Report by the Management Board to the Annual General Meeting in accordance with section 221 paragraph 4 in conjunction with section 186 paragraph 4 of the German Stock Corporation Act (Aktiengesetz – AktG) on the reasons for withholding subscription rights re item 12 of the agenda

The authorisation applied for under item 12 of the agenda aims to give the Company a flexible basis for the issue of bonds with warrants and convertible bonds, profit sharing rights or income bonds or a combination of these instruments (together "bonds") in a volume of up to EUR 50,000,000 with the granting of conversion or option rights to up to 6,464,000 new shares and consequently maintain and extend the Company's financing options in view of the expiry of the present authorisation to issue bonds with warrants and convertible bonds on 10 June 2020. In the process, the Company is to be able to utilise the German or international capital market, if necessary via its affiliates, depending on the state of the market.

Adequate capital resources are an essential foundation for the development of the Company and its affiliates. By issuing bonds, the Company can exploit advantageous financing opportunities depending on the state of the market and the instrument used, to obtain capital at lower rates or to structure the interest rates in line with current dividends, for instance. Placement opportunities for certain bonds are created or increased if they are associated with option or conversion rights.

In principle, the shareholders are entitled to subscribe to the bonds with warrants or convertible bonds. If shareholders are not allowed to subscribe for the bonds directly, the Management Board may make use of the option of issuing bonds to one or several banks or a consortium of banks with the obligation to offer the debentures to shareholders in line with their subscription right (indirect subscription right within the meaning of section 186 paragraph 5 AktG). The technical execution of the share issue is facilitated by the insertion of these intermediaries.

However, in certain cases the authorisation provides for subscription rights being withheld, which is explained below.

The scheduled withholding of subscription rights for fractions allows the authorisation requested to be utilised through round amounts and facilitates the execution of the capital measure. Withholding such rights therefore promotes practicability and simplifies the implementation of a bond issue. The value of fractions per shareholder is usually low, whereas the expense of issuing bonds without such withholding of subscription rights would be far higher.

The withholding of subscription rights in favour of holders of previously issued bonds takes place with regard for protection against dilution, to which they may be entitled in accordance with the terms and conditions in the event of bonds being issued by the Company. Such protection against dilution is granted for the purpose of facilitating placement of the bonds on the capital market. The withholding of subscription rights when utilising this authorisation is an alternative to an adjustment of the option or conversion price which would otherwise have to be carried out. This allows a higher aggregate inflow of funds.

In accordance with section 221 paragraph 4 sentence 2 AktG, the provision of section 186 paragraph 3 sentence 4, under which subscription rights can be withheld, "if the capital increase against cash contributions does not exceed 10% of the share capital and the issue amount is not materially lower than the market prices, applies to the withholding of subscription rights when issuing bonds with warrants or convertible bonds.

At 5% of share capital, the requested authorisation provides for a far lower ceiling than the maximum volume permitted by law and also ensures that this ceiling for the withholding of subscription rights will not be exceeded in the event of a capital reduction either, since, according to the authorisation, the date the authorisation becomes effective is taken as a basis for reaching the ceiling of 5% of the share capital or – if the share capital decreases vis-à-vis the date on which the authorisation becomes effective – the date on which is the authorisation is exercised. Based on section 186 paragraph 3 sentence 4 AktG, bonds with warrants and convertible bonds can also only be issued, subject to shareholders' subscription rights being withheld, up to the extent to which the ceiling of 5% of the share capital has not already been exhausted during their term by the issue or sale of shares, subject to subscription rights being withheld, in direct, analogous or corresponding application of section 186 paragraph 3 sentence 4 AktG. For example, shares, which are issued to service option or conversion rights, which were issued through the issue of bonds, subject to subscription rights being withheld, during the term of the authorisation, in direct, analogous or corresponding application of section 186 paragraph 3 sentence 4 are to be included. In this way, we will make sure that no bonds are issued, subject to shareholders' subscription rights being excluded, if this would lead, allowing for capital increases or specific placements of treasury shares in direct, analogous or corresponding application of section 186 paragraph 3 sentence 4, to shareholders' subscription rights to new or treasury shares of the Company being withheld to an extent of more than 5% of the shares currently outstanding.

From section 186 paragraph 3 sentence 4 AktG, it is also clear that the issue price may not be materially lower than the market price. Since bonds do not have a market price initially, the market value is to be established using recognised actuarial principles. Accordingly, shareholders' subscription rights can only be withheld if the issue takes place at prices, which are not materially lower than the theoretical market value. As a result of the option of withholding subscription rights, the Company may react to favourable market situations rapidly and at short notice, which, given the requisite lead-time and the subscription period of at least two weeks would not be the case with capital increases with a subscription right. As a result of setting terms so close to the market, better conditions can be achieved in defining the interest rate, option or conversion price and issue price of the bonds.

At the same time, the requirement that the issue price may not be materially lower than the market price ensures that shareholders do not suffer any appreciable dilution in the value of their shares (reduction in market value). The occurrence of such dilution can be calculated mathematically by using actuarial methods to compare the theoretical market value of the bond and the issue price. In determining the price and allowing for the situation on the capital market, the Management Board will keep the reduction vis-à-vis the theoretical market value as low as possible, meaning that shareholders cannot suffer any appreciable economic disadvantage by having their subscription rights withheld. If the issue price is not materially lower than the theoretical market value of the bond with an option or conversion right or an option or conversion obligation calculated in accordance recognised actuarial methods, the value of shareholders' subscription rights falls to practically zero. Shareholders also have the option of maintaining their share in the Company's share capital at virtually the same conditions by acquiring the requisite shares via the stock exchange, for example.

The contingent capital 2010 pursuant to section 4 paragraph 5 of the company's Articles of Association in the amount of EUR 656,500.00 and the Contingent Capital 2015/II pursuant to section 4 paragraph 6 of the company's Articles of Association in the amount of EUR 959,500, in addition to Contingent Capital 2020/I (EUR 6,464,000), shall remain unaffected by the proposed cancellation of the existing section 4 paragraph 4 of the company's Articles of Association and the creation of new contingent capital.

Total contingent capital is thus below the statutory maximum limit of 50% of share capital, currently equal to EUR 8,150,728.

All in all, the Management Board will check carefully in each case whether it will make use of the authorisation to issue bonds and to withhold subscription rights. Use will only be made of these options if the Management Board estimates that it is in the best interests of the Company and its shareholders and is proportionate.

In each case, the Management Board will report on any use of the authorisations issued for item 12 of the agenda at the next Annual General Meeting.