Stabilus SE
Société européenne
Registered office: 2, rue Albert Borschette
L-1246 Luxembourg
R.C.S. Luxembourg: B 151589

(the "**Company**")

Report dated 1 July 2022 of the Management Board to the extraordinary general meeting of the shareholders of the Company in accordance with Article 420-26 (5) of the Luxembourg law of 10 August 1915 on commercial companies, as amended from time to time, and Sections 203 (2) sentence 2 and 186 (4) sentence 2 of the German Stock Corporation Act

1. It is proposed that at the Company's extraordinary general meeting of shareholders expected to take place on **11 August 2022 at 10:00 a.m.** (Central European Summer Time) (the "**EGM 1**"), the shareholders resolve on the amendment of the Company's Articles of Association, and on the creation of a new authorised capital as set forth in more detail in the agenda of the EGM 1.

2. The EGM 1's agenda contains *inter alia* the following:

[...]

3. Approval of the cancellation of the existing authorised capital, on the creation of a new authorised capital in the amount of two million four hundred seventy thousand euro (EUR 2,470,000.00) and on the authorisation to exclude the shareholders' subscription rights.

The Management Board proposes to pass the following resolution:

(1) The existing authorised capital shall be cancelled.

(2) The Management Board shall be authorised, with the consent of the Supervisory Board, to increase the share capital of the Company in the period up to 10 August 2027 at one occasion or in partial amounts by a total of up to two million four hundred seventy thousand euro (EUR 2,470,000.00) by issuing new shares against cash contributions and/or contributions in kind (Authorised Capital 2022).

The new shares shall in principle be offered to the shareholders of the Company for subscription; they may also be taken over by one or more credit institutions or other companies within the meaning of Article 5 of the Regulation (EC) No 2157/2001 in conjunction with Article 420-26 (7) of the Luxembourg law of 10 August 1915 on commercial companies, as amended from time to time, and Section 186 (5) sentence1 of the German Stock Corporation Act with the duty to offer them to the shareholders for subscription (indirect subscription right).

The Management Board of the Company shall be authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights for one or several capital increases under the Authorised Capital 2022:

- to exclude fractional amounts from the subscription right;

- to issue shares against cash contributions if the issue price of the new shares is not significantly lower than the stock market price of the shares of the same class and with equal rights already listed within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 of the German Stock Corporation Act and the proportion of the share capital attributable to the new shares issued subject to the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act is in total no more than ten percent (10%) of the share capital, neither at the time this authorisation becomes effective nor – in the event that this amount is lower – at the time at which this authorisation is exercised. This cap of ten percent (10%) of the share capital is to include (i) any shares of the Company issued or disposed during the term of this authorisation under exclusion of subscription rights in direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act and (ii) any shares of the Company to be issued to service conversion or option rights or conversion obligations under bonds (including participation rights), provided that these bonds (including participation rights) are issued during the term of this authorisation under exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act;

- to issue shares against contributions in kind, in particular for the purpose of granting shares in the context of mergers or for the purpose of acquiring companies, parts thereof, participations in companies or other assets or claims to the acquisition of assets, including claims against the Company or its group companies.

The sum of shares issued against contribution in cash and/or in kind in accordance with this authorisation under exclusion of subscription rights may not exceed a total of ten percent (10%) of the Company's share capital at the time this authorisation becomes effective or – in the event that this amount is lower – at the time it is exercised. The aforementioned cap of ten percent (10%) is to include (i) any shares of the Company issued during the term of this authorisation from other authorisations under exclusion of subscription rights and (ii) any shares of the Company to be issued to service conversion or option rights or conversion obligations under bonds (including participation rights), provided that these bonds (including participation rights) are issued during the term of this authorisation under exclusion of subscription rights.

The Management Board shall be authorised, with the consent of the Supervisory Board, to determine the further content of the share rights and the conditions of the share issue.

4. **Approval of the amendment of Article 5.5 of the Articles of Association in order to reflect the changes resulting from the cancellation of the existing authorised capital and the creation of the new authorised capital including the authorisation to exclude the shareholders' subscription rights.**

[...]

3. It is proposed to authorise the management board of the Company (the "**Management Board**"), with the prior consent of the Supervisory Board, to increase the Company's share capital in the period up to 10 August 2027 at one occasion or in partial amounts by a total of up to two million four hundred seventy thousand euro (EUR 2,470,000.00) by issuing new shares against cash contributions and/or contributions in kind (Authorised Capital 2022). Against the background of the increase of the Company's share capital by incorporation of existing reserves of the Company already resolved under agenda item 2 of the extraordinary general meeting of the Company's shareholders on 24 March 2022, the existing authorised capital is to be replaced by a new authorisation adjusted to the increase in share capital. The Management Board would thus have at its disposal an authorised capital in the amount of ten percent (10%) of the Company's share capital.

The requested authorisation within the framework of a new authorised capital would provide the Management Board with a flexible instrument for shaping corporate financing. The proposed Authorised Capital 2022 is intended to enable the Management Board to continue to raise the capital required for the further development of the Company on the capital markets at short notice by issuing new shares against cash contributions and thereby take advantage of any favourable market conditions to cover future financing requirements without delays. In addition, the Management Board should be able to take advantage of acquisition opportunities arising on the market for a capital increase through contributions in kind.

The requested authorisation provides for the possibility of excluding the existing shareholders' subscription rights. The Management Board hereby submits its written report in accordance with Article 420-26 (5) of the Luxembourg Law of 10 August 1915 on Commercial Companies, as amended from time to time, and – as a precautionary measure in the light of the proposed transfer of the Company's registered office from the Grand Duchy of Luxembourg to the Federal Republic of Germany – also in accordance with Sections 203 (2) sentence 2 and 186 (4) sentence 2 of the German Stock Corporation Act (Aktiengesetz – "**AktG**").

