

This English version of the agenda for the ordinary general meeting of Varengold Bank AG is for information purposes only. Legally binding is solely the German version of the agenda.

**Varengold Bank AG**

**with its registered office in Hamburg**

Securities identification number (WKN) 547 930

ISIN DE0005479307

Securities identification number (WKN) A2G SUS

ISIN DE000A2GSUS3

We herewith invite our Company's shareholders to the

**Ordinary General Meeting**

on

**Tuesday 21st August 2018 at 10.00 a.m. (CEST)**

**(entry from 9 am)**

at

Haus der Wirtschaft Service GmbH

Kapstadtring 10

22297 Hamburg.

## I. Agenda

1. **Presentation of the approved annual financial statements and management report for the 2017 financial year with the report of the Supervisory Board for the 2017 financial year**
2. **Resolution on the formal approval of the actions of the members of the Board of Managing Directors for the 2017 financial year**

The Supervisory Board and Board of Managing Directors propose

to formally approve the actions of the members of the Board of Managing Directors in office during the 2017 financial year.

3. **Resolution on the formal approval of the actions of the members of the Supervisory Board for financial year 2017**

The Board of Managing Directors and the Supervisory Board propose

to formally approve the actions of the members of the Supervisory Board in office during the 2017 financial year.

4. **Appointment of auditors for the 2018 financial year**

The Supervisory Board proposes

to elect PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, as auditor for the 2018 financial year.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has declared to the Supervisory Board that there are no professional, financial, personal or other relationships in place between itself, its executive bodies and staff responsible for the

audit on the one hand, and Varengold Bank AG and its executive bodies on the other hand, that could cast doubt on its independence.

## **5. Elections to the Supervisory Board**

Supervisory Board member, Alexander Körner, elected by the General Meeting on 24th August 2016, resigned from his position with effect from 27th March 2018 and left the Supervisory Board prematurely. In a resolution passed by the Hamburg District Court on 21st March 2018, Vasil Stefanov Stefanov was legally appointed to the Supervisory Board as his successor with effect from 28th March 2018. The legal appointment was made for the period up to the close of this General Meeting. Mr Stefanov's appointment to the Supervisory Board is now expected to be ratified by the General Meeting.

According to Sections 95, 96 (1) sixth case and Section 101 (1) AktG [Aktiengesetz; German Stock Corporation Act] in conjunction with Section 7 of the Company's Articles of Association, the Supervisory Board comprises three shareholder representatives. Pursuant to Section 7 (2) of the Articles of Association, Supervisory Board members are elected for the period up to the close of the General Meeting which passes a resolution to formally approve the actions of the Supervisory Board members for the fourth financial year after their election. The financial year in which the election is made is not counted. Pursuant to Section 7 (3) of the Articles of Association, a successor for a member who resigns from office prior to the end of his period of office shall be elected for the remainder of the period of office of the resigning member.

The Supervisory Board proposes

to elect Mr Vasil Stefanov, Managing Director or Euro-Finance AD and Head of M&A at Euroins Insurance Group, resident in Sofia (Bulgaria) as a member of the Supervisory Board with effect from the end of this General Meeting and for a term until the close of the General Meeting formally approving the actions of the Supervisory Board for the 2018 financial year.

Mr Stefanov is a member of the following statutory supervisory boards or similar German or international supervisory bodies pursuant to Section 125 (1) (5) AktG:

- Chairman of the Supervisory Board of Euroins Ukraine JSC, Kiev, Ukraine.

Because of his many years as Managing Director of Euro-Finance AD and Head of M&A at Euroins Insurance Group, Mr Stefanov is familiar with the sector in which the Company is active according to Section 100 (5) AktG.

#### **6. Resolution on a capital increase against cash contributions while granting indirect subscription rights and with exclusion of subscription rights for fractional amounts**

The Board of Managing Directors and the Supervisory Board propose the following resolutions:

a) to increase the Company's current share capital of EUR 6,210,423.00 against cash contributions by up to EUR 3,105,211.00 to up to EUR 9,315,634.00 by issuing up to 3,105,211 new no-par value bearer shares (**'ordinary shares'**), each with a proportionate interest in the share capital of EUR 1.00. The new shares will carry a profit-sharing entitlement from 1st January 2018. The issuing amount according to Section 185 (1) (3) (2) AktG is EUR 1.00 per no-par value share (**'lowest issuing amount'**).

b) to grant the statutory subscription right to shareholders in such a way that the new shares can be acquired by one or several banks or companies which operate according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG [Kreditwesengesetz; German Banking Act] and with the obligation to offer these to the shareholders in the ratio of 2:1 (i.e. two old shares entitle subscription to one new share) at a subscription price yet to be defined (**'indirect subscription right'**) according to Section 186 (5) AktG and to transfer the surplus proceeds to the Company. The deadline for accepting the subscription offer ends, at the earliest, two weeks after the subscription offer is announced.

c) Fractional amounts may be excluded from shareholder subscription rights to facilitate processing of the share issue.

d) The Board of Managing Directors shall be authorised with the approval of the Supervisory Board, to define additional details of the capital increase and its execution, in particular the bank(s) which are authorised to subscribe or the companies operating according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG and the conditions for issuing the shares. This also includes setting the subscription price ('**final issuing amount**') in accordance with Section 186 (5) (2) AktG. This subscription price may not be more than twenty (20) percent lower than the average closing stock market price of the Company share on the Frankfurt Stock Exchange (Xetra trading) during the last five stock market days prior to the Board of Managing Directors setting the final issuing amount ('**discount**'). The subscription price determined in this way will be announced in the German Federal Gazette at the latest three days prior to the end of the subscription period and on the Company's website (<http://www.varengold.de/en/>).

e) Any shares not subscribed because of the subscription right can be offered by the Board of Managing Directors to shareholders willing to subscribe, including in parallel to the call for subscription, for over-subscription at the set subscription price, and/or by involving, where necessary, one or more banks or financial services institutions as part of a non-public offering ('**private placement**') to selected investors at the set subscription price for subscription and acquisition.

f) The capital increase will only be performed when at least 300,000 shares have been subscribed.

g) The capital increase must be entered in the commercial register no later than by 20th February 2019. Otherwise, the resolution to increase the share capital will no longer be valid. This deadline will be extended by three months if an action is brought regarding the validity of the resolution for this agenda item 6.

h) The Supervisory Board shall be authorised to amend the wording of the Company's Articles of Association about the execution of the cash capital increase.'

If all beneficiary shareholders were to exercise their subscription rights, a half (1/2) share would be missing in purely arithmetical terms. Consequently, in this event existing

shareholders will make a Company share available to shareholders waiving their own subscription right. Given this condition, the authorisation to exclude subscription rights for fractional amounts, which is included in the resolution as a precautionary measure, would not have been exercised.

## **7. Resolution on the complete revision of the Articles of Association of Varengold Bank AG**

On 3rd January 2018, the Company was given a permit to operate an 'Organised Trading Facility (OTF) pursuant to Section 1 (1a) (2) (1d) KWG. Alongside 'Regulated Market' and 'Multilateral Trading Facility', this is a third trading platform introduced under MiFID II/MiFIR as a significant innovation in terms of securities trading and market structure. There are no plans to use this permit at present, but the Company wishes to expand its business purpose in accordance with the permits and authorisations granted to it by the Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin') [Federal Financial Supervisory Authority]. This has the advantage for the Company and its shareholders that work in the business areas can be started later as quickly as possible at any time and no costs will be incurred for an Extraordinary General Meeting. At the same time, the Company's Articles of Association should be restructured, updated in part and consequently completely revised for the sake of simplicity. Section 111 IV 2 AktG, inter alia, should be implemented in more detail and the terminology used standardised. The Supervisory Board shall be paid monthly from now on. In addition, account should be taken that no Advisory Board is appointed at present and there are no plans to appoint one soon. Minor amendments will also be made that only relate to the Articles of Association; for example, the current Articles of Association contain a few typographical errors.

The Board of Managing Directors and Supervisory Board propose the following resolutions:

'The Company's Articles of Association will be completely revised as indicated below and the previous version rescinded.

