Elmos Semiconductor SE
Annual General Meeting on May 11, 2022

INFORMATION ON THE AGENDA ITEM 8 – AUTHORIZATION TO PURCHASE TREASURY SHARES

REPORT OF THE MANAGEMENT BOARD ON AGENDA ITEM 8 (AUTHORIZATION TO PURCHASE TREASURY SHARES)

At the Annual General Meeting held on May 22, 2020, the Company adopted an authorization to purchase and use treasury shares up to and including May 21, 2025. This existing authorization has partly been used. The proposal provides for the existing authorization to be revoked and superseded by a new authorization to purchase and use treasury shares for a period of five years, thus up to and including May 10, 2027.

Apart from the purchase of shares on the stock market, the Management Board shall also be given the option, subject to the Supervisory Board's respective consent, to purchase treasury shares by means of a public buyback offer. With this option, each of the Company's shareholders with the intent to sell may decide how many shares he or she wants to offer and, if a price range is determined, at what price. If the volume of shares offered at the determined price exceeds the number of shares requested by the Company, the allocation of shares must occur in proportion to the shares offered. The proposed resolution provides for the privileged acceptance of small offers or small contingents of offers of up to 100 shares. This option helps avoid fractional amounts that would otherwise occur in determining the quota to be purchased and small remaining parcels, thereby simplifying the technical implementation.

The authorization also provides for the option that the Company may purchase shares from individual shareholders based on individual purchase agreements without having to offer the other shareholders the purchase of their shares, too. Purchasing shares from natural persons or legal entities whose voting rights are attributable to a member of the Management Board and/or the Supervisory Board according to Sections 34 et seq. WpHG (Securities Trading Act; or any replacement legislation) or from other entities subject to reporting in accordance with Art. 19 Market Abuse Regulation (or any replacement legislation) with no consideration of the exemption according to Art. 19 (8) and (9) Market Abuse Regulation (or any replacement legislation) is not permitted. The purchase of shares based on individual purchase agreements is advantageous because share buyback on the stock market, in view of the limited trading volume, or by way of a public buyback offer might take relatively long. It might take a long time until the Company would be able to actually buy back a larger portion of treasury shares. The purchase from individual shareholders is also subject to a market-based stock price so that shareholders are ultimately not penalized. Shareholders not involved in such transactions therefore do not lose value. This corresponds to the position of shareholders upon share buyback on the stock exchange where not all of the shareholders can actually sell treasury shares they hold. Insofar the conditions under Section 186 (3) sentence 4 AktG are met analogously, according to which the exclusion of the shareholders' subscription right is justified if the shareholders' asset interests are safeguarded due to market-based price calculation.

The Management Board shall be enabled to sell shares bought back with exclusion of the shareholders' subscription right, subject to the Supervisory Board's consent, to third parties against cash payment if the selling price is not materially below the stock market price. The administration will keep a possible discount off the stock market price as low as possible in compliance with the provisions of the law. The sale for a selling price that is not materially below the stock market price avoids dilution of the shareholders' investment value. The number of shares thus sold must not exceed 10% of the share capital at the time of the utilization of shares. To be taken into account for this 10% limit are shares, bonds with conversion privileges, option rights or conversion obligations as well as comparable financial instruments issued or sold during the term of this authorization under exclusion of the shareholders' subscription right in direct or analogous application of Section 186 (3) sentence 4 AktG. This opens up opportunities for the Company to offer its shares to domestic and international investors and to expand the shareholder base, and thus to stabilize the value of the stock. The Company is enabled to adjust its equity to business requirements in a flexible manner and to respond to favorable stock market scenarios.

