

Report of the Management Board on agenda item 8

Pursuant to Section 221 (4) sentence 2 in conjunction with Section 186 (4) sentence 2 AktG, the Management Board hereby submits the following report on item 8 of the agenda with regard to the reasons for the proposed authorization of the Management Board to issue warrant-linked or convertible bonds (hereinafter "Bonds") excluding the subscription rights of the shareholders, subject to the consent of the Supervisory Board.

The contemplated exclusion of the subscription rights for fractional amounts allows for the requested authorization to be exercised using full amounts. Such exclusion of subscription rights is sensible and customary in practice because the costs of trading in subscription rights in the case of fractional amounts normally are not in reasonable proportion to the related advantages for the shareholders. Since fractional amounts are limited, the potential dilution effect is confined to within negligible limits. The Bonds thus excluded from the subscription right are therefore realised in the best possible way in favor of the Company.

It is also to be permitted to exclude the subscription right to issue the Bonds against contributions in kind. This gives the Company the possibility of acting flexibly and quickly when it comes to acquiring assets, and at the same time without its liquidity position being adversely affected. In each case the Management Board will carefully examine whether it will exercise the authorization to issue Bonds against contributions in kind subject to the exclusion of the subscription right of the shareholders, and will do so only if, after weighing up all aspects, this is in the interest of the Company and thus also of its shareholders. It will particularly ensure that the value of the contribution in kind is reasonably proportionate to the value of the Bonds.

It is moreover to be permitted to exclude the subscription right of the shareholders if the issue of the Bonds is effected against cash contribution at an issue price which is not significantly lower than the theoretical market value of such Bonds calculated in accordance with recognized financial calculation methods. This enables the Company to exploit favorable market situations on very short notice and very quickly while obtaining better conditions for the interest rate and the option or conversion price of the Bonds by defining conditions that are close to the market conditions. This would not be possible if the statutory subscription rights were maintained. Although Section 186 (2) AktG allows for a publication of the subscription price (and of the terms and conditions in the case of Bonds) up to the third-last day of the subscription period, the market risk existing for several days based on the volatility on the stock markets would lead to allowances being made in the determination of the terms and conditions of the Bond and thus to terms and conditions that would be less in line with market conditions. Moreover, compliance with the statutory subscription rights, given the uncertainty of their exercise, would jeopardise the successful placement of the Bonds with third parties and/or entail additional expenditures. Lastly, the length of the minimum subscription period of two weeks to be observed in the case of compliance with the statutory subscription rights hampers a response to favorable or unfavorable market conditions, which in turn may mean that capital cannot be raised on optimum terms and conditions.

In such exclusion of subscription rights, the interests of the shareholders are safeguarded by the requirement for the Bonds not to be issued significantly below their theoretical market value, thus lowering the nominal value of the subscription right to nearly zero. As a result, no significant dilution of value of the shares is brought about by the exclusion of the subscription right.

The objective of excluding the subscription right in favor of the holders of Bonds is to put them in the position they would be in if they had already exercised their rights under the Bonds and had already become shareholders. 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. The issue price for the shares that might be issued under the Bonds must in each case be equal to at least 80% of the stock market price, determined as close as possible to the time when the Bonds are issued.

Moreover, the sum of the shares to be issued under Bonds which are issued under exclusion of the subscription right in accordance with this or any future additional authorization, together with new shares issued from an authorized capital or treasury shares sold during the term of this authorization by exercising another authorization subject to exclusion of the subscription right, may not exceed a pro rata amount of the share capital 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. This limit further restricts the dilution potential in favor of existing shareholders. Shares used to serve convertible bonds issued on the basis of the authorization of the Annual General Meeting 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 bonds in accordance with the proposed authorization 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.