**I.**  
**General provisions**

**Section 1**

**Company, headquarters and financial year**

- (1) The Company operates under the name 'Varengold Bank AG'.
- (2) Its headquarters are in Hamburg.
- (3) Its financial year is the calendar year.
- (4) The duration of the Company is unlimited.

**Section 2**

**Purpose of the Company**

- (1) The purpose of the Company is to conduct the following banking business,
  - deposit business (Section 1 (1) (2) (1) KWG),
  - lending business (Section 1 (1) (2) (2) KWG),
  - the ongoing purchase of receivables based on framework agreements with or without recourse (factoring pursuant to Section (1) (1a) (2) (9) KWG),
  - the purchase and sale of financial instruments in its own name for outside customers (finance commission business pursuant to Section 1 (1) (2) (4) KWG),
  - depositary bank business (Section 1 (1) (2) (5) KWG),
  - guarantee business (Section 1 (1) (2) (8) KWG),
  - operation of a multilateral facility which is not an organised market or a multilateral trading facility and which combines the interests of a large number of third parties in the purchase and sale of debt securities, structured financial products, emission certificates or derivatives within the facility in a manner that leads to an agreement regarding the purchase

of these financial instruments (organised trading facility [OTF] pursuant to Section 1 (1a) (2) (1d) KWG),

the following financial services

- brokering of transactions for the purchase and sale of financial instruments (investment brokerage pursuant to Section 1 (1a) (2) (1) KWG),
- giving personal recommendations to customers or their representatives, which relate to transactions involving specific financial instruments, if the recommendation is supported by an examination of the investor's personal circumstances, or it is presented appropriately to him/her, and is not solely issued over information broadcasting channels or for the general public (investment advice pursuant to Section 1 (1a) (2) 1a) KWG),
- the purchase and sale of financial instruments in the name of and on behalf of others (acquisition brokerage pursuant to Section 1 (1a) (2) (2) KWG),
- the purchase and sale of financial instruments outside the management of an investment asset in accordance with Section 1 (1) of the German Investment Code for a collective of individual investors with discretion to select the financial instruments if this is the focus of the product offered and is made with a view to involving these investors in the performance of the purchased financial instruments (asset management pursuant to Section 1 (1a) (2) (11) KWG).
- the administration of individual assets invested in financial instruments on behalf of others using discretion (financial portfolio management pursuant to Section 1 (1a) (2) (3) KWG),
- the conclusion of finance leasing agreements as lessor and the management of property companies in accordance with Section 2 (6) (1) (17) outside the management of an investment asset within the meaning of Section 1 (1) of the German Investment Code (finance leasing pursuant to Section 1 (1a) (2) (10) KWG),
- the purchase and sale of financial instruments for its own account as a service for others (own trading pursuant to Section 1 (1a) (2) (4) KWG),

- the purchase or sale of financial instruments for its own account which are not services for others in accordance with Section 1 (1a) (2) (4) KWG (business on own account pursuant to Section 32 (1a) KWG),

as well as payment services (Section 1 (2) ZAG [Payment Services Supervision Act]).

- (2) The Company has the right to all trades and measures which achieve the purpose of the Company. To this end, it can also establish, acquire and invest in other companies.

### **Section 3**

#### **Announcements and transmission of information**

- (1) Company announcements shall appear in the German Federal Gazette [Bundesanzeiger], unless another procedure is required by law.
- (2) With their permission, the Company shall be entitled to send information to shareholders and other holders of the Company's listed securities by means of remote data transmission.

## **II.**

### **Share capital and shares**

#### **Section 4**

##### **Amount and division of the share capital**

- (1) The Company has share capital of EUR 6,210,423.00 (in words: six million two hundred and ten thousand four hundred and twenty-three euro) divided into 6,210,423 ordinary shares (no-par value shares).
- (2) The Board of Managing Directors is authorised until 23rd August 2021, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions up to EUR 243,546.00 by issuing up to 243,546 new no-

par value bearer shares (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00 against cash or non-cash contributions ('Authorised Capital 2016'). Ordinary shares and/or non-voting preferential shares may be issued. The new shares can be acquired by one or more banks stipulated by the Board of Managing Directors or a company which operates according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG with the obligation to offer these to the shareholders (indirect subscription right). The Board of Managing Directors is authorised, with approval of the Supervisory Board, to exclude the subscription rights of shareholders, particularly in the following cases:

- for capital increases against contributions in kind for the granting of shares for the purpose of acquiring companies, parts of companies or participating interests in companies, or to acquire other contributions in kind. The proportionate amount of share capital attributable to shares issued excluding shareholders' subscription rights against contributions in kind may not exceed a total of 20% of the Company's share capital on the date of the General Meeting resolution; this maximum percentage is reduced by the proportionate amount of share capital attributable to shares that were issued excluding subscription rights against contributions in kind during the term of this authorisation based on other authorisations;
- to exclude fractional amounts from the subscription right;
- if the capital increase is made against cash contributions and the total proportionate amount of the share capital which would be due for the new shares for which subscription rights are excluded does not exceed EUR 292,255.00, or, should this amount be lower, a total of 10% of the Company's share capital existing on the date the authorisation was exercised, and the issuing amount of the new shares is not substantially lower than the stock market price of the already listed shares of the Company of the same class and with the same rights on the date on which the issuing amount is finally set by the Board of Managing Directors in accordance with Sections 203 (1) and (2), 186 (3) (4) AktG. This maximum percentage threshold is reduced by the proportionate amount of the share capital which is due to shares that were issued excluding

- subscription rights during the term of this authorisation based on other authorisations pursuant to or in line with Section 186 (3) (4) AktG;
- to the extent necessary to grant the holders of convertible bonds, convertible participation rights or options a subscription right of the same extent that they are due as a shareholder after exercising the conversion privilege and/or option right;
  - for distribution of shares to members of the Board of Managing Directors, executive management bodies of companies affiliated to the Company in accordance with Section 15 AktG, executives of the Company and/or affiliated companies, or employees of the Company and/or its affiliated companies under employee profit-sharing schemes. A capital increase excluding subscription rights to implement employee profit-sharing schemes may only be performed up to a total of 10% of the share capital in existence when the new shares are issued.

The total amount of shares issued excluding subscription rights against cash and non-cash contributions may not exceed 20% of the share capital on the effective date or – if this value is lower – at the time of exercising this authorisation. To be offset against the aforementioned maximum limit of 20% of the sum of subscription right exclusions are shares that have been issued or may still be issued to service option or conversion rights or to fulfil conversion obligations from option or convertible bonds, provided the bonds are issued excluding subscription rights during the term of this authorisation in corresponding application of Section 186 (3) 4) AktG. Furthermore, shares that are issued under exclusion of subscription rights during the term of this authorisation based on an authorisation to use treasury shares in accordance with Sections 71 (1) (8) (5), 186 (3) (4) AktG should also be offset against the stated limit. Lastly, shares issued or sold during the term of this authorisation until the time of their utilisation in direct or corresponding application of Section 186 (3) (4) AktG should also be offset.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to define the further details and terms of the capital increases and share issue from Authorised Capital.

- (3) The share capital is contingently increased by up to EUR 140,000.00 by issuing up to 140,000 no-par value bearer shares (ordinary shares) ('Contingent Capital 2012 II'). The contingent capital increase shall only be carried out insofar as the holders of share options issued in accordance with the resolution of the General Meeting on 8th August 2012 as part of the 2012 share option programme in the period up to 8th August 2017 (inclusive) exercise their right to subscribe to Company shares and the Company does not grant own shares or make a cash settlement in fulfilment of the subscription rights. New shares shall carry a profit-sharing entitlement from the start of the financial year in which they arise because of exercising a subscription right.

## **Section 5**

### **Bearer shares and share certificates**

- (1) The Company's shares are no-par value ordinary bearer shares.
- (2) The right of shareholders to securitise their shares shall be excluded unless securitisation is required according to the regulations on a stock exchange where the shares are listed. The Company shall be entitled to issue certificates for individual shares (individual certificates) or several shares (global certificates). Also, the entitlement of shareholders to issue dividend and renewal certificates shall be excluded.
- (3) The Board of Managing Directors shall determine the format and content of share certificates, dividend and renewal certificates as well as debt securities and interest and renewal certificates.

