Report of the Management Board on agenda item 7

Pursuant to Section 203 (2) sentence 2 in conjunction with Section 186 (4) sentence 2 AktG, the Management Board hereby submits the following report on item 7 of the agenda with regard to the reasons for the proposed authorization of the Management Board to issue shares excluding the subscription rights of the shareholders subject to the consent of the Supervisory Board.

The Management Board is to be authorized to exclude subscription rights for fractional amounts to enable it to achieve a practicable subscription ratio with regard to the amount of the respective capital increase. This will facilitate the technical aspects of executing the capital increase, especially in the case of round-number capital increases. The new shares created by non-allocable fractional amounts from the exclusion of the shareholders' subscription right are realised in the best possible way for the Company either by sale via the stock exchange or by other means.

It is moreover proposed to authorize the Management Board to exclude the subscription right of the shareholders for increases in the share capital against contributions in kind. This will enable the Management Board in appropriate individual cases to use shares in the Company amongst other things to purchase companies, businesses, parts of businesses or companies, equity interests in companies or other assets. For example, in negotiations it could be expedient or even necessary to offer the payment of consideration in shares and not in cash. The possibility of offering shares in the Company as consideration thus creates an advantage in competing for attractive acquisitions as well as the necessary flexibility to exploit opportunities to acquire companies, businesses, part of business or companies, equity interests in companies or other assets as they arise without thereby adversely impacting the Company's liquidity position. Delivery of shares may also prove sensible in terms of optimum financing structure. This does not put the Company at any disadvantage because the issue of shares against contributions in kind requires the value of the contributions in kind to be reasonably proportionate to the value of the shares. When defining the valuation ratios the Management Board will ensure that the interests of the Company and its shareholders are duly safeguarded and that a reasonable issue price for the new shares is achieved.

Moreover, the Management Board is to be authorized to exclude the subscription right for capital increases against cash contributions if the issue price of the new shares is not significantly lower than their stock market price. The objective of this is to enable the Management Board and the Supervisory Board to place the new shares promptly and at a stock market price, *i.e.* without the discount usually required for subscription rights issues. That means that higher issue proceeds can be achieved, which is in the interests of the Company.

The Management Board is furthermore to be authorized to exclude the subscription right to the extent required to grant to the holders or creditors of warrant-linked bonds or convertible bonds conferring option or conversion rights (hereinafter “Bonds”) a subscription right for new shares. The objective of excluding the subscription right is to put the holders of the Bonds in the position they would be in if they had already exercised their rights or obligations under the Bonds and had already become shareholders. This facilitates placement of the Bonds, thus serving the interests of the shareholders in an optimum financing structure of the Company. To confer such dilution protection for the Bonds, the subscription right of the shareholders must be excluded for these shares. The purpose of such dilution protection is to prevent the possibility of having to reduce the option or conversion price for the Bonds already issued. That ensures a higher cash generation overall.

Furthermore, the Management Board is to be authorized, subject to the exclusion of the subscription right, to fulfill claims of holders of warrant-linked bonds or convertible bonds which are issued by the Company, or by companies dependent on the Company or companies in which the Company holds a majority interest, with shares from the authorized capital.

New shares may also be offered for purchase to employees of the Company and its group companies and to members of the governing bodies of group companies (employee shares). The issue of treasury shares to these persons, usually subject to an appropriate lock-up period of several years, is in the interest of the Company and its shareholders, as it promotes the identification of the beneficiaries with the Company. At the same time, the understanding and willingness to assume greater, especially economic responsibility can be strengthened. The issue of shares also enables long-term incentive arrangements to be made, taking into account both positive and negative developments. The shares are intended to provide an incentive to achieve a sustained increase in value for the Company. In order to be able to issue corresponding employee shares, the subscription rights of shareholders must be excluded. In determining the purchase price to be paid by the beneficiaries, an appropriate discount based on the Company's performance and customary for employee shares may be granted.

New shares may further be used under arrangements that have been or will be agreed with members of the Management Board of the Company as a component of their remuneration for their activities. This also requires the exclusion of shareholders' subscription rights. The details of the remuneration for the members of the Management Board are determined by the Supervisory Board. Variable remuneration components may be granted as an incentive for long-term, sustainable corporate governance, for example by granting part of the variable remuneration in shares instead of cash or in commitments on shares, which may also be subject to a lock-up period. In addition, variable remuneration components can be linked to specific performance targets. The remuneration system for the Management Board approved by the Annual General Meeting 2021 does not provide for the granting of shares to members of the Management Board. However, the authorized capital is to be flexibly structured with regard to possible future changes to the remuneration system by the Supervisory Board. Any such change to the remuneration system would first be submitted to the Annual General Meeting for approval in accordance with the legal requirements.

