Annual General Meeting on 24 March 2022

Written report of the Management Board in accordance with Section 221 (4) clause 2 and Section 186 (4) clause 2 of the German Stock Corporation Act (AktG) regarding item 9 of the agenda regarding the reasons for the authorization of the Management Board to exclude the subscription right of shareholders when issuing convertible bonds and/or option bonds

The Annual General Meeting of the company authorized the Management Board on 8 July 2020 under item of 10 its agenda to issue convertible bonds and/or option bonds in a total nominal amount of up to EUR 500,000,000.00 and resolved on a Conditional Capital 2020 in the amount of up to EUR 15.814.309,00 to secure them. No use has been made of the authorization to date. The existing authorization and the existing Conditional Capital 2020 shall be cancelled and replaced by a new authorization and a new Conditional Capital 2022. The Conditional Capital 2022 shall have a volume of up to a total of EUR 16.372.232,00, corresponding to approximately 20% of the current share capital.

In addition to the traditional options available for borrowing and raising equity, issuing bonds offers the opportunity to use attractive financing alternatives on the capital market, depending on the market situation. The company usually obtains debt capital at low interest rates, which may later be retained as equity. In order to preserve this low-interest debt financing option for the company, a new authorization to issue convertible and/or option bonds is to be created.

The authorization proposed in item 9 of the agenda for the issuance of convertible and/or option bonds (collectively also referred to as “bonds”) in the total nominal amount of up to EUR 600,000,000.00 and the creation of the corresponding conditional capital of up to EUR 16.372.232,00 should, with the approval of the Supervisory Board, pave the way to flexible and quick financing possibilities that are in the interest of the company, in particular in the event of favorable capital market conditions. If this authorization is fully exercised, bonds could be issued which, when issued, would grant subscription rights for up to around 20% of the current share capital. The authorization is valid until 23 March 2027.

The possibility of establishing option and/or conversion obligations in addition to granting option and/or conversion rights also widens the scope for the design of this financial instrument. The authorization gives the company the necessary flexibility to place the bonds itself or through group companies in which it holds a 100% stake, either directly or indirectly. In addition to euro, bonds can also be issued with and without maturity limits in other legal currencies such as the currency of an OECD country.

The conversion or option price may not be less than a minimum issue amount, the calculation bases of which are specified. The starting point for calculating the conversion or option price when exercising conversion and/or option rights is the stock market price of the company's shares, which must correspond to at least 80% of the price of the company's no-par-value registered shares determined at the time the bonds associated with conversion or option rights are issued. In the event of a conversion and/or option obligation, a substitution right or a pre-emptive tender right of the issuer of the bonds for the supply of shares, the conversion or option price of the new shares must be at least either the aforementioned minimum price in accordance with the terms of the bond or correspond to the volume-weighted average market price of the company's shares at the XETRA closing auction (or a comparable successor system) on the Frankfurt Stock Exchange on the ten trading days before or after the date of maturity of the bonds, even if the latter average price is below the minimum price mentioned above.

Notwithstanding Section 9 (1) and Section 199 (2) of the German Stock Corporation Act (AktG), the conversion or option price may, following a more detailed determination of the conditions underlying the respective bond, be adjusted on the basis of a dilution protection or adjustment clause if, for example, the company increases its share capital and grants its shareholders a respective subscription right during the conversion or option period, or if the company issues or grants additional convertible or option bonds or guarantees conversion or option rights and does not grant the holders or creditors of existing conversion or option rights in this regard to the same extent they would be entitled to after exercising their conversion or option right or fulfilling their conversion and/or option obligations as shareholders, or if the company increases the share capital by means of a capital increase from company funds. This applies accordingly in the case of a capital reduction or other capital measures, restructuring measures, control gained by a third-party, an extraordinary dividend or other comparable measures resulting in a dilution of the value of the shares.

Generally, shareholders must be granted a subscription right. In the case of a placement via group companies, the company must also ensure that the statutory subscription right is granted to the shareholders of the company. In order to facilitate the settlement, a provision is made for the possibility to issue the bonds to one or more banks or companies specified by the Management Board within the meaning of Section 186 (4) of the German Stock Corporation Act (AktG) with the obligation to offer the bonds to shareholders in accordance with their subscription right (so-called indirect subscription right).

However, Management Board shall also, with the approval of the Supervisory Board, be authorized to exclude fractional amounts resulting from the subscription right. Such fractional amounts may result from the amount of the respective issue volume and the presentation of a practicable subscription ratio. In such cases, the exclusion of the subscription right for fractional amounts makes it easier to execute the capital measure. The fractions excluded from the shareholders' subscription right are used in a manner that is best for the company either by selling them via the stock exchange or in another way. The limitation to fractional amounts does not result in any significant dilution for the shareholders; in the opinion of the Management Board, it is objectively justified and appropriate.