## **III.**

### **Board of Managing Directors**

## **Section 6**

### **Composition of the Board of Managing Directors and rules of procedure**

- (1) The Board of Managing Directors shall consist of two or more people.

- (2) The Supervisory Board shall appoint the members of the Board of Managing Directors and determine their number within the scope of paragraph 1. The Supervisory Board may appoint a chairman and a deputy chairman of the Board of Managing Directors.
- (3) Resolutions by the Board of Managing Directors shall be passed by a simple majority of the votes cast by the members of the Board of Managing Directors participating in resolutions unless unanimity is prescribed by law. In the event of an equal number of votes, the Chairman shall hold the casting vote if the Board of Managing Directors consists of more than two people and a Chairman has been appointed in accordance with paragraph 2.
- (4) The Supervisory Board may issue rules of procedure for the Board of Managing Directors. A significant change to the Board of Managing Directors' management organisational chart shall require approval from the Supervisory Board.

## **Section 7**

### **Company management and representation**

- (1) The members of the Board of Managing Directors shall manage the Company's business according to the law, the Articles of Association, rules of procedure for the Board of Managing Directors and the management organisational chart.
- (2) If the Board of Managing Directors only consists of one person, this person shall be the Company's sole representative. If the Board of Managing Directors is composed of several persons, either two Board members or one Board member together with an authorised signatory may legally represent the Company. The Supervisory Board may decide that individual members of the Board of Managing Directors are entitled to act as sole representatives.
- (3) The Supervisory Board may exempt all or individual members of the Board of Managing Directors and authorised signatories entitled to legally represent the Company together with a member of the Board of Managing Directors, in

general or individual cases, from the ban on multiple representation pursuant to Section 181, alt. 2 BGB [German Civil Code]; Section 112 AktG shall remain unaffected.

- (4) The Supervisory Board shall decide that certain types of business, in particular
- a) defining the Company's investment, financial and personnel planning (budget planning),
  - b) such business, which fundamentally changes the assets, financial position and earnings of the Company or its exposure to risk, and
  - c) establishment, acquisition, dissolution or sale of companies or shareholdings upwards of a limit to be defined by the Supervisory Board,

may only be conducted with its approval. The Supervisory Board may give revocable consent in advance to a certain group of transactions in general or to individual transactions that meet certain requirements.

## **Section 8**

### **Advisory Board**

- (1) The Company may appoint an Advisory Board to maintain contact with trade and industry for business consultation purposes. The number of Advisory Board members shall be determined through unanimous resolutions passed by the Supervisory Board and the Board of Managing Directors.
- (2) Members of the Advisory Board shall be appointed by the Board of Managing Directors with the approval of the Supervisory Board for a maximum term of three years. Members may be reappointed. The Advisory Board shall elect a Chairman and a Deputy Chairman from among its members as required.
- (3) Where an Advisory Board has been established, the Board of Managing Directors shall determine the advisory issues for discussion and the rules of procedures for the Advisory Board. The Advisory Board shall advise the Board of Managing Directors at the latter's request.

- (4) Compensation to individual Advisory Board members and the Advisory Board overall shall be determined by the Board of Managing Directors with the approval of the Supervisory Board.

#### **IV.**

#### **Supervisory Board**

##### **Section 9**

##### **Composition and term of office**

- (1) The Supervisory Board shall consist of three members.
- (2) The members of the Supervisory Board shall be appointed for a period until the end of the Ordinary General Meeting passing a resolution formally approving the actions of the Supervisory Board for the fourth financial year after the beginning of their term of office. The financial year in which the term of office begins shall not be included. Members may be re-elected. The Ordinary General Meeting may decide on shorter terms of office for individual members of the Supervisory Board. If it exercises this option, the terms of office shall be determined such that no more than the regular term of office of one Supervisory Board member ends annually.
- (3) Substitute members may also be appointed at the same time as Supervisory Board members for one or more specific Supervisory Board members elected by the General Meeting. They will become members of the Supervisory Board in an order determined upon election, if Supervisory Board members elected by the General Meeting, who they have been elected to replace, retire from the Supervisory Board before the end of their term of office and a successor has not been appointed. If a substitute member replaces a retiring member, his/her office shall cease as soon as a successor has been appointed for the retiring member and no later than the end of the remaining term of office of the retiring member. If the office of the substitute member replacing the retiring member ceases as a consequence of a subsequent re-election, this shall require a simple majority of the votes cast. If the substitute member retiring as a result of a

subsequent re-election has been appointed for several specific Supervisory Board members, his/her position as a substitute member shall be reinstated; if several substitute members have been appointed, he/she shall take first position.

- (4) If a Supervisory Board member is elected to replace a member retiring early, his/her office shall exist, unless a shorter term of office is decided upon election, for the remainder of the term of office of the retiring member.
- (5) Each Supervisory Board member and each substitute member may resign from office giving four weeks' notice and without good cause. Resignations must be submitted to the Board of Managing Directors in written or electronic form (Article 126b BGB) and the Chairman of the Supervisory Board informed. The right to resign for good cause shall remain unaffected by this.

## **Section 10**

### **Chairman and Deputy Chairman**

- (1) At its first meeting following election, which shall take place immediately after its election, the Supervisory Board will elect a Chairman and a Deputy Chairman from among its members. These members shall be elected to these positions for their term of office or for a shorter period determined by the Supervisory Board. Deputy Chairman shall have the rights and obligations of the Chairman of the Supervisory Board if the latter is incapacitated. If there are several deputies, the order determined upon their election shall apply.
- (2) If the Chairman or Deputy Chairman retires early, the Supervisory Board shall make a new appointment for the remaining term of office of the person retiring.

## **Section 11**

### **Meetings and convening meetings**

- (1) The Supervisory Board shall generally hold a meeting each quarter; two Supervisory Board meetings must be held during a period of six months.

- (2) Supervisory Board meetings shall be convened by the Chairman of the Supervisory Board in written or electronic form giving fourteen days' notice and details of the location, date and format of the meeting. The period used for calculation shall be the day on which the invitation is sent, and the day of the meeting shall not be included in this period. In the event of urgency, the Chairman may reduce this period appropriately and convene meetings verbally, over the telephone or using other common forms of communication; there should be a period of at least three days between an invitation and the meeting date.
- (3) Agenda items must be sent out with notices convening meetings.

## **Section 12 Resolutions**

- (1) Supervisory Board resolutions shall generally be passed in meetings.
- (2) Resolutions in writing, over the telephone, by e-mail or using other common forms of communication as well as by video conference shall be permissible if the Chairman of the Supervisory Board, or, in the event of his/her incapacitation, his/her substitute, stipulate this in an individual case and none of the other members of the Supervisory Board object to this. A combination of the above-mentioned forms of communication shall also be permissible in this case. The provisions regarding the convening of Supervisory Board meetings pursuant to Section 11 (2) shall apply in terms of the deadline for casting votes.
- (3) The Supervisory Board shall have a quorum if all members are invited and at least three members are involved in passing resolutions. Members shall also be able to take part in the passing of resolutions even if they abstain from voting.
- (4) Absent members of the Supervisory Board may take part in the passing of Supervisory Board resolutions by forwarding written votes to other members of the Supervisory Board.

- (5) Unless required otherwise by law, Supervisory Board resolutions shall be passed with a simple majority of the votes cast. This shall also apply to elections. Abstentions shall not be considered as votes. In the event of an equal number of votes, the Chairman shall hold the casting vote or, if the Chairman is not involved in a resolution, the Deputy Chairman; this shall also apply to elections.
- (6) The Chairman of the Supervisory Board is authorised on behalf of the Supervisory Board to submit and receive the declarations of intent required in order to implement Supervisory Board resolutions.
- (7) Copies shall be made and kept on file of the minutes of meetings and resolutions passed by the Supervisory Board. These must be signed immediately by the Chairman of the meeting or in the case of resolutions passed outside meetings by the person in charge of voting and all members.

### **Section 13**

#### **Rules of procedure**

The Supervisory Board shall define its own rules of procedure within the framework of the law and Articles of Association.

