REPORT OF THE MANAGEMENT BOARD
OF FACC AG

pursuant to Section 170(2) in conjunction with Section 153(4)
of the Austrian Stock Corporation Act (AktG)
on item 7 of the agenda
of the 5th Annual General Meeting to be held on 9 July 2019
(authorization to exclude subscription rights)

Agenda item 7

Resolution on (i) the authorization of the Management Board, subject to the prior approval of the Supervisory Board, to create new authorized capital against cash or non-cash contributions under the exclusion of shareholders' subscription rights, in whole or in part; this authorized capital replaces the capital resolved at the Annual General Meeting on 23 June 2014; and (ii) a corresponding amendment of item 4.3 of the Articles of Association.

Under item 7 of the agenda of the Annual General Meeting of FACC AG, the Management Board and the Supervisory Board propose to replace the authorization granted to the Management Board by the Annual General Meeting on 23 June 2014 to create authorized capital in accordance with Section 169 of AktG, also excluding subscription rights (Authorized Capital 2014). The Authorized Capital 2014 has not been drawn on.

At the Annual General Meeting of FACC AG to be held on 9 July 2019, the Management Board shall once again be authorized, pursuant to Section 169 AktG, to increase the share capital of FACC AG, subject to the approval of the Supervisory Board, by a nominal amount of up to EUR 9,000,000 (EUR nine million) by issuing up to 9,000,000 (nine million) new no-par value bearer shares against cash or non-cash contributions up to five years after registration of this amendment to the Articles of Association, whereby the issue price and the conditions of issue shall be determined by the Management Board in agreement with the Supervisory Board (Authorized Capital 2019). It is further proposed that the Management Board shall be authorized, as was the case in connection with the Authorized Capital 2014, to exclude the statutory subscription right of shareholders, in whole or in part, with the consent of the Supervisory Board (exclusion of subscription rights).

The Management Board is of the opinion that the exclusion of subscription rights, in connection with the authorization resolution to create authorized capital, primarily serves the interests of the Company, but is also - at least indirectly - in the interests of the Company's existing shareholders.

As required by law, the Management Board submits the following Report to substantiate the legal and economic grounds and justification for the possible exclusion of subscription rights.

Report:

The Management Board of the Company may only issue shares out of the Authorized Capital 2019 subject to the prior approval of the Supervisory Board, irrespective of whether new shares are issued against cash and/or non-cash contributions and with or without the exclusion of subscription rights. The issue price, the issue conditions and the modalities concerning the implementation of the capital increase shall be determined jointly by the Management Board and the Supervisory Board.

The new Authorized Capital 2019 in the amount of up to EUR 9,000,000 (EUR nine million) may be drawn on once or several times up to five years after registration of this amendment to the Articles of Association. In total, a maximum of 9,000,000 (nine million) new bearer shares conferring voting rights may be issued out of the Authorized Capital 2019.

Expanding and winning new markets in all areas of business will increasingly be one of the strategic goals of FACC AG in the future in order to strengthen the profitability and promote the sustainable growth of FACC AG. Flexible capital procurement, both by means of cash capital increases and non-cash capital increases, is of utmost importance for the Company and its shareholders.

Issuing new shares against cash contributions under the exclusion of shareholders‘ subscription rights

The proposed authorization to create Authorized Capital 2019 is conceived as a preparatory precautionary measure to strengthen the equity base of FACC AG in the event of future capital requirements, with the aim of enabling the Company, under special circumstances and after having carefully considered all available options, to raise funds in the form of cash contributions against the issue of shares on the capital market at short notice.

The authorization to fully or partially exclude subscription rights in the event of a cash capital increase gives FACC AG the necessary flexibility to take advantage of market conditions conducive to capital increases. In particular, the exclusion of subscription rights will enable FACC AG to offer new shares for sale by means of an *accelerated book building* procedure. *Accelerated book building* allows market price expectations to be valued more accurately and more rapidly during a short offer period than in the case of a pure rights issue for which a subscription period of at least two weeks has to be observed. As a consequence, this allows the placement risks associated with capital increases to be reduced.
Furthermore, by excluding subscription rights, FACC AG reserves the option to contact one or several selected institutional investors (so-called *anchor investors*) in advance, which commit to subscribing to a certain number of shares. Committing to a fixed allotment generally results

in a higher issue price and has a positive signal effect in the event of a subsequent issuance of subscription rights.

Finally, issuing shares without excluding subscription rights necessitates the preparation and approval of a prospectus along with the corresponding documentation and the involvement of the authorities in accordance with the Austrian Capital Market Act (Kapitalmarktgesetz), thereby necessarily giving rise to longer lead times and higher issue costs when issuing new shares by means of a prospectus. In contrast, capital increases aimed exclusively at qualified investors are exempt from the obligation to publish a prospectus if structured accordingly. The exclusion of subscription rights will enable FACC AG, subject to appropriate transaction structuring and offering of the new shares to a selected group of strategic and institutional financial investors only, to implement capital increases quickly and flexibly without having to prepare a prospectus.

Issuing new shares against non-cash contributions under the exclusion of shareholders‘ subscription rights

The expansion and improvement of the Company's market position is a significant component of the corporate strategy of FACC AG. The Management Board is to be enabled, among other things, to take advantage of existing opportunities to acquire companies, businesses, parts of businesses or shares in companies in preparation for market entry or to strengthen an existing market position. The acquisition of existing companies is advantageous as it facilitates rapid market entry, builds on an existing customer base and involves the transfer of employees who are familiar with the local market environment.

