

REPORT BY THE BOARD OF DIRECTORS REGARDING AGENDA ITEM 7 ABOUT THE EXCLUSION OF SUBSCRIPTION RIGHTS PURSUANT TO SECTION 203 (2) IN CONJUNCTION WITH SECTION 186 (4) SENTENCE 2 AKTG

At the Annual General Meeting of 11 May 2017, the shareholders of the Company resolved to create the Authorised Capital 2017 in the amount of up to Euro 16,334,500.00. The Authorised Capital 2017 may be used up to and including 10 May 2022, which means that it will expire before the Annual General Meeting 2022. The Supervisory Board and the Board of Directors will propose to shareholders at the Annual General Meeting taking place on 24 May 2022 under agenda item 7 that they resolve that a new authorised capital (Authorised Capital 2022) be created. The Board of Directors renders the following report in accordance with Section 203 (2) AktG in conjunction with Section 186 (4) sentence 2 AktG on the reasons for the exclusion of subscription rights:

The new authorised capital is to be created for use beyond 10 May 2022 in order to enable the Company to avail itself of the authorised capital instrument for the purpose of increasing its share capital in the years to come if and as necessary by enabling the Board of Directors to issue (once or several times) new registered no-par value shares against contributions in cash and/or in kind. Therefore, the Board of Directors and the Supervisory Board propose to the Annual General Meeting of 24 May 2022 that the new Authorised Capital 2022 be created. By creating this new authorised capital, the Company is to be enabled to act quickly and flexibly in the best interests of its shareholders when it comes to increasing the share capital.

By creating the new Authorised Capital 2022, the Board of Directors is to be authorised, with the consent of the Supervisory Board, to increase the Company's share capital until 23 May 2027 by a total amount of up to Euro 16,334,500.00 by issuing a total of up to 16,334,500 new registered no-par value shares with a proportionate interest in the share capital of Euro 1.00 each against contributions in cash and/or in kind. This authorisation may be used once or several times in partial amounts, but only up to a total of Euro 16,334,500.00. If and when the Authorised Capital 2022 is used, shareholders are generally entitled to subscribe to the new shares. In this context, subscription rights may also be granted in such a way that the new shares are acquired by one or several financial institution(s) or enterprise(s) within the meaning of Section 186 (5) sentence 1 AktG determined by the Board of Directors with the obligation to offer the shares to the shareholders for subscription (indirect subscription right).

The sum of the maximum number of underlying shares issued from authorised capital and of the shares issued from contingent capital in respect of which conversion or option rights are granted or conversion or option

obligations are imposed is limited to a total of 50% of the share capital. This ensures that an authorisation to issue Bonds can no longer be used if and when, cumulatively with the shares issued from authorised capital, the limit of 50% of the share capital would be reached. In that case, it would only be permissible to exceed that limit subject to the Annual General Meeting passing another resolution in this regard.

The proposed authorisation provides, however, that the shareholders' subscription rights may be excluded, subject to the consent of the Supervisory Board, in the cases described below:

1. The Board of Directors is to be authorised to exclude the statutory subscription rights of shareholders, subject to the consent of the Supervisory Board, in cases of a capital increase against contributions in cash in accordance with Section 186 (3) sentence 4 AktG. This simplified way of excluding subscription rights allows the Board of Directors, acting in the best interests of the Company, to quickly and flexibly place new shares on capital markets in Germany and abroad in a targeted manner by issuing them at prices that are determined reflecting market conditions and that are as high as possible, taking advantage of favourable stock-market conditions at short notice, thus giving the greatest possible boost to the Company's capital resources. The management will seek to ensure, taking into account the market conditions prevailing at the time, that any discount on the stock exchange price is as low as possible. The proceeds that can be generated when shares are placed on the market subject to the exclusion of subscription rights will, in general, lead to a substantially higher inflow of funds than is the case with a rights issue. One key reason for this is the fact that a placement without a statutory subscription

period can take place immediately after the issue amount has been determined; consequently, with respect to the issue amount, no share price risk for the term lasting until the end of the subscription period will need to be taken into account. Attracting new shareholder groups is yet another objective that can be achieved by implementing a capital increase against contributions in cash subject to the exclusion of subscription rights.