The Management Board shall be authorised to exclude shareholders' subscription rights – with the prior consent of the Supervisory Board – for any fractional amounts. The authorisation to exclude subscription rights for fractional amounts opens up the possibility of determining simple and practicable subscription ratios for a capital increase. Fractional amounts arise if, as a result of the subscription ratio or the amount of the capital increase, not all new shares can be distributed evenly among the shareholders according to their participation in the previous share capital. The fractional amounts are of minor significance in relation to the total capital increase. The impairment of shareholders by excluding subscription rights for fractional amounts is therefore negligible in relation to the procedural advantages. A possible dilution effect due to the offsetting of fractional amounts is hardly noticeable. For these reasons, the Management Board considers the exclusion of subscription rights to be legitimate and also reasonable vis-à-vis the shareholders.

In addition, the Management Board shall be authorised to exclude shareholders' subscription – with the prior consent of the Supervisory Board – to issue shares against cash contributions if the issue price of the new shares is not significantly lower than the stock market price of the shares of the same class and with equal rights already listed within the meaning of Sections 203 (1) and (2), 186 (3) sentence 4 of the AktG and the proportion of the share capital attributable to the new shares issued subject to the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the AktG is in total no more than ten percent (10%) of the share capital, neither at the time the authorisation becomes effective nor – in the event that this amount is lower – at the time at which the authorisation is exercised. Restrictively, the proposed resolution provides that the cap of ten percent (10%) of the share capital is to include (i) any shares of the Company issued or disposed during the term of this authorisation under exclusion of subscription rights in direct or analogous application of Section 186 (3) sentence 4 of the AktG and (ii) any shares of the Company to be issued to service conversion or option rights or conversion obligations under bonds (including participation rights), provided that these bonds (including participation rights) are issued during the term of this authorisation under exclusion of subscription rights in analogous application of Section 186 (3) sentence 4 of the AktG. This possibility of excluding subscription rights – with the consent of the Supervisory Board – is intended to enable the Management Board to take advantage of favourable stock market conditions at short notice and, by setting a price close to the market price, the Management Board will be able to obtain the highest possible issue price and thus the greatest possible strengthening of its equity. Such a capital increase would therefore be in the Company's best interest and thus of its shareholders. This does, however, result in a reduction of the relative shareholding and the relative share of voting rights of the existing shareholders. Shareholders of the Company who wish to maintain their relative shareholding and their relative share of voting rights may however acquire the necessary number of shares via the stock exchange.

Finally, the Management Board shall also be authorised to exclude the subscription rights – with the consent of the Supervisory Board – if the capital increase is made against contributions in kind, in particular for the purpose of granting shares in the context of mergers or for the purpose of acquiring companies, parts thereof, participations in companies or other assets or claims to the acquisition of assets, including claims against the Company or its group companies. This authorisation to exclude subscription rights is intended to serve the purpose of enabling such mergers and acquisitions against granting of shares in the Company as consideration. The Company is in global competition and must at all times be able to act quickly and flexibly on the international markets in the interests of its shareholders. Also, in connection with the acquisition of assets, including claims against the Company or its group companies, the Company must be given the possibility to grant shares as consideration. Thus, the Company's liquidity is maintained. The exclusion of subscription rights results in a reduction of the relative shareholding and the relative share of voting rights of existing shareholders. However, if subscription rights were granted, such mergers or acquisitions against the granting of shares as consideration would not be possible and the associated benefits for the Company and the shareholders would not be achievable. Currently, there are no concrete plans for which this authorisation is to be used. If such plans become concrete, the Management Board will carefully consider whether to make use of the authorisation. It will only do so if such a merger or acquisition against the granting of shares in the Company is in the best interest of the Company. In determining the valuation ratio, the Management Board will also ensure that the interests of the Company and thus also of its shareholders are adequately safeguarded and that an appropriate issue price is achieved for the new shares of the Company. The stock exchange listing of the Company also offers shareholders the opportunity to increase their shareholding by acquiring additional shares via the stock exchange.

The shareholders are protected against dilution of their shares by the fact that the total new shares issued from the Authorised Capital 2022 under the authorisations pursuant to the proposed new wording of Article 5.5 sentence 3 of the version of the Articles of Association under agenda item 4 of the EGM 1, excluding subscription rights, may not exceed ten percent (10%) of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. This counteracts an excessive dilution of the existing shareholders' shareholdings. The aforementioned cap of ten percent (10%) is to include (i) any shares of the Company issued during the term of this authorisation from other authorisations under exclusion of subscription rights and (ii) any shares of the Company to be issued to service conversion or option rights or conversion obligations under bonds (including participation rights), provided that these bonds (including participation rights) are issued during the term of this authorisation under exclusion of subscription rights.

Currently there are no concrete plans for a utilisation of the Authorised Capital 2022. The Management Board will carefully examine on a case-by-case basis whether it will make use of one of the above authorisations to increase the share capital while excluding shareholders' subscription rights. It will only do so if following its assessment and the assessment of the Supervisory Board, that such utilisation would be in the well-understood interest of the Company and thus of its shareholders and is proportionate. If the Management Board makes use of one of the above authorisations to exclude subscription rights in the context of a capital increase under the Authorised Capital 2022 with exclusion of subscription rights, it will report to the following general meeting of shareholders on the relevant reasons for the exclusion of subscription rights.

Luxembourg, in July 2022

Stabilus SE

The Management Board