Capital increases against non-cash contributions in particular call for the exclusion of shareholders' subscription rights since the assets to be contributed are usually unique in composition and cannot be contributed by all shareholders, e.g. shares in a company that is of strategic importance to FACC AG.

When acquiring companies, businesses, parts of businesses or shares in companies, it may prove advantageous to use treasury shares as consideration, e.g. to pay off shareholders of target companies or in the event that sellers prefer to receive shares in FACC AG instead of receiving a cash payment. As non-cash contributors, sellers will only be prepared to transfer their companies or shares in their companies if they receive an equivalent stake in FACC AG in return. In this case, sellers in their capacity as non-cash contributors would acquire a (percentage) stake in FACC AG that is equivalent to the ratio of the shareholder value of their company and the shareholder value of FACC AG and that grants them corresponding voting rights in (and thus participation rights in) the company. From the perspective of FACC AG, it may be necessary for strategic or organizational reasons to include sellers as shareholders in the Group. Furthermore, the granting of treasury shares may, under certain circumstances, allow a more favorable purchase price to be achieved.
In the event that there are no or insufficient treasury shares available or if existing treasury shares are to be used for other purposes, the Management Board of FACC AG shall be able to

create additional shares by way of a capital increase which can be used as consideration for the contribution of assets as non-cash contributions.

The exclusion of subscription rights may also prove necessary since, in the case of company acquisitions against non-cash contributions, this is the only means by which the Company can prevent a liquidity outflow occurring as a result of the acquisition of the company (due to the absence of a cash purchase price) without impairing its equity base.

When making use of the authorization, the Management Board will carefully examine whether the value of the consideration is proportionate to the value of the newly issued shares. The decrease in the relative participation rate and the relative voting share of the shareholders arising from the exclusion of subscription rights in the case of capital increases through non-cash contributions is counterbalanced by the third-party financing of business growth by way of strengthening equity and by the fact that existing shareholders can participate in the growth of the Company which they would have to finance with their own funds if subscription rights had not been excluded.

Concluding balance of interests

By way of conclusion, it can be assumed that the proposed authorization is objectively justified by the purposes stated and that it is likely to achieve the intended objectives.

FACC AG wishes to retain the opportunity to benefit from market opportunities and expand its market position through investments and acquisitions. Therefore, the Management Board shall continue to have an additional means of raising equity capital for financing purposes at its disposal. The possibility of issuing shares out of the Authorized Capital 2019 under the exclusion of shareholders' subscription rights allows the Company to finance expansion measures and to exploit market opportunities as well as opportunities arising in new markets quickly and flexibly and to cover the resulting capital requirements at short notice.
By dispensing with the time-consuming and costly processing of a pre-emptive rights offering to the shareholders, the company's capital requirements can be swiftly met by seizing short-term market opportunities.

The total or partial exclusion of subscription rights in the case of capital increases against cash contributions is objectively justified by the objective pursued, namely to optimize the capital structure and improve the issue conditions and to thus further optimize the Company in the interests of the Company itself and its shareholders.

In addition, the exclusion of subscription rights is appropriate and necessary as the Company would not be able to react as swiftly and flexibly to favorable market conditions without excluding subscription rights. The exclusion of subscription rights gives the Company the opportunity to implement capital increases without the need for time-consuming and costly preparations.

The exclusion of subscription rights is also objectively justified in cases when shares are issued against non-cash contributions as this allows the Authorized Capital 2019 to be used as consideration for non-cash contributions in the acquisition of companies or shares in companies, which naturally cannot be contributed in this form by other shareholders themselves.

It is expected that all shareholders will benefit from the Company's recourse to the authorization to issue shares out of the Authorized Capital 2019 under the exclusion of subscription rights. This benefit clearly outweighs any proportionate reductions in the shareholdings of shareholders subject to the exclusion of subscription rights.

The Management Board also believes that the exclusion of subscription rights is reasonable as the increase of the Company's share capital to an amount of EUR 9,000,000 (EUR nine million) represents only 19.7% of the Company's share capital at the time of the authorization and is therefore significantly lower than the authorized capital increase under the Authorized Capital 2014. In view of the liquid market for shares of FACC AG, shareholders interested in maintaining their holding quota have the possibility to acquire the corresponding number of shares of FACC AG on the stock exchange.

In summary, the Management Board of FACC AG concludes that the exclusion of subscription rights is necessary, expedient and appropriate within the limits set out above, and is objectively justified and warranted given that it serves the overriding interests of the Company.

There are currently no concrete plans to draw on the Authorized Capital 2019 under the exclusion of subscription rights. As such, this Report cannot yet address specific transactions or the issue price of the new shares. However, corresponding anticipatory resolutions are common practice both nationally and internationally. Irrespective of this, the Management Board will in any case carefully examine whether to make use of the authorization to increase the share capital under the exclusion of shareholders' subscription rights. It will only do so, and the Supervisory Board will only grant its approval, if after due examination from the viewpoint of the executive bodies, this is in the well-understood interest of the Company and its shareholders.

Insofar as new shares are issued out of the Authorized Capital 2019 subject to the exclusion of subscription rights, the Management Board is required to publish a further report on the justification of the exclusion of subscription rights in application, mutatis mutandis, of Section 153 (4) AktG, at the latest two weeks prior to the resolution of the Supervisory Board by which the Supervisory Board resolves on the approval of the issue of shares out of the Authorized Capital 2019, in which, among other things, the issue price of the new shares is substantiated (Section 171 (1) AktG).

In addition, the Management Board will inform the subsequent Annual General Meeting of the utilization of the Authorized Capital 2019.

Ried im Innkreis, June 2019

The Management Board of FACC AG