Finally, the Management Board is to be authorized to exclude shareholders' subscription rights in connection with a so-called scrip dividend. A scrip dividend may be implemented as a genuine subscription rights issue, in particular in compliance with the provisions of Section 186 (1) AktG (minimum subscription period of two weeks) and Section 186 (2) AktG (announcement of the issue amount no later than three days before expiry of the subscription period). Shareholders will only be offered whole shares for subscription; with regard to that part of the dividend entitlement which does not reach (or exceeds) the subscription price for a whole share, shareholders will be referred to the cash dividend and will not be able to subscribe for any shares; an offer of partial rights is not envisaged, nor is the establishment of trading in subscription rights or fractions thereof. As the shareholders receive a cash dividend instead of the subscription of new shares, this appears to be justified and appropriate. In individual cases, depending on the capital market situation, it may be preferable to offer and prepare the granting of a scrip dividend without being bound in this respect by the restrictions of Section 186 (1) AktG (minimum subscription period of two weeks) and Section 186 (2) AktG (announcement of the issue amount no later than three days before expiry of the subscription period). The Management Board shall therefore also be authorized to offer all shareholders entitled to dividends new shares for subscription against contribution of their dividend entitlement in compliance with the general principle of equal treatment (Section 53a AktG), but formally to exclude the subscription rights of shareholders as a whole. The implementation of the scrip dividend with the formal exclusion of subscription rights enables the capital increase to be carried out on more flexible terms. Given that the new shares will be offered to all shareholders and any excess dividend amounts will be settled by payment of a cash dividend, the exclusion of subscription rights also appears justified and appropriate in this respect.

In order to minimize any potential impairment of the interests of existing shareholders, the total amount of the shares that may be issued through use of the authorized capital subject to exclusion of the subscription right, giving due regard to other shares which are sold and/or issued by the Company from an authorized capital by exercising another authorization subject to exclusion of the subscription right after June 1, 2022, or based on rights which are to be issued after June 1, 2022, subject to exclusion of the subscription rights conferring a right or obligation for conversion in or subscription of shares in the Company, is limited to an overall amount of 10% of the share capital. This includes in particular measures in direct or analogous application of Section 186 (3) sentence 4 AktG. In the case of such measures, the legislator considers it reasonable for existing shareholders to maintain their shareholding, if necessary by acquiring shares via the stock exchange. Shares used to serve convertible bonds issued on the basis of the authorization of the Annual General Meeting of the Company on May 24, 2013, under agenda item 6 are not included in the calculation. The reason for this is that subscription rights were already excluded when the convertible bond was issued in 2016. The increase in share capital from conditional capital in the event of conversion rights being exercised is not at the discretion of the Management Board, but arises from a legal obligation under the terms and conditions of the convertible bond. A consideration of these new shares possibly to be issued in the future to fulfill conversion rights would also have the consequence that the Company would not be able to issue or sell shares excluding subscription rights for the entire term of this convertible bond and would thus lead to a massive limitation of its financing possibilities. Finally, consideration does not appear necessary because the shareholders will resolve on the new authorization in the knowledge of the outstanding convertible bond issued in 2016 and can therefore already take the possible future capital increase into account in their decision. The relevant figure for calculating the limit of 10% of the share capital is the share capital at the time this authorization becomes effective. If the share capital is lower at the time this authorization is exercised, this lower figure shall apply. For the issue of employee shares or to members of the Management Board under possible future remuneration arrangements, the volume is limited to 5% of the relevant share capital in order to protect the interests of existing shareholders and prevent possible disincentives in the structuring of remuneration.

In each individual case, the Management Board will carefully examine whether it will exercise the authorization to increase the capital subject to the exclusion of the subscription right of the shareholders, and will do so only if such exercise in its judgment and that of the Supervisory Board is in the interest of the Company and thus also of its shareholders. Exclusion of the subscription right requires the consent of the Supervisory Board in each case. The Management Board will report to the Annual General Meeting on each case of the proposed authorization being exercised.