**Report of the Management Board to the Annual General Meeting on agenda item 10 on the exclusion of subscription rights pursuant to Section 221 (4) sentence 2 and Section 186 (4) sentence 2 AktG**

The resolution proposed under agenda item 10 provides for the Management Board to be authorised, subject to approval of the Supervisory Board, to issue bearer or registered convertible bonds, warrant bonds and/or profit participation bonds and/or profit participation rights (or combinations of these instruments) (together "**bonds**") with or without a maturity limit for a total nominal amount of up to EUR 350,000,000.00 on one or more occasions and to grant the bearers or creditors of bonds conversion or option rights to subscribe to up to 22,697,151 no-par value bearer shares in the Company with a notional value in the Company's share capital of a total of up to EUR 22,697,151.00 in accordance with the terms and conditions of conversion or the warrant and to establish obligations within the terms and conditions of the Bonds to convert the respective bonds into such shares.

The bond issues as described above provide the Company with the opportunity to exploit attractive alternative financing on the capital markets in addition to the other avenues for procuring debt or equity capital, depending on the state of the market. In particular, the authorisation to issue profit-linked bonds or other profit-oriented instruments such as profit participation rights and profit participation bonds allows the Company to strengthen its financial resources by issuing hybrid financial instruments, thereby helping to secure the financial foundation for future business development.

The issue of bonds allows debt capital to be procured that can be classified as equity or as equity substitutes for both rating and accounting purposes, depending on how the terms and conditions of the bonds are structured. The premiums received from issuing convertible bonds and options, as well as the borrowings credited directly to equity, strengthen the capital base of the Company. In addition to the authorisation to create conversion and/or option rights, the possibility of creating conversion obligations and the possibility of combining convertible bonds, warrant bonds, profit participation rights and/or profit participation bonds extends the scope for structuring these financial instruments. Moreover, the authorisation allows the Company to place the bonds itself or via its directly or indirectly held domestic or foreign holdings. In addition to the euro, bonds may also be denominated in other currencies, such as the legal tender of an OECD country, and issued with or without a fixed term.

With regard to bonds that establish a conversion or option right, the terms and conditions of the bond can be used to create additional flexibility, such as settling the conversion or option rights in cash at fair value instead of issuing no-par value bearer shares in the Company.

With regard to Bonds that grant a conversion or option right, or establish a conversion obligation, a minimum price of 80 per cent of the share price is proposed in the authorisation to be used when setting the conversion price or strike price of the option. The benchmark here is the price of the share of the Company on the exchange at the time the bond is placed on the market. Where such adjustment is not already mandatory under the law, conversion and option rights may be adjusted without affecting their value, notwithstanding Section 9 (1) AktG, in the event that the economic value of the conversion or option rights has become diluted during their term (e.g. by a capital increase) and no subscription rights have been granted as compensation.

The shareholders have a fundamental subscription right. However, under the following conditions, it should be possible to exclude subscription rights:

– The Management Board should be authorised, subject to Supervisory Board approval, to exclude fractional amounts from the subscription rights. Such fractional amounts can arise from the volume of the placement and the need to present a practical subscription ratio. Exclusion of subscription rights in such cases facilitates the issue. The fractional amounts thus freed from the subscription rights of the shareholders can be either sold on the exchange or exploited in some other way in the best interests of the Company.

– Furthermore, the Management Board should be granted the ability, subject to approval of the Supervisory Board, to exclude the subscription rights of shareholders to grant the bearers or creditors of conversion or option rights or of convertible bonds with conversion obligation a subscription right to the extent necessary to satisfy the rights to which they are entitled from exercising the conversion or options rights or after satisfying their conversion obligations. The terms and conditions of the options and convertible bonds generally contain conditions that serve to protect the bearers or creditors of conversion or option rights from dilutive effects. These allow the financial instruments to be better placed on the market. A subscription right for bearers of existing option or conversion rights makes it possible to avoid the need to reduce the strike or conversion price for bearers of existing option or conversion rights when the authorisation is exercised. This allows a higher issue price for the no-par value bearer shares to be issued when an option is exercised or a bond converted. As this facilitates the placement of the instruments, the exclusion of subscription rights is in the interests of the shareholders who seek an optimal financing structure for the Company.