### **Section 14**

#### **Remuneration**

- (1) The Supervisory Board shall receive a fixed monthly remuneration for its activities; the amount shall be set on an annual basis at the General Meeting. The Supervisory Board shall decide how to distribute this remuneration among its individual members.
- (2) Supervisory Board members who have not been on the Supervisory Board for a full financial year shall be paid on a pro rata basis for the duration of their membership of the Supervisory Board.
- (3) The Company shall pay members of the Supervisory Board their expenses and the VAT payable on their remuneration.

**Section 15**  
**Changes to the Articles of Association**

The Supervisory Board is authorised to adopt resolutions on amendments to the Articles of Association, only in relation to their wording.

**V.**  
**General Meeting**

**Section 16**  
**Ordinary General Meeting**

- (1) The General Meeting shall be held at the Company's registered office, in another German city with at least 100,000 residents or at the registered office of a German stock exchange.
- (2) The General Meeting, which decides on the appropriation of profit, formally approves the actions of the members of the Board of Managing Directors and the Supervisory Board, the appointment of the auditors and – in the cases prescribed by law, – on the approval of the annual financial statements (Ordinary General Meeting), shall take place within the first eight months of each financial year.

**Section 17**  
**Convening the General Meeting, right to attend the General Meeting and to exercise voting rights**

- (1) The General Meeting shall be convened by the Board of Managing Directors or, in the cases prescribed by law, by the Supervisory Board.
- (2) The General Meeting shall be convened at least thirty days prior to the date of the meeting via an announcement in the German Federal Gazette, unless a shorter period is permitted by law (notice period). The day on which the notice

to convene is sent out shall not be included in this calculation. Notice periods shall be extended by the days of the registration period according to Section 17 (4).

- (3) Shareholders wishing to attend the General Meeting and exercise their voting rights must register for the General Meeting and provide proof of their right to do so.
- (4) The Company must receive registrations at the address indicated in the notice to convene in written or electronic form (Section 126b BGB) in German or English at least six days before the General Meeting (last registration date). When calculating the registration period, neither the day of receipt nor the day of the General Meeting shall be included. The Board of Managing Directors or the Supervisory Board, where a General Meeting is convened by the Supervisory Board, is authorised to define a shorter period in the notice to convene to be measured in days. Sections 187 to 193 BGB shall not apply accordingly.
- (5) Shareholders shall prove their right to attend a General Meeting using a shareholding certificate issued by their custodian bank in written or electronic form (Section 126b BGB) in German or English and based on the start of the 21st day prior to the meeting; this certificate must be received by the Company at least six days prior to the meeting at the address provided for this purpose in the notice to convene. The day of receipt shall not be included in this calculation. The Board of Managing Directors is authorised to shorten this deadline in the notice to convene.
- (6) If shareholders fail to arrange for their shares to be held in a deposit account managed by a bank or financial services provider, proof of their shareholding can also be issued pursuant to Section 17 (5) of the Articles of Association by the Company as well as notaries, collective security depositary banks or banks or financial services providers based in the European Union; Section 17 (5) of the Articles of Association shall apply to this special proof of shareholding accordingly. The Company shall be entitled to request further suitable substantiation in the event of doubt concerning the accuracy or authenticity of proof. If such substantiation is not provided, is not provided in due time or not

in a relevant format, the Company may refuse to allow the shareholder to attend.

- (7) The Board of Managing Directors is authorised with the approval of the Supervisory Board to stipulate that shareholders may also attend the General Meeting without being physically present and without using a proxy, and that they may exercise all or individual rights, either in full or in part, using electronic communication (online attendance). The Board of Managing Directors is also authorised at the same time to impose conditions regarding the scope and method of attendance and the exercise of rights according to this paragraph 7 (1). Any use of this procedure and the conditions imposed in this regard must be announced in the notice to convene the General Meeting.
- (8) The Board of Managing Directors is authorised with the approval of the Supervisory Board to stipulate that shareholders may also cast their votes in writing or using electronic communication without attending a General Meeting (postal vote). The Board of Managing Directors is also authorised at the same time to impose conditions on the procedure according to this paragraph 8 (1). Any use of this procedure and the conditions imposed in this regard must be announced in the notice to convene the General Meeting.
- (9) Notices by the Company to shareholders according to Section 125 (2) AktG shall, where required, be sent solely using electronic communication insofar as legally permissible. The Board of Managing Directors shall be entitled to also send notices in hard copy format. However, there shall be no entitlement to receive hard copies.
- (10) Insofar as legally permissible, Company notices according to Sections 125 (1), 128 (1) AktG by banks that hold bearer shares in custody for shareholders on the 21st day prior to the General Meeting shall be sent solely using electronic communication. The Board of Managing Directors shall be entitled to also send notices in hard copy format. However, there shall be no entitlement to receive hard copies.

- (11) Insofar as share certificates are not issued, the conditions under which the shareholders are permitted to attend the General Meeting and exercise their right to vote must be made clear in the notice convening the General Meeting.

### **Section 18**

#### **Right to vote**

- (1) Each ordinary share shall entitle the holder to one vote at the General Meeting.
- (2) The right to vote shall begin upon full payment of the capital contribution.
- (3) Voting rights may be exercised by a proxy. The delegation of authority, its revocation and proof of authorisation to the Company must be in written or electronic form (Section 126b BGB). A relaxation may be defined in the notice convening the General Meeting. Section 135 AktG shall remain unaffected. The individual details of a granting of proxy, its revocation and proof of authorisation to the Company shall be published in the Company's designated publications together with the notice convening the General Meeting.

### **Section 19**

#### **Chairman of the General Meeting and right on the part of shareholders to speak and ask questions**

- (1) The General Meeting shall be chaired by the Chairman of the Supervisory Board or by a member of the Supervisory Board to be appointed by the Supervisory Board. If no member of the Supervisory Board takes the chair, the Supervisory Board shall elect the Chairman of the General Meeting. Individuals, who are neither shareholders nor a member of the Supervisory Board, nor belong to the Company in another capacity shall be eligible.
- (2) The Chairman shall conduct the proceedings and determine the order in which the agenda items are completed. The Chairman shall also stipulate how voting rights are exercised and the nature and procedure for voting.

- (3) The Chairman may limit the right on the part of shareholders to speak and ask questions to a reasonable period; the Chairman shall be authorised in particular at the start of the General Meeting or during the course of the meeting to stipulate a time frame for proceedings and discussions on individual agenda items as well as individual contributions or questions.

## **Section 20**

### **Resolutions**

General Meeting resolutions shall be adopted by a simple majority of the votes cast and, if a capital majority is required, by a simple majority of the share capital represented, unless stipulated otherwise by law or the Articles of Association. The requirement for a simple majority shall also apply – insofar as legally permissible – to amendments to the Articles of Association and capital measures.

## **Section 21**

### **Audio and video feeds**

With the approval of the Chairman of the meeting, the Board of Managing Directors may decide that audio and video feeds shall be available for all or part of the General Meeting. The decision to make feeds available, their scope and format must be published with the notice convening the General Meeting.

## **VI.**

### **Accounting and appropriation of profit**

## **Section 22**

### **Annual financial statements**

- (1) The Board of Managing Directors is obliged to prepare the balance sheet, profit and loss account and the notes (financial statements) as well as, insofar as prescribed by law, the management report for the previous financial year, and to present these to the Supervisory Board with a recommendation for the appropriation of profit as well as the auditors.

- (2) The Supervisory Board shall check the annual financial statements, the management report (insofar as prescribed by law) and the recommendation for the appropriation of profit and advise the General Meeting in writing of the result of this check. It shall forward its report to the Board of Managing Directors within one month of receiving the relevant documentation. The Supervisory Board must state at the end of the report whether or not it approves the annual financial statements prepared by the Board of Managing Directors. If it approves the annual financial statements following a check, these shall be adopted unless the Board of Managing Directors and the Supervisory Board decide to entrust the adoption of the annual financial statements to the General Meeting.

### **Section 23**

#### **Reserves**

- (1) If the Board of Managing Directors and the Supervisory Board adopt the annual financial statements, they may allocate amounts up to half the annual net profit to other revenue reserves; moreover, they shall be authorised to allocate other amounts up to one quarter of the annual net profit to other revenue reserves if and insofar as the other revenue reserves do not exceed half the share capital and would not exceed it even after allocation.
- (2) If the General Meeting adopts the annual financial statements, amounts up to half the annual net profit may be allocated to other revenue reserves.
- (3) When calculating the part of the annual net profit to be allocated to other revenue reserves pursuant to paragraph 1 or 2, allocations to the statutory reserve and loss carry-forwards must be deducted beforehand.

