Regarding Agenda Item 7

Report of the Executive Board pursuant to Section 221(4), second sentence, of the German Stock Corporation Act (AktG) in conjunction with Section 186(4) of the German Stock Corporation Act (AktG) regarding the exclusion of subscription rights in connection with the authorization to issue convertible bonds, bonds with warrants, and profit participation rights with or without conversion or subscription rights ( )

a) Introduction

The Executive Board and the Supervisory Board request that the Company's shareholders authorize the issuance of convertible bonds and warrants, as well as profit participation rights with or without conversion or subscription rights. These financing instruments may each be granted exchange rights or subscription rights to shares of the Company. This gives the holders of these conversion or subscription rights the opportunity to acquire shares of the Company by converting their contributions already made to the Company into equity (conversion right) or by making an additional payment into the Company's equity (subscription right). Upon issuance, the Company may also resolve that the issued bonds and profit participation rights are to be converted into shares of the Company at a later date at the Company's request (mandatory conversion). Delivery of the shares upon exercise of the conversion and subscription rights or fulfillment of the mandatory conversion obligation may be made from conditional capital, authorized capital, or treasury shares. Cash settlement would also be possible.

The primary purpose of this authorization is to enable the company to strengthen its capital base quickly and flexibly as needed.

The fact that the terms for issuing the aforementioned financing instruments are largely open at this time enables the company to respond appropriately to prevailing market conditions and to raise new capital at the lowest possible cost. Purely as a precautionary measure, the proposed authorization is also intended to create the possibility of using these financing instruments—such as authorized capital—for the acquisition of assets in a manner that preserves liquidity, in particular for the acquisition of companies and interests therein. In practice, however, this use is likely to be of minor significance.

When these financing instruments are issued, the Company's shareholders generally have a subscription right to them pursuant to Section 221(4) of the German Stock Corporation Act (AktG).

The requested authorizations are intended to enable the company to exclude subscription rights in certain cases if this is necessary in the company's overriding interest. Specifically, the following applies:

b) Exclusion of Subscription Rights for Fractional Shares

The Executive Board and Supervisory Board are to be authorized to exclude subscription rights for fractional shares. This may become necessary if a practicable subscription ratio cannot otherwise be achieved. The company will endeavor to utilize unallocated fractional shares in the best possible manner in the interest of the shareholders.

c) Exclusion of Subscription Rights for Capital Increases of Up to 20%

For the issuance of warrants and convertible bonds, as well as for profit participation rights that are accompanied by a conversion or subscription right to shares of the company, the Executive Board shall be authorized, in accordance with § 186 (3), fourth sentence, of the German Stock Corporation Act (AktG), to exclude subscription rights if the issue price of the respective financing instrument is not significantly below its theoretical market value as determined using recognized methods of financial mathematics. This exclusion of subscription rights may become necessary if a bond is to be placed quickly in order to take advantage of a favorable market environment. By excluding subscription rights in this case, the Company gains the necessary flexibility to take advantage of a favorable capital market situation at short notice.

The interests of the shareholders are safeguarded in this case by ensuring that the issue price of the bonds is not significantly below market value, thereby minimizing the value of the excluded subscription rights as much as possible. Furthermore, this authorization is limited to the 20% cap on the share capital provided for in Section 186(3), fourth sentence, of the German Stock Corporation Act (AktG). According to the legislature's intent, these provisions protect shareholders from excessive dilution of their shareholdings.

d) Exclusion of Subscription Rights for Purely Contractual Profit Participation Rights