– Where bonds should be issued with conversion or option rights or conversion obligation, the Management Board should be authorised, subject to approval of the Supervisory Board, to exclude subscription rights applying Section 186 (3) sentence 4 AktG by analogy, provided the bonds are issued in return for cash and the shares to be issued upon exercise of the conversion or option rights, or fulfilment of the mandatory conversion obligations, do not exceed 10 per cent of share capital either on the effective date or on the date on which the authorisation is exercised. This cap on the simplified exclusion of subscription rights is reduced by the pro rata share in issued capital attributable to the shares which are issued or sold in the term of the authorisation to exclude subscription rights, applying Section 186 (3) sentence 4 AktG directly or by analogy or are to be issued to satisfy convertible or warrant bonds issued during the term of the authorisation and for which subscription rights were excluded in accordance with Section 186 (3) sentence 4 AktG. Due to the offsetting provision, it is also ensured that no Bonds are issued on the basis of this authorisation that would exclude subscription rights if this would lead to the subscription rights of shareholders being excluded to new shares or treasury shares of the Company of more than 10 per cent of the current shares outstanding, taking account of any capital increases or certain placements of treasury shares applying Section 186 (3) sentence 4 AktG by analogy.

In the event that subscription rights are excluded, the issue price for a Bond may not deviate materially from its market value, applying Section 186 (3) sentence 4

AktG by analogy. This takes due account of the rights of shareholders to be protected from a dilution of their shareholding. To ensure that this requirement is met when issuing Bonds, the theoretical market value of a Bond with conversion or option rights or conversion obligation is calculated using recognised financial-mathematical methods. This market value may not materially deviate below the issue price to be set for the Bond. This protects shareholders from dilution of their shareholding and the shareholders do not suffer any economic disadvantage from their subscription rights being excluded as the value of a subscription right falls to practically zero.

If profit participation rights or profit participation bonds without conversion rights, option rights or conversion obligation are to be issued, the Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights altogether if these profit participation rights or profit participation bonds have merely obligatory features, i.e. if they do not establish any membership rights in the Company, do not grant any participation in the liquidation proceeds and the amount of interest is not calculated on the basis of the amount of the annual net profit, the balance sheet profit or the dividend. Another prerequisite is that the interest rate and the issue price of the profit participation rights or profit participation bonds must correspond to the current market conditions at the time of issue. If the above prerequisites are met, there are no disadvantages for the shareholders from the exclusion of their subscription rights as the profit participation rights and profit participation bonds do not confer any ownership rights or any right to share in the proceeds upon liquidation or in the profit of the Company. Although they may stipulate that interest is contingent upon a profit, retained earnings or dividend being made for the year, no clauses are permitted by which a higher net profit for the year, higher retained earnings or higher dividend would lead to a higher interest rate. Further, the issue of profit rights or profit participation bonds affects neither the voting rights nor the stake of the shareholders in the Company or its profit. Finally, due to the market conditions upon issue, which are required in this case where subscription rights are excluded, the subscription rights do not have any material value.

The above possibilities to exclude subscription rights give the Company the flexibility to exploit favourable conditions on the capital markets at short notice and put the Company into a position where it can exploit low interest rates or a period of favourable demand for an issue flexibly and at short notice. This is due, on the one hand, to the fact that when a subscription right is granted, a securities prospectus must generally be prepared and submitted to the German Federal Financial Supervisory Authority (BaFin) for approval and publication, leading to a considerable amount of time and costs; this is not the case with a private placement excluding subscription rights. In addition, if subscription rights are excluded – in contrast to an issue of Bonds with subscription rights – the issue price can only be fixed until immediately before the placement, thus avoiding a considerable price risk during the subscription period and maximising the issue proceeds in the interest of all shareholders. Moreover, the elimination of the lead time associated with a subscription right results in further advantages both with regard to the costs of raising funds and also with regard to the placement risk. If a placement is made without subscription rights, both the safety margin, which is otherwise required, as well as the placement risk can be reduced making it correspondingly cheaper to raise funds for the benefit of the Company and its shareholders.

If utilised, the Management Board will report on the utilisation of the proposed authorisation at the first Annual General Meeting following the utilisation.

The Conditional Capital 2021 proposed for resolution under agenda item 10 b) and the corresponding amendment to the Articles of Association proposed under agenda item 10 c) are intended to enable the Company to issue the number of new shares owed to the holders or creditors of the Bonds issued on the basis of the authorisation proposed under agenda item 10 a) upon exercise of their conversion or option rights or fulfilment of the conversion obligation. Alternatively, within the limits of the law, treasury shares or new shares issued from utilising authorised share capital can be used to satisfy the obligations.

**Alexander Geis**
Chief Executive Officer

**Inka Koljonen**
Chief Financial Officer

**Dr. André Philipp**
Chief Operating Officers