Capital increases implemented under this authorisation to exclude subscription rights must not exceed, in total, 10% of the share capital, with the lowest amount of the Company's existing share capital at the following three moments in time being decisive: on 24 May 2022, at the time this authorisation becomes effective or at the time it is exercised. This means that, even if several capital increases are implemented within the authorisation period, the subscription rights may be excluded under this authorisation for no more than 10% of the share capital in total. The sale of treasury shares must be reflected in this limitation provided that the sale occurs during the term of Authorised Capital 2022 subject to exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 AktG. Furthermore, the shares that are to be, or can be, issued to fulfil conversion or option rights, or conversion or option obligations, under bonds or profit participation rights provided that the bonds or profit participation rights are issued during the term of this authorisation subject to exclusion of the subscription rights in analogous application of Section 186 (3) sentence 4 AktG must be reflected in this limitation. This ensures that the volume of the simplified exclusion of subscription rights is limited to a total of 10% of the share capital irrespective of the underlying authorisation.

2. Furthermore, the Board of Directors is to also be authorised to issue new shares if the treasury shares will be transferred to employees of the Company or to employees or board members of its Group companies within the meaning of Section 18 AktG. This is intended to enable the Company to issue shares to the individuals benefiting from this provision. To this end, these shares need to be excluded from the shareholders' statutory subscription rights. The exclusion of the shareholders' subscription rights is justified by the advantages that a participation of the beneficiaries in the share capital affords to the Company and thus also to its shareholders. Since the Board of Directors and the Supervisory Board consider the granting of shares to employees a key instrument in the long-term retention of employees, especially executives, this is of particular interest to the Company.
3. The authorisation to increase the share capital against contributions in kind subject to the exclusion of subscription rights and subject to the consent of the Supervisory Board, especially in order to be able to offer the new shares to third parties in connection with the (direct or indirect) acquisition of assets or rights to acquire assets, including receivables from the Company or its Group companies, serves to enable the Board of Directors to acquire such assets or rights when appropriate not only by paying the purchase price in cash, but also in return for granting shares in the Company. Depending on the size of such an acquisition and the expectations of the relevant seller, it might be appropriate or necessary, and therefore also in the best interests of the shareholders, to provide consideration in the form of shares in the Company. This preserves the Company's liquidity position and reduces the amount that might have to be taken out as a loan to finance the purchase price. The Company will not suffer

any disadvantage as a result because the issue of shares against contributions in kind requires that the value of the contribution in kind is commensurate with the value of the shares. When determining the valuation ratio, the Board of Directors will ensure that the best interests of the Company and its shareholders are adequately considered and that the Company receives adequate consideration for the new shares. For this purpose, the Board of Directors will take into account the stock exchange price of the Company's shares and will consult external advisors if and to the extent that this is possible and expedient in the individual case.

It is true that the exclusion of subscription rights will lead to a decrease in the relative shareholding proportions and the relative shares of the voting rights of the existing shareholders of the Company. If the shareholders were to be granted subscription rights, however, it would not be possible for the Company to acquire assets or rights to acquire assets, including receivables from the Company or its Group companies, in return for the granting shares in the Company. Consequently, the Company and the shareholders would be precluded from achieving the benefits described above.

However, both the authorisation to issue shares in return for contributions in kind and a related exclusion of subscription rights are to be used only if acquiring the relevant asset by any other means, in particular through purchase, is legally or factually inconceivable or conceivable only at unfavourable conditions. In such cases, the Company will invariably examine, however, whether there is an equally suited way to acquire the asset, the impact of which interferes much less with the position of the shareholders.

4. Further, the Board of Directors is to be provided with the possibility to exclude the subscription rights to the extent that this is necessary in order to grant holders or creditors of convertible bonds and/or bonds with warrants or profit participation rights that have been or will be issued by the Company or by its direct or indirect group companies a conversion or subscription right to new shares in the scope to which they would be entitled after having exercised their conversion or option right or after having fulfilled their conversion or option obligation.

