

Management Board report regarding item 10 of the agenda (Resolution regarding the granting of a new authorisation to issue convertible bonds, warrant bonds, profit participation rights and/or participating bonds (or combinations thereof) with the option of excluding subscription rights, regarding the creation of Conditional Capital 2015 and the corresponding addition of a new Article 6 to the Articles of Association and regarding cancellation of the existing authorisation to issue convertible bonds and warrant bonds and of the existing Conditional Capital 2013 (Article 6 of the Articles of Association))

With regard to item 10 of the agenda of the Annual General Meeting held on April 30, 2015, the Management Board and Supervisory Board propose that the existing authorisation to issue option rights, warrant or convertible bonds, profit participation rights and participating bonds or combinations thereof and the corresponding Conditional Capital 2013 be cancelled and that a new authorisation be granted and new conditional capital (Conditional Capital 2015) created with the authorisation to exclude subscription rights. Pursuant to Section 221 para. 4 sent. 2 in conjunction with Section 186 para. 4 sent. 2 AktG, the Management Board gives the following report in respect of item 10 of the agenda of the Annual General Meeting on the reasons for authorising the exclusion of shareholders' subscription rights when new shares are issued:

With the approval of the Supervisory Board, the Management Board was authorised by resolution of the Annual General Meeting of June 30, 2013, to issue option rights, warrant or convertible bonds, profit participation rights or participating bonds or combinations thereof (hereinafter collectively “**2013 authorisation**”) on one or several occasions up to June 29, 2018, up to an aggregate nominal amount of €3,000,000,000.00 and to grant the holders or creditors option or conversion rights for shares in the company with a proportionate amount of up to €100,000,000.00 of the share capital. Conditional Capital 2013 of €100,000,000.00 was created to satisfy the 2013 authorisation (Article 6 para. 2 of the Articles of Association); this sum has remained unchanged up to the day on which the invitation to this Annual General Meeting were published.

Among other things in order to increase flexibility, the Management Board and Supervisory Board consider it to be expedient to cancel the existing 2013 authorisation and the existing Conditional Capital 2013 and to replace them with a new authorisation and new conditional capital (Conditional Capital 2015).

To be able to make use of the array of possible market instruments to securitise the conversion and option rights, it is considered to be appropriate to set the permissible issue volume at €5,311,000,000.00 in the authorisation. The conditional capital for the purpose of fulfilling the conversion and option rights is to total €177,053,114.00. This conditional capital ensures that

the issue volume authorisation scope can likewise be used. The number of shares required to satisfy conversion or option rights or obligations or to grant shares in lieu of the cash sum due on a bond with a specific issue volume generally depends on the stock market price of the company's share at the time at which the bond is issued. If sufficient conditional capital is available, the possibility of making full use of the scope of the authorisation for the issue of bonds is guaranteed.

An appropriate capital base is essential for the company's development. Depending on the market situation, by issuing convertible and warrant bonds, the company can make use of attractive financing options in order to generate low-interest capital inflows for the company. By issuing profit participation rights with conversion or option rights, the rate of return can also be based on, for example, the company's current dividend. The company benefits from the conversion and option premiums generated by the issue. Practice has shown that a number of financial instruments cannot be placed until option and conversion rights are granted.

The shareholders must in principle be granted subscription rights for the bonds when bonds are issued (Section 221 para. 4 in conjunction with Section 186 para. 1 AktG). The Management Board has the option of issuing bonds to one or more banks subject to the obligation that the bonds are offered to the shareholders in accordance with their subscription rights (indirect subscription rights pursuant to Section 186 para. 5 AktG). This does not constitute a limitation of the shareholders' subscription rights as the shareholders are awarded the same subscription rights as with a direct subscription. For technical reasons, just one or more banks will be involved in the handling of this.

- (i) However, with the approval of the Supervisory Board, the Management Board is to be authorised to exclude subscription rights for fractional amounts. The purpose of this subscription rights exclusion is to facilitate an issuance fundamentally involving shareholder subscription rights, as it results in a subscription ratio which is technically feasible. The value of each shareholder's fractional amount is generally low and as such their potential dilutive effect is also deemed to be low. In contrast, the cost of an issue without such an exclusion is considerably greater. The exclusion therefore makes the issue more practicable and easier to implement. The Management Board and Supervisory Board consider the potential exclusion of subscription rights for these reasons to be objectively justified and, weighed against the interests of the shareholders, to also be appropriate.
- (ii) The Management Board is also authorised, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in order to grant bond holders/creditors subscription rights in the same volume as said holders would be entitled to upon

exercising their conversion or option rights or fulfilling their conversion or option obligations. This allows subscription rights to be granted to holders/creditors of bonds already issued or to be issued as an anti-dilution measure in lieu of a reduction in the option or conversion price. Incorporating such anti-dilution measures into bonds is standard market procedure.