**Section 24**  
**Appropriation of profit**

- (1) The General Meeting shall decide on the appropriation of profit arising from the approved annual financial statements. It may also decide on an alternative appropriation other than provided in Section 58 (3) (1) AktG.
- (2) In addition to or instead of a cash payment, the General Meeting may also decide to disburse assets if the assets to be disbursed are those traded on a market in accordance with Section 3 (2) AktG.
- (3) In a resolution to increase the capital, the distribution of earnings from new shares may be determined other than as defined in Section 60 (2) AktG.
- (4) At the end of a financial year, with the approval of the Supervisory Board, the Board of Managing Directors may pay an interim dividend to shareholders within the framework of Section 59 AktG.

**VII.**  
**Other**

**Section 25**  
**Formation expenses**

(Section 18 and Section 12 (2) respectively of previous Articles of Association)

The Company shall bear the costs incurred by the reorganisation, including the new formation and issuance of shares, which are estimated at EUR 15,000.'

**[END OF NEW WORDING OF THE ARTICLES OF ASSOCIATION]**

**8. Resolution on the revocation of Authorised Capital 2016 pursuant to Section 4 (2) of the Articles of Association, the creation of new Authorised Capital 2018 against cash and/or non-cash contributions with the authorisation to exclude subscription rights and a corresponding amendment to the Articles of Association**

According to Section 4 (2) of the current Articles of Association, the Company's Board of Managing Directors is authorised until 23rd August 2021 to increase the Company's share capital on one or more occasions with the approval of the Supervisory Board up to a total of EUR 243,546.00 by issuing up to 243,546 new no-par value bearer shares (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00, against cash or non-cash contributions ('**Authorised Capital 2016**'). To ensure the Company is sufficiently flexible in the coming years to react quickly to market conditions and able to raise its equity capital if required, Authorised Capital 2016 should be revoked, a decision taken on new Authorised Capital and the Articles of Association amended accordingly. Authorised Capital 2018 should enable the Company's Board of Managing Directors to increase the share capital by up to 50% of the current share capital by 20th August 2023 by issuing up to 3,105,211 new no-par value ordinary bearer shares ('**Authorised Capital 2018**').

The Board of Managing Directors and the Supervisory Board therefore propose the following resolutions:

**'a) Revocation of Authorised Capital 2016**

Authorised Capital 2016 pursuant to Section 4 (2) of the current Articles of Association shall be revoked with effect from the date on which the resolutions on Authorised Capital 2018 pursuant to agenda item 8 b) and the amendment of the Articles of Association pursuant to agenda item 8 c) (entry of Authorised Capital 2018) are adopted by the General Meeting assuming use has not been made of Authorised Capital 2016 at the time this revocation takes effect.

## b) Creation of new Authorised Capital 2018

The Board of Managing Directors is authorised until 20th August 2023 with the approval of the Supervisory Board to increase the Company's share capital on one or more occasions up to a total of EUR 3,105,211,00 by issuing a total of 3,105,211 new no-par value bearer shares (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00 against cash or non-cash contributions ('**Authorised Capital 2018**'). Ordinary shares and/or non-voting preferential shares may be issued. The new shares can also be acquired by one or more banks stipulated by the Board of Managing Directors or a company which operates according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG with the obligation to offer these to the shareholders ('**indirect subscription right**'). The Board of Managing Directors is authorised, with approval of the Supervisory Board, to exclude the subscription rights of shareholders, particularly in the following cases:

- for capital increases against contributions in kind for the granting of shares for acquiring companies, parts of companies or participating interests in companies, or to acquire other contributions in kind. The proportionate amount of share capital attributable to shares issued excluding shareholders' subscription rights against contributions in kind may not exceed a total of 20% of the Company's share capital on the date of the General Meeting resolution; this maximum percentage is reduced by the proportionate amount of share capital attributable to shares that were issued excluding subscription rights against contributions in kind during the term of this authorisation based on other authorisations;
- to exclude fractional amounts from the subscription right;
- if the capital increase is made against cash contributions and the total proportionate amount of the share capital which would be due for the new shares for which subscription rights are excluded does not exceed EUR 621,042.00, or, should this amount be lower, a total of 10% of the Company's share capital existing on the date the authorisation was exercised, and the issuing amount of the new shares is not substantially lower than the stock market price of the already listed shares of the Company of the same class and with the same rights on the date on which the issuing amount is finally set by the Board of Managing Directors in accordance with Sections 203 (1) and (2), 186 (3) (4) AktG. This maximum percentage threshold is reduced by the proportionate amount of the share

capital which is due to shares that were issued excluding subscription rights during the term of this authorisation based on other authorisations pursuant to or in line with Section 186 (3) (4) AktG;

- to the extent necessary to grant the holders of convertible bonds, convertible participation rights or options a subscription right of the same extent that they are due as a shareholder after exercising the conversion privilege and/or option right;
- for distribution of shares to members of the Board of Managing Directors, executive management bodies of companies affiliated to the Company in accordance with Section 15 AktG, executives of the Company and/or affiliated companies, or employees of the Company and/or its affiliated companies under employee profit-sharing schemes. A capital increase excluding subscription rights to implement employee profit-sharing schemes may only be performed up to a total of 10% of the share capital in existence when the new shares are issued. Where shares are to be given to members of the Board of Managing Directors, this shall be the sole responsibility of the Company's Supervisory Board;
- to fulfil a greenshoe option agreed with issuing banks for the issue of the Company's shares.

The total amount of shares issued excluding subscription rights against cash and non-cash contributions may not exceed 20% of the share capital on the effective date or – if this value is lower – at the time of exercising this authorisation. To be offset against the aforementioned maximum limit of 20% of the sum of all subscription right exclusions are shares that have been issued or may still be issued to service option or conversion rights or to fulfil conversion obligations from option or convertible bonds, provided the debt securities are issued excluding subscription rights during the term of this authorisation in corresponding application of Section 186 (3) (4) AktG. Furthermore, shares that are issued under exclusion of subscription rights during the term of this authorisation based on an authorisation to use treasury shares pursuant to Sections 71 (1) (8) (5), 186 (3)(4) AktG should also be offset against the stated limit. Lastly, shares issued or sold during the term of this authorisation until the time of their utilisation in direct or corresponding application of Section 186 (3) (4) AktG should also be offset.

The Board of Managing Directors is authorised with the approval of the Supervisory Board to determine further details and conditions for performing capital increases from Authorised Capital and issuing shares.

The Supervisory Board is authorised to change the wording of the Articles of Association in line with the corresponding use of the Authorised Capital or after the authorisation period has expired.

### **c) New version of the Articles of Association**

The Articles of Association shall be amended in accordance with the resolutions worded under a) and b) and Authorised Capital 2018 included in the Articles of Association. Section 4 (2) of the Articles of Association shall be reworded as follows in the new version of the Articles of Association to be passed pursuant to agenda item 7 or, if agenda item 7 does not secure a majority, in the current Articles of Association:

'(2) The Board of Managing Directors is authorised until 20th August 2023, with the approval of the Supervisory Board, to increase the Company's share capital on one or more occasions up to EUR 3,105,211.00 by issuing up to 3,105,211 new no-par value bearer shares (ordinary shares), each with a proportionate interest in the share capital of EUR 1.00 against cash or non-cash contributions ('Authorised Capital 2018'). Ordinary shares and/or non-voting preferential shares may be issued. The new shares can also be acquired by one or more banks stipulated by the Board of Managing Directors or a company which operates according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG with the obligation to offer these to the shareholders ('indirect subscription right'). The Board of Managing Directors is authorised, with approval of the Supervisory Board, to exclude the subscription rights of shareholders, particularly in the following cases:

- for capital increases against contributions in kind for the granting of shares for acquiring companies, parts of companies or participating interests in companies, or to acquire other contributions in kind. The proportionate amount of share capital attributable to shares issued excluding shareholders' subscription rights against contributions in kind may not exceed a total of 20% of the Company's share capital on the date of the General Meeting resolution; this maximum percentage is reduced by the proportionate amount of share capital attributable to shares that were issued excluding subscription rights against contributions in kind during the term of this authorisation based on other authorisations;
- to exclude fractional amounts from the subscription right;