The Executive Board shall also be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights when issuing profit participation rights that are not equivalent to or similar to shares—that is, in particular, those that do not grant a share in the liquidation proceeds and for which the amount of the distribution is not based on the amount of net income for the year, retained earnings, or dividends— and which are not linked to conversion or subscription rights, to exclude shareholders' subscription rights. Provided that the profit participation rights are structured in a manner similar to bonds, the shareholders' status as members of the company remains unaffected; neither voting rights nor the pro-rata entitlement to dividends nor the share in the company's assets would be altered by an issuance of profit participation rights without subscription rights. In the event of an exclusion of subscription rights, the profit participation rights would also have to be issued on a mandatory basis under market-based terms and conditions, so that no significant value of subscription rights would arise in this regard. In contrast, the option to exclude subscription rights enables the Executive Board to flexibly capitalize on low interest rates or favorable market conditions for an issuance at short notice. This allows the Board to significantly reduce the placement risk. In contrast, in the case of a profit-sharing right offering that preserves subscription rights, there would be a risk—greater or lesser depending on market conditions—that the terms once set would no longer be in line with market conditions by the time of the actual placement on the market. The Company would therefore run the risk of either being unable to place the profit participation rights at all or of placing them at too favorable a price. Neither outcome would be in the interest of the Company or its shareholders. However, to address the shareholders' need for protection, the Executive Board will carefully assess on a case-by-case basis whether an exclusion of subscription rights is necessary in the Company's interest.

e) Exclusion of Subscription Rights for Dilution Protection

In addition, it should be possible to exclude subscription rights to the extent necessary to grant holders of conversion and subscription rights the subscription rights to which they would be entitled had they already exercised their conversion or subscription rights or had already fulfilled their conversion obligation. Financing instruments such as those described here typically include an anti-dilution clause in their terms and conditions in the event that the company issues additional such financing instruments or shares to which shareholders have subscription rights. To ensure that the value of these financing instruments is not impaired by such measures, the holders of these financing instruments are generally compensated by a reduction in the conversion or subscription price or by being granted subscription rights to the financing instruments or shares issued at a later date. To ensure the greatest possible flexibility in this regard, the option to exclude subscription rights should therefore also be available in this case. This serves to facilitate placement and, ultimately, to optimize the company's financing structure.

f) Exclusion of Subscription Rights in the Case of Contributions in Kind

Furthermore, it should be possible to waive subscription rights in order to issue the respective financial instruments in exchange for non-cash contributions. The authorization is intended to enable the company to use these financing instruments also in connection with the acquisition of assets. As is already evident from the wording of the proposed resolution, this may be particularly relevant in connection with the acquisition of companies, parts of companies, and equity interests in companies; industrial property rights, such as patents, trademarks, or licenses relating thereto; or other product rights or other contributions in kind, including bonds, convertible bonds, and other financial instruments. In such cases, sellers often insist on receiving consideration in a form other than cash or solely in cash. In such instances, offering bonds with option or conversion rights or profit participation rights—either in lieu of or in addition to the issuance of shares or cash payments—can represent an attractive alternative. This option provides additional flexibility and enhances the company’s prospects in acquisitions.

However, both the authorization to issue shares in exchange for contributions in kind and a corresponding exclusion of subscription rights should only be utilized if the acquisition of the relevant asset is in the company’s overriding interest and if an alternative method of acquisition—in particular, a purchase—is not legally or practically feasible, or is only feasible under less favorable terms. In such cases, however, the company will always examine whether an equally suitable method of acquiring the asset is available that has a less significant impact on the position of the shareholders. The interests of the shareholders are further safeguarded by the fact that, when acquiring contributions in kind in exchange for the issuance of a debenture and/or profit participation rights and/or new shares, the company is obligated to base its terms on market prices.

g) Exclusion of Subscription Rights in Other Cases

The exclusion of subscription rights in other cases that are in the Company’s interest serves to preserve the Executive Board’s flexibility in such situations. Examples include entering into partnerships. The provision of sufficient authorized capital with the option to exclude subscription rights thereby strengthens the Company’s ability to act. The Executive Board will exclude subscription rights only if this is in the Company’s best interests.

There are currently no specific plans to exercise the authorization to issue convertible bonds, warrants, or profit participation rights. In any case, the Executive Board will carefully assess whether exercising the authorization is in the best interests of the company and its shareholders.