

Report on agenda item 10 pursuant to Section 221 (4) sentence 2 in conjunction with Section 186 (4) sentence 2 AktG

The proposed authorisation to issue warrant bonds or convertible bonds of up to a total of EUR 100,000,000 and create the associated contingent capital of up to EUR 5,000,000 is designed to secure and expand the avenues available to the company to finance its activities explained in more detail below and create an opportunity for the Managing Board, subject to approval from the Supervisory Board, to obtain finance flexibly and promptly in the best interests of the company, especially when conditions on the capital markets become favourable.

A distinction is made between two potential structures: First and foremost, the Managing Board is authorised, subject to approval from the Supervisory Board, to issue warrant bonds or convertible bonds on one or multiple occasions in the period expiring 20 May 2031, and attach warrants or conversion rights/obligations to the fractional bonds of the issue, that entitle or oblige the subscribers to subscribe to shares in the company in keeping with the detailed terms and conditions of the bonds, up to an aggregate total of 5,000,000 shares. This authorisation does not affect the statutory subscription rights of the shareholders. However, to facilitate the bond issue, the option of issuing the bonds to one or more credit institutions or comparable institutions as defined by Section 186 (5) sentence 1 AktG should be availed of, with an attached obligation that they then offer the bonds to the shareholders in relationship to their shareholdings (indirect subscription right in the sense of Section 186 (5) AktG).

Secondly, the Managing Board is authorised to preclude the right of the shareholders to subscribe to the bonds, however, only within specified limits:

Preclusion of subscription rights to avoid fractional amounts and in favour of the bearers of convertible bonds or warrant bonds that have already been issued or whose issue is outstanding

Subscription rights may be precluded to the extent required to avoid any fractional amounts that arise when setting the subscription ratio or to grant subscription rights to the bearers of warrant bonds or convertible bonds that have already been issued. Fractional amounts arise from presenting the respective volume of the issue as a practicable subscription ratio. In such cases, precluding subscription rights, especially

those of shareholders, facilitates execution of the capital measure.

It should also be possible to preclude subscription rights to protect the bearers of already issued convertible bonds or warrant bonds from the dilution of these instruments, a right to which they are entitled under the terms of the warrant bond or convertible bond issue by the company. Precluding subscription rights under the terms of this authorisation is an alternative to adjusting the strike price or conversion price, which would otherwise be required. In sum, this allows a greater amount of capital to be procured.

Preclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG

Furthermore, subject to approval from the Supervisory Board, the Managing Board is also authorised to preclude subscription rights pursuant to Section 221 (4) sentence 2 and Section 186 (3) sentence 4 AktG provided the issue price of the warrant bonds or convertible bonds does not materially deviate below the market value of the financial instruments measured using generally accepted financial-mathematical methods. However, the scope of this authorisation is limited to the issue of warrant bonds or convertible bonds equipped with rights or obligations to subscribe to shares in the company up to an aggregate amount of not more than 10 per cent of the share capital of the company at the time of taking effect or – if lower – when this authorisation is exercised. This limit includes the issue or sale of any company shares or the issue of warrant bonds or convertible bonds with attached subscription rights to shares to which the pre-emptive subscription rights of existing shareholders have already been precluded in accordance with, or analogous to, Section 186 (3) sentence 4 AktG on account of some other authorisation. By limiting the volume in this way, shareholders can retain their relative holding in the share capital of the company by acquiring the necessary number of shares over the stock exchange at approximately the same conditions.

This authorisation enables the Managing Board, subject to approval from the Supervisory Board, to rapidly procure capital at short notice via the capital markets and, due to this market proximity, at optimal conditions, such as when setting the interest rate and especially the issue price of the warrant bonds or convertible bonds, thereby strengthening the capital base of the company. Placing the bonds with the preclusion of the pre-emptive subscription rights of shareholders also opens up the possibility of procuring much higher funding than a bond issue that does not preclude the subscription

rights. The determining factor in this regard is that, by precluding subscription rights, the company is given the necessary flexibility to take advantage of favourable market conditions at short notice. Although Section 186 (2) AktG permits the subscription price to be published by the third-to-last day of the subscription period when a subscription right is attached to a bond issue (and therefore publication of the conditions of a warrant bond or convertible bond issue), there is then a market risk in light of the volatility on the stock markets, especially in terms of pricing, that the risk premiums when setting the terms and conditions of a bond issue will be factored into the market price over a number of days and that therefore the final price no longer approximates market conditions. Likewise, if the shareholders' pre-emptive subscription rights are not precluded, there will be some uncertainty as to how these rights will be exercised (subscription pattern) which could jeopardise the success of the placement or, at the very least, come with additional costs attached. Finally, owing to the duration of the subscription period that must be granted when the subscription rights are not precluded, the company will no longer be in the position to respond rapidly to favourable or unfavourable market conditions but will rather be exposed to falling share prices over the duration of the subscription period, which could lead to procuring capital at conditions that are unfavourable for the company.

The need to protect the rights of shareholders is addressed by setting the issue price at a level that is not materially below the market value. This prevents any significant dilution in the economic value of the shares. Whether there has been a dilutive effect can be determined by comparing the hypothetical market price of the warrant bonds or convertible bonds, determined using generally accepted financial-mathematical methods, against the issue price. If, after due review by the Managing Board, this issue price only lies insignificantly below the hypothetical stock exchange price on the date the warrant bonds or convertible bonds are issued, then it is permissible to preclude subscription rights based on the spirit and purpose of Section 186 (3) sentence 4 AktG. This grants shareholders protection against unreasonable dilution of their shareholding. Due to the fact that the issue price, set on the basis of the authorisation, does not lie significantly below the imputed exchange price, the value of the subscription right effectively sinks to zero. Consequently, the shareholders do not suffer any notable economic disadvantage from the preclusion of their subscription rights. If the Managing Board considers it appropriate to obtain professional advice in the respective situation,



it may draw on support from third parties. In this way, a syndicate bank underwriting/accompanying the issue can provide suitable assurance that no significant dilutive effect on the share value is to be expected. Regardless of the Managing Board's review of the matter, the bookbuilding method ensures that the terms and conditions of the issue are at market rates, thereby avoiding any significant dilution in share value. Under this method the warrant bonds or convertible bonds are not issued at a fixed issue price. Rather, the issue price and interest rate as well as other terms and conditions of the warrant bonds or convertible bonds are only set on the basis of the purchase orders submitted by investors. In this way the total value of the bond issue is determined by market conditions. All of this ensures that there will be no significant dilution of the company's share value as a result of precluding subscription rights.

At present there are no specific plans to exercise the authorisation to issue convertible/warrant bonds. In any case the Managing Board will diligently review whether exercise of the authorisation lies in the interests of the company and its shareholders. The Managing Board will report to the Shareholders' Meeting on each and every exercise of the authorisation.