- if the capital increase is made against cash contributions and the total proportionate amount of the share capital which would be due for the new shares for which subscription rights are excluded does not exceed EUR 621,042.00, or, should this amount be lower, a total of 10% of the Company's share capital existing on the date the authorisation was exercised, and the issuing amount of the new shares is not substantially lower than the stock market price of the already listed shares of the Company of the same class and with the same rights on the date on which the issuing amount is finally set by the Board of Managing Directors in accordance with Sections 203 (1) and (2), 186 (3) (4) AktG. This maximum percentage threshold is reduced by the proportionate amount of the share capital which is due to shares that were issued excluding subscription rights during the term of this authorisation based on other authorisations pursuant to or in line with Section 186 (3) (4) AktG;
- to the extent necessary to grant the holders of convertible bonds, convertible participation rights or options a subscription right of the same extent that they are due as a shareholder after exercising the conversion privilege and/or option right;
- for distribution of shares to members of the Board of Managing Directors, executive management bodies of companies affiliated to the Company in accordance with Section 15 AktG, executives of the Company and/or affiliated companies, or employees of the Company and/or its affiliated companies under employee profit-sharing schemes. A capital increase excluding subscription rights to implement employee profit-sharing schemes may only be performed up to a total of 10% of the share capital in existence when the new shares are issued. Where shares are to be given to members of the Board of Managing Directors, this shall be the sole responsibility of the Company's Supervisory Board;
- to fulfil a greenshoe option agreed with issuing banks for the issue of the Company's shares.

The total amount of shares issued excluding subscription rights against cash and non-cash contributions may not exceed 20% of the share capital on the effective date or – if this value is lower – at the time of exercising this authorisation. To be offset against the aforementioned maximum limit of 20% of the sum of all subscription right exclusions are shares that have been issued or may still be issued to service option or conversion rights or to fulfil conversion obligations from option or convertible bonds, provided the debt securities are issued excluding subscription rights during the term of this

authorisation in corresponding application of Section 186 (3) (4) AktG. Furthermore, shares that are issued under exclusion of subscription rights during the term of this authorisation based on an authorisation to use treasury shares pursuant to Sections 71 (1) (8) (5), 186 (3)(4) AktG should also be offset against the stated limit. Lastly, shares issued or sold during the term of this authorisation until the time of their utilisation in direct or corresponding application of Section 186 (3) (4) AktG should also be offset.

The Board of Managing Directors is authorised, with the approval of the Supervisory Board, to define the further details and terms of the capital increases from Authorised Capital and the share issue.

The Supervisory Board is authorised to change the wording of the Articles of Association in line with the corresponding use of Authorised Capital or after the authorisation period has expired.'

## **II. Notices and reports to the General Meeting**

### **1. Report of the Board of Managing Directors pursuant to Article 186 (4)(2) on agenda item 6 - exclusion of subscription rights for fractional amounts**

The Board of Managing Directors has produced a written report on agenda item 6 pursuant to Section 186 (4) (2) AktG. The wording of this report is reproduced below and will be available from the date on which the General Meeting is convened at <https://www.varengold.de> in the section 'About us', 'Investor Relations', 'Financial Diary and General Meeting', and will also be made available at the Company's General Meeting.

The draft resolution for agenda item 6 stipulates that the shareholders shall be granted an indirect subscription right. Subscription rights may be excluded only to compensate for fractional amounts. This authorisation to exclude fractional amounts from subscription rights is designed to ensure that a viable subscription ratio can be presented in view of the non-rounded current share capital amount. Without the exclusion of subscription rights for fractional amounts, technical implementation of the capital increase would be significantly more difficult. The new shares excluded from

the shareholders' subscription rights as free fractions will be sold either on the stock market or realised otherwise in the manner most beneficial for the Company.

The Company has made arrangements that the authorisation to exclude subscription rights for fractional amounts will not have to be exercised and an agreement has been reached with existing shareholders that they will make the missing share available to Company shareholders waiving their own subscription right. Only one share would be affected by the exclusion from subscription rights. The potential dilution effect is therefore extremely low based on the volume of the capital increase. As a result, the Board of Managing Directors and the Supervisory Board believe that on these grounds excluding subscription rights is properly justified and reasonable.

## **2. Report by the Board of Managing Directors pursuant to Sections 186 (4) 2), 203 (1) and (2) AktG on agenda item 8**

The Board of Managing Directors has produced a written report on agenda item 8 pursuant to Section 203 (2) (2) AktG in conjunction with Section 186 (4) (2) AktG. The wording of this report is reproduced below and will be available from the date on which the General Meeting is convened at <https://www.varengold.de> in the section 'About us', 'Investor Relations', 'Financial Diary and General Meeting', and will also be made available at the Company's General Meeting.

Regarding agenda item 8 of the Ordinary General Meeting of the Company to be held on 21st August 2018, the Board of Managing Directors and Supervisory Board propose that provided it has not been used at the time of this revocation, Authorised Capital ('**Authorised Capital 2016**') previously regulated in Section 4 (2) of the Articles of Association be revoked and replaced with new Authorised Capital relating to 50% of the Company's current share capital with a term until 20th August 2023 ('**Authorised Capital 2018**'). Authorised Capital should enable the Company to act rapidly and flexibly, without having to wait for the Annual General Meeting or an Extraordinary General Meeting. Having financing instruments available without being dependent on the schedule for annual Ordinary General Meetings is particularly important, as the date on which the corresponding funds have to be procured cannot always be determined in advance. In addition, when competing with other companies, transactions can often only be performed successfully if secured financing instruments

are already available on the date negotiations commence. Legislators have taken the corresponding requirements for companies into consideration and given German public limited companies the option to authorise their management to increase the share capital for a temporary period and by a limited amount without requiring an additional resolution by the General Meeting (2.1). As a rule, shareholders have to be granted subscription rights when Authorised Capital is used. However, the Company should be given the option to exclude shareholders' subscription rights when issuing new shares under certain conditions (2.2). In detail:

## **2.1 Creation of new Authorised Capital**

The existing Authorised Capital shall be replenished so that in future Authorised Capital will once again be available to the full extent permitted by law. Since decisions on the coverage of capital requirements or the exercise of a strategic option generally have to be taken at short notice, it is crucial that the Company is able to act in these cases without delay and with maximum flexibility.

The Board of Managing Directors believes that the Company should fully exploit the options granted under the law in relation to Authorised Capital and create new Authorised Capital 2018. The term of Authorised Capital 2018 shall therefore be extended in comparison to the existing authorisation by approx. two years, while the statutory framework of up to 50% of the current share capital will be used in the creation of the new Authorised Capital 2018. Authorised Capital 2018 of up to EUR 3,105,211.00 and a term through to 20th August 2023 will enable the Company to react rapidly, comprehensively and flexibly within the statutory framework to changing market conditions or any transaction opportunities that may present themselves as well as to any financing requirements. This objective is further served by the clarifying provision that one or more banks or companies which operate according to Section 53 (1) (1) or Section 53b (1) (1) or (7) KWG may take over the capital increase with the obligation to offer this to shareholders ('**indirect subscription right**').

## **2.2 Exclusion of subscription rights within the framework of Authorised Capital 2018**

For the reasons given below, the Board of Managing Directors believes that the exclusion of subscription rights is in the Company's interests, even bearing in mind the potential dilution effect.