The Management Board is also, with the approval of the Supervisory Board, to be authorized to exclude the subscription right on the legal basis of Section 186 (3) clause 4 of the German Stock Corporation Act (AktG), i.e., if the bonds are issued in return for cash, and the bonds are issued at a price which does not substantially fall below the theoretical market value of the bonds established by recognized financial mathematical methods. This possibility of excluding subscription rights gives the company the flexibility to benefit from favorable capital market situations in the short term and, due to the specification of terms that are close to the market price, obtain better terms with regard to interest rates and the issue price of the bonds. The decisive factor for this is that, in contrast to an issue of bonds with subscription rights, the issue price can only be specified immediately prior to the placement, which makes it possible to avoid an increased exchange rate risk for the subscription period. On the other hand, if a subscription right were granted, the subscription price would have to be published by the third last day of the subscription period. In consideration of the frequently observed volatility on the stock markets, there is therefore a market risk over several days, which leads to security discounts when the terms of the bond are specified. The subscription period also makes it difficult to react quickly to favorable market conditions. In particular in the case of bonds, the granting of a subscription right jeopardizes a successful placement with third parties or leads to additional expenses due to the uncertainty about its exercise.

By not setting the issue price of the bonds in such cases substantially below their calculated market value, which is determined in accordance with recognized financial calculation methods, the objective is to meet the shareholders' need for protection with regard to an economic dilution of their shares. With an issue price at market value, the value of the subscription right practically drops to zero. Shareholders will therefore not be adversely affected by a subscription right exclusion. The Management Board will endeavor to achieve the highest possible issue price and keep the economic difference with the price at which existing shareholders can buy shares on the market as low as possible. Shareholders wishing to maintain their share of the company's share capital can achieve this by buying them on the market at roughly equal terms. From the shareholders' point of view, a relevant loss of the shareholding ratio does not apply.

The authorization to issue convertible and/or option bonds with conversion or option rights (including with conversion and/or option obligations) but without a subscription right pursuant to Section 186 (3) clause 4 of the German Stock Corporation Act (AktG) is limited as to its volume as well: The number of shares of the company to be issued to service bonds or participation rights issued in this way during the term of this authorization under exclusion of subscription rights (whether on the basis of this or any other authorization) may not exceed a total of 10% of the share capital, neither at the time the authorization becomes effective nor, if that amount is lower, at the time the authorization is exercised. The pro rata amount of the share capital that is attributable to shares that are issued during the term of this authorization, either on the basis of an authorization by the Management Board to exclude subscription rights in the direct or analogous application of Section 186 (3) clause 4 of the German Stock Corporation Act (AktG) or that are sold as purchased treasury shares in accordance with Section 186 (3) clause 4 of the German Stock Corporation Act (AktG), must be taken into account with respect to this 10% limit. This consideration ensures that no convertible bonds and/or option bonds are issued if this would result in a situation in which the subscription right of shareholders is excluded for more than 10% of the share capital in the direct or indirect application of Section 186 (3) clause 4 of the German Stock Corporation Act (AktG). This further limitation is in the interest of shareholders who wish to maintain their shareholding as much as possible in the event appropriate capital measures are taken; their additional investment may, in such cases, be limited to a maximum of 10% of their shareholding.

Finally, the subscription right can be excluded to the extent necessary to give the holders or creditors of option bonds and/or convertible bonds issued by the company or its group companies a subscription right for bonds to the extent that they would have been entitled to if they had exercised the option or conversion right or if they had fulfilled a conversion and/or option obligation. In order to make bonds easier to place on the capital market, the corresponding option or bond terms usually include dilution protection. One possible dilution protection is to give the holders or creditors of the bonds a subscription right for the bonds from subsequent issues, which is something shareholders are entitled to. They are therefore treated as if they were already shareholders. In order to provide bonds with such dilution protection, the shareholders' subscription right to the bonds must be excluded. This is done to facilitate the placement of the bonds and is therefore in the interest of shareholders and the best-possible financial structure of the company.

Alternatively, for the purpose of dilution protection, only the option or conversion price could be reduced to the extent permitted by the terms of the bond. However, this would be more complicated and costly for the company in the terms of their settlement. It would also reduce the inflow of capital from the exercise of option and conversion rights. It would also be conceivable to issue bonds without dilution protection. However, these would be much less attractive to the market.

In each individual case, the Management Board and the Supervisory Board will carefully consider whether they will exercise any of the authorizations to issue bonds without a subscription right for shareholders. They will only pursue this possibility if, in the opinion of the Management Board and the Supervisory Board, this is in the best interest of the company and therefore its shareholders.

The Management Board will inform the respectively next Annual General Meeting of the use of the above authorizations to exclude subscription rights.

Frankfurt am Main, February 2022

DIC Asset AG

Management Board

Sonja Wärntges　Christian Bock　Johannes von Mutius　Patrick Weiden

This English translation of the further explanations of shareholders' rights is provided for convenience purposes only.
Please note that the German text shall be the sole legally binding version.