or re-appointment requires a decision by the Supervisory Board, which may be taken no earlier than one year prior to the end of the relevant term of office. The Supervisory Board may rescind an appointment to the Executive Board or an appointment as chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board decisions on the appointment and termination of appointment of Executive Board members and concerns itself with the long-term planning of successor members for appointment to the Executive Board.

In accordance with section 119 (1) number 6 and section 179 of the AktG, the amendment of the Articles of Association is passed by the General Meeting with a majority of at least three quarters of the share capital represented at the vote. Pursuant to article 12 of the Articles of Association, the Supervisory Board is authorized to pass amendments to the Articles of Association that relate only to its wording. The Supervisory Board is further authorized to adapt the wording of article 4 of the Articles of Association (amount and division of the share capital) following full or partial execution of the increase in share capital or on expiration of the period of authority according to the respective utilization of the authorized capital.



CHANGE OF CONTROL

Together with other Group companies, BAUER AG has concluded a syndicated loan agreement providing a credit line of up to EUR 390 million and a further syndicated loan agreement with a balance of EUR 7.3 million at the end of the year; this contains a provision for the lenders to terminate their loan commitments in the event of a change of control or if control is gained by a third party. A change of control within the meaning of these syndicated agreements occurs if, overall, more than 50% of the capital shares or voting rights in the parent company is held directly or indirectly by one or more persons acting jointly (with the exception of members of the Bauer family).

Furthermore, several long-term loans with balances totaling EUR 100.7 million as of the balance sheet date, agreed by BAUER AG together with other Group companies as the borrower and guarantor, provide for a right of termination for cause by the lender in the event of a change of control in BAUER AG. A change of control is generally considered to have taken place where a third party, not forming part of the circle of existing main shareholders, directly or indirectly acquires control of at least 30% of voting rights or the majority of outstanding share capital of BAUER AG.

Any loaned amounts would have to be repaid in the event of termination. The terminated credit line would no longer be available for new borrowing. As a consequence, cross-default or cross-acceleration clauses in other loan agreements could lead to the termination of other credit lines.

Additional short- and long-term loan agreements also exist within the Group that provide for a right of termination for cause, at market terms, in the event of a change of control.

BAUER AG has not made any agreements with the members of the Executive Board or employees regarding provisions for compensation in the event of a takeover offer.

BAUER Aktiengesellschaft
The Management Board