Furthermore, the authorization as proposed is intended to provide the Management Board with the option, subject to the Supervisory Board's consent, to have shares of the Company available to dispose of against contribution in kind, particularly as consideration with regard to business combinations or acquisitions of companies, business operations or investments in entities. Domestic and international competition and a globalized economy require this kind of acquisition financing. The proposed authorization is intended to provide the Company with the necessary range of options to seize any opportunities for the acquisition of companies or investments swiftly and in a flexible manner. This concern is met by the proposed exclusion of the shareholders' subscription right. There are no specific plans for making use of this authorization. In determining valuation proportions, the Management Board will make sure that the shareholders' interests are duly considered. In calculating the value of shares disposed of as consideration, the Management Board will generally orient itself toward the stock market price of the Elmos Semiconductor share. The Management Board shall report to the Annual General Meeting on each use of this authorization.

The authorization also enables the Management, subject to the Supervisory Board's consent, to use treasury shares under exclusion of the shareholders' subscription right to honor conversion privileges or option rights or rather conversion obligations of creditors of convertible bonds, bonds with warrants or participating bonds (or a combination of such instruments) issued by the Company or any of its consolidated entities. This option can be advantageous in order to use treasury shares in case of a capital increase for honoring conversion privileges or option rights or rather conversion obligations either wholly or in part.

Moreover, the Management Board, or rather the Supervisory Board insofar as the Management Board is concerned, shall be enabled to offer shares to employees and executives of the Company, employees and members of the management of affiliated companies, freelancers, and members of the Company's Management Board or to provide and assign shares as remuneration components (also without consideration). The Company promotes a culture of ownership and therefore enables employees and executives to participate in the Company and its performance by share programs and share-based payment as well as individual stock awards. Such participation is also desired by the legislator and therefore made easier in many respects. The issue of shares to employees of the Company or its affiliates and to members of corporate bodies of the Company or its affiliates is meant to strengthen the connection aforementioned persons share with the Company. They are meant to be committed to the Company and to participate in its long-term development as shareholders as well. Thus understanding and the willingness to assume a larger share of responsibility, particularly economic responsibility, is meant to be strengthened in the interest of the Company and its shareholders. The issue of shares also makes arrangements with a long-term incentive effect possible, potentially taking not only positive developments but negative ones into account as well. Granting shares e.g. subject to a lockup period or blocking period of several years, or linked to incentives that promote holding them, also provides for a penalty effect in the case of negative developments in addition to the bonus effect. Granting shares is thus intended to give an incentive for pursuing a sustained increase in the Company's shareholder value.

The issue of shares to the Company's employees is intended to create an additional kind of share-based payment in order to commit employees to the Company and to attract qualified new employees to the Company. The objectives of incentive and employee commitment to the Company are in the Company's interest. The exclusion of the shareholders' subscription right with regard to the utilization of purchased shares of the Company is a prerequisite to this. Members of the Company's Management Board are also meant to be given the opportunity to be awarded or assigned shares by the Supervisory Board as share-based remuneration. The option to award and assign treasury shares to Management Board members as a remuneration component commits the members of the Management Board to the Company and its economic success and is therefore in the Company's interest as well. Members of the Management Board who receive shares by way of remuneration on these grounds have an additional interest to work toward the Company's increase in shareholder value as expressed by its stock market price. On the other hand, they also bear the market price risk. The decision on this is the sole responsibility of the Supervisory Board as the proper decision-making body that also decides on the terms and conditions of the share-based remuneration of Management Board members in compliance with the statutory provisions for appropriateness (Section 87 (1) AktG). It is thus assured that the shareholders' subscription right is excluded not excessively, and only in the Company's interest.

Finally, the Management Board shall be authorized to cancel treasury shares purchased on the grounds of the proposed authorization, subject to the Supervisory Board's consent, even without another resolution to be adopted by the Annual General Meeting. According to Section 237 (3) no. 3 AktG, the Annual General Meeting may resolve the cancellation of no-par shares without making a reduction of share capital necessary. The proposed authorization provides for this option besides the cancellation of shares with a capital reduction. By cancelling shares without a capital reduction, the theoretical share of the remaining no-par shares in the share capital automatically increases. Therefore, the Management Board shall be also authorized to adjust the number of no-par shares as they are reduced by cancellation in the Articles of Association.