### **a) Exclusion of subscription rights for capital increases against non-cash contributions**

The option to exclude subscription rights for (also indirectly) acquiring companies, parts of companies or participating interests in companies or to acquire other property, plant and equipment should help allow such transactions to be performed in a manner that protects liquidity. The Company faces strong competition and has to be able to respond rapidly and flexibly to changes on the market in the interests of both the Company and its shareholders. This also includes the opportunity to acquire companies, parts of companies or participating interests and also to acquire strategic and other investors. In individual cases, the Company must be able to rapidly acquire a company, part of a company, a participating interest or another asset or an investor in the interests of both the Company and its investors. It is not unusual for attractive acquisition opportunities to materialise only if the Company is able to offer shares with voting rights in return. To exploit such opportunities, the Company must be able to offer shares in return in a swift manner. The proposed authorisation to exclude subscription rights should provide the Company with the requisite ability to act to exploit opportunities that present themselves for such transactions quickly and flexibly. Although an exclusion of subscription rights would reduce the proportionate shareholding and the proportionate share of voting rights of the previous shareholders, on granting a subscription right to the shareholders, the actual purpose of being able to respond quickly and flexibly might not be achieved. Only a proportionate amount of the share capital, not exceeding 20% of the current share capital, may apply to shares which are issued excluding shareholders' subscription rights against non-cash contributions. Shares that were issued against non-cash contributions excluding subscription rights during the term of this authorisation based on other authorisations, will be offset against this maximum threshold.

At present, there are no specific acquisition plans that would require this authorisation to be exercised. If opportunities to acquire companies, parts of companies or

participating interests or to acquire major investors should present themselves, the Board of Managing Directors will carefully review whether it will exercise its authorisation to increase capital for this purpose. It will only use such an opportunity if conducting such a transaction, in particular the issue of new shares while excluding subscription rights, is in the Company's best interests. The Supervisory Board will only issue the requisite approval if these conditions have been met.

#### **b) Exclusion of subscription rights for capital increases against cash contributions**

Furthermore, it should be possible to exclude subscription rights for Authorised Capital if the conditions set out in Section 186 (3) (4) AktG have been met. This shall be the case in particular if the capital increase does not exceed a total volume of 10% of the share capital and the issuing amount for the new shares is not significantly lower than the stock market price. This opportunity to exclude subscription rights should enable the Board of Managing Directors and Supervisory Board to use favourable conditions on the capital markets in the short term to strengthen the Company's equity capital. Experience has shown that because of quicker opportunities for action, such capital increases lead to a higher inflow of funds than a comparable capital increase with subscription rights for shareholders and also enable the Company to attract new groups of shareholders in Germany and abroad. When exercising its authorisation, the Board of Managing Directors will calculate the discount as low as possible considering the market situation prevailing at the time of the placement. The deviation from the stock market price at the time of utilising Authorised Capital 2018 shall under no circumstances exceed 5% of the market price prevailing at that time.

The scope of a cash capital increase under exclusion of shareholder subscription rights pursuant to Sections 203 (2) in conjunction with Section 186 (3) (4) AktG shall also be limited to 10% of the share capital at the time of the authorisation taking effect or, where this amount is lower, when the authorisation to exclude subscription rights is exercised. The proposed resolution stipulates in this case that shares that are issued or sold excluding subscription rights during the term of this authorisation in direct or corresponding application of Section 186 (3) (4) AktG should be offset against this 10% limit. Also offset against this limit of 10% shall be such shares that are issued and/or may or need to be issued to service debt securities with option or conversion rights and/or conversion or option obligations, provided the debt securities are issued excluding

subscription rights after this authorisation has come into effect in corresponding application of Section 186 (3) (4) AktG.

This offsetting mechanism takes the need to protect shareholders against the dilution of their interests into account in accordance with the provision in Section 203 (2) in conjunction with Section 186 (3) (4) AktG, in that their shareholding is preserved as far as possible, even in the case of a combination of capital measures and the sale of treasury shares and/or the issue of debt securities. As the issue price for the new shares issued under simplified exclusion of subscription rights must be aligned with the market price and the authorisation only has a limited scope, the shareholders shall also have the option to maintain their relative shareholding and their relative share of voting rights by purchasing shares on the stock market. This therefore ensures that in accordance with the legal assessment in Section 186 (3) (4) AktG, both asset-related and voting interests will be appropriately protected in the event of utilisation of Authorised Capital excluding subscription rights, while the Company is given additional room for manoeuvre in the interests of all shareholders.

### **c) Exclusion of subscription rights for convertible bonds, convertible participation rights or option rights**

In addition, provision is also made to allow the Board of Managing Directors to exclude shareholder subscription rights with the approval of the Supervisory Board when granting subscription rights to the holders of convertible bonds, convertible participation rights or options. This exclusion of subscription rights may be necessary to structure the terms and conditions of convertible bonds, convertible participation rights or options when issuing convertible bonds, convertible participation rights or options so these are accepted by the capital markets. For example, the relevant terms and conditions for issuing debt securities generally provide protection against dilution to make it easier to place them on the capital market. One way of protecting against dilution is to grant holders of debt securities with conversion or option rights or conversion or option obligations the right to subscribe to new shares as part of a share issue where the shareholders have subscription rights.

In this way, they will be treated as if they had already exercised their option or conversion right and/or their conversion or options obligations had already been

fulfilled. Since in this case protection against dilution does not need to be guaranteed by reducing the option and/or conversion price, a higher issue price can be achieved for the shares to be issued upon conversion or exercise of the option. However, this approach is only possible if shareholder subscription rights are excluded. As the placement of bonds with conversion or option rights and/or conversion or option obligations is made easier when granting appropriate protection against dilution, the exclusion of subscription rights serves the interest of the shareholders in an optimum financial structure of their company.

#### **d) Exclusion of subscription rights for employee profit-sharing schemes**

Finally, it should also be possible to use Authorised Capital excluding subscription rights to generate shares to service employee profit-sharing schemes. This should increase the Company's flexibility, in particular to be able to attract highly qualified senior staff in the short term and in order to be able to reward and retain valuable top performers in the long term. In this case, the scope of a capital increase from Authorised Capital excluding subscription rights to service employee profit-sharing schemes shall be restricted to 10% of the existing share capital.

#### **e) Exclusion of subscription rights for fractional amounts**

Furthermore, subscription rights shall be excluded to compensate for fractional amounts. The potential dilutive effect is low due to the restriction to fractional amounts. The authorisation to exclude fractional amounts from subscription rights is designed to ensure that a viable subscription ratio can be presented in view of the amount of the respective capital increase. Without the exclusion of subscription rights for fractional amounts, the technical implementation of the capital increase would be significantly more difficult, especially in the case of a capital increase in rounded amounts. The new shares excluded from the shareholders' subscription rights as free fractions will be sold either on the stock market or realised otherwise in the manner most beneficial for the Company. As a result, the Board of Managing Directors and the Supervisory Board believe that on these grounds excluding subscription rights is properly justified and reasonable.

## **f) Exclusion of subscription rights in the case of cash capital increases with greenshoe option**

Finally, an exclusion of subscription rights shall also be permitted to fulfil a greenshoe option agreed with issuing banks for the issue of shares as part of a cash capital increase. A capital increase against cash contributions allows the Company's capital requirements to be covered in an easy and flexible manner, which is particularly important given the growing requirements imposed on German banks. Greenshoe is an over-allotment option that is used when issuing Company shares to precisely determine placement volume and stabilise price. Here, the issuing banks not only assign the planned placement volume, but also a certain number of additional shares made available in a different manner (typically up to 15% of the actual planned placement volume). In the case of shares with a narrow market, there may initially be significant price fluctuations following share issues as stable market equilibrium has yet to be established. This can result in pressure to sell which is not desirable from the perspective of the Company and the shareholders.

As a result, it is useful for the issuing bank(s) to introduce price stabilising measures. Issuing banks can purchase shares on the market to cushion any fall in price occurring directly after placement. About such stabilisation measures, other Company shares may also be allotted to investors by the issuing banks in addition to the new shares offered as part of the offering ('**Over-allotment**'). To cover this over-allotment, shares from the holdings of existing shareholders will be made available to the issuing banks through securities loans. If there is no buy-back of shares on the market by the issuing banks, the cash capital increase from Authorised Capital excluding subscription rights will be used to enable the issuing bank(s) to fulfil their reassignment obligation arising from the securities loans, either in full or in part. The number of shares required for this purpose cannot generally be acquired in a similarly cost-effective manner elsewhere. As a result, covering purchases on the market at higher prices and the resulting losses can be avoided.