In order to facilitate the issuance, the terms and conditions of convertible bonds and/or bonds with warrants or profit participation rights usually include protection against dilution that, in addition to the possibility of reducing the conversion or option price, provides for the holders or creditors of the convertible bonds and/or bonds with warrants or profit participation rights to be granted the same subscription right to new shares as the shareholders in the event of subsequent capital increases. They are thus placed in the same position as if they were already shareholders. A conversion or subscription right for holders or creditors of convertible bonds and/or bonds with warrants or profit participation rights offers the possibility of preventing the conversion or option price from having to be reduced in the event of an exercise of the authorised capital.

This ensures a higher issue price of the shares to be issued upon the exercise of the option or the implementation of the conversion. In order to be able to equip the bonds or profit participation rights with such anti-dilution protection, the shareholders' subscription right to these shares must be excluded. This serves to facilitate the issue of

the bonds or profit participation rights and thus the interest of the shareholders in an optimal financial structure of the Company.

5. The authorisation of the Board of Directors, with the consent of the Supervisory Board, to exclude any fractional amounts from the shareholders' subscription rights serves to realise a practicable subscription situation that is readily feasible in technical terms and thus to facilitate the implementation of capital increases with subscription rights being granted. Normally, the value of such fractional amounts is low compared to the significantly higher administrative effort involved in the issuance without their exclusion. The new shares excluded from the subscription rights as free fractional amounts will be used in the best interests of the Company. Due to the limitation to fractional amounts, the possible dilutive effect is negligible. The purpose of the exclusion of the subscription rights is the facilitation of the issue process, and the exclusion is thus in the Company's and its shareholders' interest. When determining the subscription situation, the Board of Directors will, in the interests of the shareholders, take care that the scope of fractional amounts is kept at a minimum.

Therefore, the Board of Directors and the Supervisory Board believe that the shareholders' interests are not unreasonably impaired by the authorisation to exclude subscription rights.

In principle, the options described above to exclude subscription rights may be freely combined with one another. Overall, however, the options to exclude subscription rights are limited so as to avoid a potential dilution of the holdings of the shareholders whose subscription rights would be excluded. By incorporating a clause to that effect, it is to be

ensured in the best interests of the shareholders that the total of (i) the shares that are to be issued from contingent capital under Bonds under the authorisation granted by an Annual General Meeting of the Company to this end subject to exclusion of subscription rights and (ii) the shares that are issued during the term of this authorisation from Authorised Capital 2022 subject to exclusion of subscription rights must not exceed a pro-rated amount of the share capital of Euro 3,266,900.00 (at the time of authorisation, this equates to 10% of the share capital amounting to Euro 32,669,000.00).

For this reason, the Company is prevented from issuing shares subject to the exclusion of subscription rights based on more than one authorisation if, in aggregate, the resulting amount is equivalent to more than 10% of the share capital. The different authorisations with the option of excluding subscription rights are merely intended to provide the Board of Directors with the ability to choose in each specific situation the instrument that is best suited considering the interests of the Company and its shareholders.

In addition, the pro-rated amount of the share capital of the shares issued from Authorised Capital 2022 for the purposes of an employee share plan must not exceed 5% of the share capital; in this context, the lowest amount of the Company's share capital existing as at the following three points in time is relevant: as at 24 May 2022, as at the time of effectiveness of this authorisation or as at the time the resolution on the issue of the shares is passed. The aforementioned amount of 5% of the share capital must reflect the pro-rated amount of the share capital that is attributable to treasury shares used during the term of this authorisation based on a corresponding authorisation to use treasury shares for the purposes of an

employee share plan or the compensation for members of the Board of Directors pursuant to Section 71 (1) no. 8 AktG.

Corresponding anticipatory resolutions with the possibility to exclude subscription rights are common practice both nationally and internationally. The Board of Directors will in each case carefully examine whether the utilisation of the Authorised Capital 2022 is in the interests of the Company and its shareholders. If the proposed authorisation is used, the Board of Directors will report on this at the next General Meeting.

Nuremberg, April 2022

LEONI AG

The Board of Directors

Aldo Kamper Dr Ursula Biernert Dr Harald Nippel Ingo Spengler