

SPECIAL REPORT OF THE BOARD OF DIRECTORS

PROJECT FOR THE INCREASES OF CAPITAL THROUGH THE INCORPORATION OF LIABILITIES IN THE FINANCIAL STATEMENTS AND THROUGH THE INCORPORATION OF SHARE PREMIUM

This special report is addressed to the Shareholders, its contents being compliant with Belgian Code on Companies and establishments.

1 Proposed transactions

1.1 Contributions in capital

The Board of Directors proposes to the Extraordinary Shareholders' Meeting a Project to increase the Equity Capital with the issue of new shares through the incorporation of the following liabilities in the balance sheet:

- 1) Euro 8.181.569 equal to the “Debt for Shares to be Issued” (“debt equity swap”) related to the conversion which took place in 2017 of the following Convertible Bonds:
 - a. 002-2013 Photonike Special Swap 2017 - € 2.000.000,
 - b. 003-2014 Photonike Special Convertible 2024 – €4,700,000
 - c. 004-2014 Photonike Special Swap 2020 – €1,500,000towards the company FFVentriglia Investment & Finance Ltd for which the converting formula pursuant to articles 6.1.3 "Convertendo" Clause and 6.2 Conversion Rate of the Terms & Conditions of the individual Bonds were applied, as communicated in the 2017 Financial Statements report.
- 2) Euro 61.275.046,82 as part of the available share premium account recorded in the 2021 financial statements, equal to Euro 65.021.496,91, intended for free assignment to shareholders holding ordinary shares on the day following the date of the shareholders' resolution.

1.2 Issuance of new shares related to the debt equity swap

The issuance of the new shares coming from bond conversion operation referred to in point 1), originally scheduled for 2019 and then postponed to 2020, was definitively delayed by the limitations imposed by the COVID pandemic, also thanks to the willingness of the subscriber. The Notes were issued in private placement between 2014 and 2015 for a total of Euro 8,200,000 fully paid up and used for investments in the companies Sandretto Spa and GBM Holding Spa. The assignment of the shares is now necessary both for the request for the subscriber, and because the permanence of the debt on the balance sheet, despite being correct for accounting purposes, does not reflect the real financial situation of the company.

According to the application of 6.1.3 "Convertendo" Clause and 6.2 Conversion Rate of the Terms & Conditions of the individual Bonds and by negotiation with the Noteholders, the share conversion value of the Bonds was calculated as an exception equal to Euro 5.91 per share applied to a total of Euro 8,181,569, for a total of 1,385,250 shares and approved by the subscriber. The new shares will have the identical characteristics of the existing shares, each equally participating into equity and accumulated results from the date of their issuance.

As the face or nominal value of the existing shares is EUR 0,695/share, the share capital of the company will increase with EUR 962.748,75 whilst a share premium is created of EUR 7.218.820,48.

Resulting from above equity swap:

- The share capital of Photonike Capital SA will amount to EUR 12.248.572,09, fully paid up, represented by 17.633.107 ordinary shares, all having equal rights and characteristics. The face or nominal value per share remains unchanged at EUR 0,695/share.
- The share premium will amount to EUR 65.021.497,14.

1.3 Issuance of new share for the conversion of share premium

In addition, the share capital will be strengthened by the incorporation of the share premium account for an amount of EUR 61.275.046,82, with creation of 88.165.535 ordinary new shares issued at the face or nominal value of the existing shares or EUR 0.695 per share.

All existing shareholders (after the debt – equity swap) being treated equal, each shareholder will be allocated 5 new shares in addition to each share held. The new shares have equal rights and characteristics of the existing shares, each equally participating into equity and accumulated results from the date of their issuance.

Resulting from above conversion:

- The share capital of Photonike Capital SA will amount to EUR 73.523.618,91, fully paid-up, represented by 105.798.642 ordinary shares, all having equal rights and characteristics. The face or nominal value per share remains unchanged at EUR 0,695/share.
- The remaining share premium will amount to EUR 3.746.450,32.

2 Proposed transactions are in the interest of the Company

2.1 Broader scope

According to the BP approved in 2021, the company has prepared the plan to obtain the reinsurer license from the Belgian authorities. Together with the investments in insurance companies already in the portfolio, this project allows the company to establish itself as a vertical insurance group in a niche market with important future profitability prospects.

The proposed operations are part of this strategy but entails further immediate benefits for the shareholders with the following purposes:



- a) To adapt the company to the requirements set by the Insurance Code regarding the issue of the Reinsurer license in terms of minimum paid-up Share Capital thresholds.
- b) To distribute to shareholders a portion of the company's available value through the free distribution of new shares.
- c) To allow the transition from the Euronext Access segment, where auction trading is applied, to the Growth Euronext segment which provides for continuous trading. This allows greater trading volumes and liquidity to the stock with an additional advantage for the shareholders.

2.2 Effects on the current financial statements

Thanks to the debt-equity swap, our financial gearing drops, cq. the debt / equity ratio ("solvency") improves significantly.

3 Cost and independent reporting

The implementation of the project involves an estimated cost of approximately 120,000 euros relating to the Euronext fees for registering the new shares traded on the market, at the cost of the financial intermediary Financière d' Uzes in charge of distributing the shares to the shareholders, at the expense of the Auditor and Notary services.

Our statutory auditor will issue a separate reporting in compliance with Belgian Code on Companies and establishments.

Our directors will not earn any compensation on the proposed transactions.

Approved by Board of Directors

Bruxelles , May 16, 2023

Fausto M. Ventriglia
President of BoD