Report of the Management Board on item 11 of the agenda pursuant to sections 203 (2), 186 (4) sentence 2 AktG

The Management Board has submitted a written report on item 11 of the agenda for the Annual General Meeting on the reasons for the exclusion of subscription rights pursuant to sections 203 (2) sentence 2, 186 (4) sentence 2 AktG. The content of this report is as follows:

Widespread capacity expansion in renewable energy generation is the only sustainable, environmentally friendly and low-cost way of providing energy. Far from being the cause of the current extremely high energy prices, renewable energies are actually the solution to the problem. The more renewable energy facilities are connected to the grid, the quicker existing demand for electricity from sustainable production can be covered and, as a result, costly legacy power stations taken offline. Together, wind and solar power will account for over 90 % of the renewable energy capacity added in the next five years. Solar energy installations and onshore wind parks remain the cheapest options for generating power in most countries. The energy crisis marks a historic turning point towards a cleaner and more secure energy supply. The European Commission's plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition, REPowerEU, of 18 May 2022 includes a special EU solar strategy to double photovoltaic capacity by 2025 by installing new PV systems amounting to 320 GW by 2025 and a total of 600 GW by 2030. This means more than four times the volume of new installations per year compared to the average installed capacity per year over the last ten years. The objective of covering 45 % of total final energy consumption using renewable sources by 2030 was adopted by the European Parliament when it revised the Renewable Energy Directive (RED) in September 2022. The 45 % target set by MEPs exceeds the 40 % mark adopted by the member states in June 2022.

Through its new growth strategy for the time between now and 2027, Encavis AG plans to accelerate its profitable growth and expand its own generation capacity to 8 gigawatts (GW) – a significant acceleration of the growth seen in past years. At roughly 5.8 gigawatts (GW), more than 2.5 times the current generation capacity is set to be connected to the grid by the end of 2027, with an additional 2.2 GW under construction. Direct demand for green electricity among industrial customers is rising at a rapid pace. Commercial real estate owners and other investor groups are increasingly looking for green investments. Going forward, Encavis will pay greater attention to the needs of these market participants when expanding its portfolio, thereby making an even more meaningful contribution to achieving the energy transition. As in the past, the main focus in financing the massive investments will lie on the Group's own financial strength. Investments will be funded through own cash flow, with borrowed capital being utilised at various levels of the Group. In some cases, parks are also to be acquired in partnership with minority shareholders. Given the recent turbulence on global financial markets, however, Encavis AG cannot rely solely on these options to accelerate the company's strong growth. No capital increase is planned at the current time. However, it cannot be ruled out that a capital increase may be reasonable and beneficial under certain circumstances, such as the following nonexhaustive selection of potential opportunities:

+ acquisition of a competitor

+ acquisition of a largescale portfolio of wind and/or solar parks

+ entry into new regional markets

+ entry into new technology segments

+ future restrictions on lending by banks

In order to be able to act flexibly and quickly in the context of further business developments without convening the Annual General Meeting again –and, in particular, to take advantage of new acquisition opportunities or to strengthen the company's equity – the Management Board and the Supervisory Board propose the creation of new authorised capital. Authorised Capital 2023 is to be available for both cash and non-cash capital increases and is to enable the company, among other things, to finance acquisitions, whether in return for cash or shares. It replaces the authorised capital resolved by the 2021 Annual General Meeting.

The other companies mentioned in section 186 (5) sentence 1 AktG are companies operating under section 53 (1) sentence 1 or section 53b (1) sentence 1 or (7) of the German Banking Act (KWG).

In principle, shareholders are entitled to a subscription right when the Authorised Capital 2023 is utilised. However, an exclusion is possible as follows:

Firstly, the proposed authorisation provides that the administration will be entitled to exclude the shareholders' subscription right if fractions arise as a result of the subscription ratio. The exclusion of the subscription right with regard to the possible fractional amounts only serves to enable the utilisation of the authorisation by round amounts. The new shares excluded as free fractions from the subscription right of shareholders will be utilised in the best possible way for the company.

Secondly, the administration is to be authorised to exclude the subscription right if the capital is to be increased against contributions in kind. This possibility of excluding subscription rights is intended to enable the Management Board, with the consent of the Supervisory Board, to acquire companies or shareholdings in companies or other assets in appropriate cases in exchange for Encavis AG shares or to combine with other companies, in particular by way of merger. This is intended to enable the company to respond quickly and flexibly on national and international markets to advantageous offers or other opportunities that arise to acquire companies or shareholdings in companies operating in related business areas. It is not uncommon for the need to arise to provide shares rather than money as consideration. The administration will only use the possibility of a capital increase against contributions in kind with exclusion of subscription rights from the Authorised Capital 2023 for acquisitions if the value of the newly issued shares and the value of the consideration, i.e. the company to be acquired or the shareholding to be acquired or other assets, are appropriately proportional.

Thirdly, the Management Board is to be able, with the consent of the Supervisory Board, to exclude the subscription right in the case of cash capital increases if the shares are issued at an amount that is not significantly lower than the stock exchange price. This possibility provided for by section 186 (3) sentence 4 AktG is designed to enable the company to take advantage of market opportunities quickly and flexibly and to cover a capital requirement at short notice. Because the exclusion of the subscription right enables a placement close to the stock exchange price, the discount customary for subscription issues does not apply. In the case of such an exclusion of the subscription right close to the stock exchange price, the cash capital increase may not exceed 10 % of the existing share capital at the time of its exercise. This takes into account shareholders' need for dilution protection with regard to their shareholdings. Each shareholder can acquire shares on the market at approximately the same conditions in order to maintain their shareholding quota.

Fourthly, it is to be possible to exclude the subscription right to the extent necessary to grant the holders of conversion and option rights a subscription right to new shares, providing the terms and conditions of the respective conversion and option right allow for this. Such conversion and option rights are subject to dilution protection to facilitate placement on the capital market, which provides that holders may be granted a subscription right to new shares in subsequent share issues, as is shareholders' entitlement. In this way, their status is the same as if they were already shareholders. In order to be able to provide the conversion and option rights with such dilution protection, the shareholders' subscription rights to these shares must be excluded. This serves to facilitate the placement of the conversion and option rights and therefore the interests of the shareholders in an optimum financial structure of the company.

There are no specific plans for acquisitions at the current time for which the option to exclude subscription rights as part of Authorised Capital 2023 is to be exercised.

The Management Board will carefully examine in each individual case whether it will make use of the authorisation to increase the capital with the exclusion of the shareholders' subscription rights. It will only do so if, in the opinion of the Management Board and the Supervisory Board, it is in the interests of the company and therefore of its shareholders.

By its very nature, the amount to be spent cannot be determined at present, as there is no concrete intention to use the funds. The determination of the respective issue amount is therefore incumbent on the Management Board by law with the approval of the Supervisory Board.

When weighing up all the above circumstances, the Management Board – as well as the Supervisory Board of Encavis AG – considers the exclusion of the subscription right in the above cases to be objectively justified and appropriate, also taking into account the dilution effect to the detriment of the shareholders.

Hamburg, April 2023

Encavis AG

The Management Board