Consequently, a greenshoe over-allotment option enables better exploitation of market potential regarding pricing. Given that this provides investors with a certain degree of security regarding price development in their own interests, they are often willing to pay a higher subscription price. Thanks to this stabilisation, the over-allotment

option also leads to an increase in revenue generated from the issue and is consequently in the interests of both the Company and the shareholders. This exclusion of subscription rights is therefore deemed appropriate and necessary to fulfil the purpose in question and must also be regarded as appropriate when weighing up the interests of the Company against the interests of the shareholders.

It has not yet been possible to provide details of the respective issue amounts. These shall be set at an appropriate level by the Board of Managing Directors with the approval of the Supervisory Board, considering the interests of the Company and shareholders and the respective purpose when exercising authorisation.

#### **g) Restriction of the overall volume of capital increases without subscription rights**

The total amount of shares issued excluding subscription rights against cash and non-cash contributions may not exceed 20% of the share capital on the effective date or – if this value is lower – at the time of exercising this authorisation. To be offset against the aforementioned maximum limit of 20% of the sum of all subscription right exclusions are shares that have been issued or may still be issued to service option or conversion rights or to fulfil conversion obligations from option or convertible bonds, provided the debt securities are issued excluding subscription rights during the term of this authorisation in corresponding application of Section 186 (3) (4) AktG. Furthermore, shares that are issued excluding subscription rights during the term of this authorisation based on an authorisation to use treasury shares in accordance with Section 71 (1) (8) (5), Section 186 (3) (4) AktG should also be offset against the stated limits. Lastly, shares issued or sold during the term of this authorisation until the time of their utilisation in direct or corresponding application of Section 186 (3) (4) AktG should also be offset.

This further restriction is in the interest of shareholders who ideally wish to maintain their shareholding in the event of capital measures.

Given the circumstances set out above, and considering both the Company's and the shareholders' interests, the Board of Managing Directors and the Supervisory Board believe that excluding subscription rights in these cases is justified and reasonable. Corresponding global authorisations with the option to exclude subscription rights are standard practice both in Germany and abroad.

## **2.3 Report by the Board of Managing Directors on the use of Authorised Capital 2018**

The Board of Managing Directors shall inform the shareholders of any use of Authorised Capital 2018 in each case at the following Ordinary General Meeting. At present, there are no specific plans that would require this authorisation to be exercised. The Board of Managing Directors shall examine carefully in each case whether exercising its authorisation to issue new shares and, where appropriate, to exclude subscription rights is in the interest of the Company and its shareholders. It will only do so, and the Supervisory Board will only give its approval if, after due examination from the perspective of the executive bodies, this is in the best interests of the Company and its shareholders.

### **III. Availability of documents**

The documents to be made available to the shareholders can be examined by shareholders from the date on which the General Meeting is convened at the Company's premises at Große Elbstraße 14, 22767 Hamburg, Germany, on working days (Monday – Friday) between 9 am and 5 pm. Where stipulated by law, these documents shall be available at the General Meeting and copies shall be sent immediately, free of charge, to each shareholder by the Company upon a request to this effect.

The contact address for this purpose is as follows:

Varengold Bank AG  
Grosse Elbstrasse 14  
22767 Hamburg, Germany  
Fax: +49 (40) 66 86 49 49  
E-mail: [info@varengold.de](mailto:info@varengold.de)

## IV. Conditions of attendance

### 1. Attendance at the General Meeting and exercise of voting rights

Only shareholders who have registered for the General Meeting in good time and provided proof of their shareholding shall be entitled to attend the General Meeting, exercise voting rights and table motions. Registration must be in written (Section 126 BGB) or electronic form (Section 126b BGB) in German or English. Shareholders prove their authorisation to attend a General Meeting using a shareholding certificate issued by their custodian bank in written or electronic form (Section 126b BGB) in German or English and based on the start of the 21st day prior to the General Meeting, i.e. **Tuesday 31st July 2018, 0:00 a.m. (CEST)** Registrations and shareholding certificates must be received at the following address by **midnight (CEST) on Tuesday 14th August 2018** at the latest:

Varengold Bank AG  
c/o UBJ GmbH  
Varengold Bank 2018 Ordinary General Meeting  
Kapstadtring 10  
22297 Hamburg, Germany  
Fax: +49 (40) 6378 5423  
Email: hv@ubj.de

### 2. Proxy

Shareholders who do not attend the General Meeting in person may arrange for their voting right and other rights at the General Meeting to be exercised by an authorised representative by delegating the relevant authority, or by a consortium of shareholders or a bank. In such cases, shareholders must also register for the General Meeting in a timely manner presenting the specific proof of their shareholding. The delegation of authority, its revocation and proof of authorisation to the Company must be in written or electronic form (Section 126b BGB). The delegation of authority may also be revoked by attending the General Meeting in person. If a shareholder authorises more than one person to represent him/her, the Company may reject one

or more of these persons. A proxy voting form can be found on the reverse of the admission ticket.

When appointing a credit institution, a shareholders' association or an equivalent person or institution according to Section 135 of the AktG [German Stock Corporation Act] special issues must be observed. In such cases, shareholders are requested to coordinate with the party to be appointed as proxy in good time to determine the form of proxy that such party may require.

### **3. Proxies appointed by and reporting to the Company**

We offer our shareholders the option to authorise a proxy appointed by and reporting to the Company prior to the General Meeting. Shareholders wishing to authorise a proxy appointed by and reporting to the Company must also register for the General Meeting before the deadline and provide proof of their shareholding. A proxy appointed by and reporting to the Company shall only be available to exercise the shareholder's voting rights, not to exercise other rights. If the proxy appointed by and reporting to the Company is given authorisation, the proxy must be given instructions on how to exercise voting rights in every case. If the proxy appointed by and reporting to the Company is not given individual instructions, the proxy cannot exercise the authorisation given to them. A proxy bound by instructions shall be obliged to vote in line with instructions given. For organisational reasons, such authority and instructions to a proxy appointed by and reporting to the Company, which are not granted or given in the General Meeting must be sent, together with the admission ticket for the General Meeting (a copy is sufficient), to the following address by **Monday 20th August 2018, 2:00 p.m. (CEST)** at the latest:

Varengold Bank AG  
Investor Relations – 2018 General Meeting  
Grosse Elbstrasse 14  
22767 Hamburg, Germany  
Fax: +49 (40) 66 86 49 49  
Email: hv@varengold.de

Alternatively, it is also possible to hand over to a proxy bound by instructions during the General Meeting. Shareholders can download a form for issuing powers of attorney and instructions to the proxy named by the Company and subject to voting instructions online at [www.varengold.de](http://www.varengold.de) under About us -> Investor Relations -> Financial Diary and General Meeting or this can be requested (Mon – Fri) between 9 am and 5 p.m. (CEST) using the phone number (+49) (40) 66 86 49 0.

#### **4. Motions and nominations by shareholders**

Motions from shareholders pursuant to Section 126 AktG or nominations pursuant to Section 127 AktG must be sent exclusively to the following address:

Varengold Bank AG  
Investor Relations – 2018 General Meeting  
Grosse Elbstrasse 14  
22767 Hamburg, Germany  
Fax: +49 (40) 66 86 49 49  
Email: [hv@varengold.de](mailto:hv@varengold.de)

Counter-motions or nominations by shareholders that are received at the above address by **midnight (CEST) on Monday 6th August 2018** at the latest will be made available online at [www.varengold.de](http://www.varengold.de) -> About us -> Investor Relations -> Financial Diary and General Meeting subject to the conditions in Sections 126, 127 AktG. Any management statements can also be found there.

#### **V. Information on data privacy for shareholders**

New data protection regulations will apply across Europe from 25th May 2018 due to entry into force of the European Data Protection Regulation. The privacy of your data and its processing in a legally compliant manner is extremely important to us.

We contract UBJ GmbH, Kapstadtring 10, 22297 Hamburg, Germany to process the personal data provided by you in your application to attend the General Meeting to enable you to exercise your rights at the General Meeting. Detailed information regarding the processing of your personal data is explained clearly in one place in our

new data privacy policy. This can be accessed or downloaded from the Company's website at

<https://www.varengold.de/fileadmin/Downloads/Dokumente/Internet-DSGVO.pdf>.

This invitation has been forwarded for publication to those media where it can be assumed that they will disseminate the information throughout the European Union.

Hamburg, July 2018

**Varengold Bank AG**  
**Board of Managing Directors**