- (iii) The Management Board is, in accordance with the application of Section 186 para. 3 sent. 4 AktG, is also authorised with the approval of the Supervisory Board to exclude subscription rights against a cash contribution when issuing bonds if the issue price of the bonds does not significantly undercut their fair value. This can be expedient to exploit favourable stock market situations at short notice and to be able to place a bond in the market quickly and flexibly with attractive conditions. As the stock markets can be volatile, achieving as advantageous an issue result as possible is often heavily dependent on whether it is possible to respond to market developments at short notice. Favourable conditions that are as market-based as possible can in principle only be set if the company is not tied to them for an overly long offer period. In the case of subscription right issues, a considerable margin of safety is generally required in order to safeguard the chances of success of the issue for the entire offer period. Section 186 para. 2 AktG does permit the subscription price (and in the case of warrant and convertible bonds, therefore also the bond conditions) to be publicised up to the third from last day of the subscription period. However, in view of the volatility of the stock markets, this still results in market risk lasting a number of days, resulting in margins of safety being applied when determining the bond conditions. Furthermore, if subscription rights are granted, placement with third parties is made more difficult/involves additional work due to the uncertainty of their exercise (subscription behaviour). After all, if subscription rights are granted, the company is unable to react at short notice to changes in the market conditions due to the length of the subscription period, and this can lead to less favourable capital procurement for the company.

The shareholders' interests are protected by the bonds not being issued significantly below their fair value. The fair value is to be calculated on the basis of recognised valuation principles. When setting the price while taking into account the capital market situation in question, the Management Board will keep the reduction compared with the fair value as low as possible. This results in the accounting par value of the subscription rights being so low that the shareholders are not subject to any significant economic disadvantage as a result of the exclusion of subscription rights.

The market-oriented setting of the conditions and thus the avoidance of any significant value dilution can also be achieved if the Management Board effects a bookbuild. This

process involves the investors being requested to submit purchase orders on the basis of preliminary bond conditions, in the process specifying what they consider to be, for example, the market-oriented interest rate and/or other economic components. At the end of the bookbuilding period, the conditions not yet fixed, such as the interest rate, are set in accordance with supply and demand as determined on the basis of the purchase orders submitted by the investors. In this way, the bonds' total value is determined in a market-based manner. A bookbuild allows the Management Board to ensure that no significant dilution of the value of the shares will be caused by the exclusion of subscription rights.

The shareholders additionally have the opportunity to maintain their share of the company's share capital by effecting stock market acquisitions at almost identical conditions. This appropriately protects their asset interests. The authorisation to exclude subscription rights pursuant to Section 221 para. 4 sent. 2 in conjunction with Section 186 para. 3 sent. 4 AktG only applies to bonds with rights to shares to which no more than 10% of the share capital is apportioned, either at the time at which this authorisation becomes effective or at the time at which it is exercised.

The sale of treasury shares is to be included in this cap insofar as they are sold during the term of this authorisation subject to the exclusion of shareholders' subscription rights pursuant to Section 71 para. 1 no. 8 sent. 5 half-sent. 2 in conjunction with Section 186 para. 3 sent. 4 AktG. Those shares issued from authorised capital pursuant to Section 203 para. 2 sent. 1 in conjunction with Section 186 para. 3 sent. 4 AktG during the term of this authorisation and subject to the exclusion of shareholders' subscription rights are likewise to be included in this cap. This inclusion is effected in line with the shareholders' interests that their investments be diluted as little as possible.

- (iv) Bonds may also be issued against contributions in kind insofar as this is in the interests of the company. In this case, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription rights insofar as the value of the contribution in kind is commensurate to the theoretical fair value of the bonds as determined on the basis of recognised valuation principles. This makes it possible to also use bonds as an acquisition currency in suitable isolated cases, e.g. in conjunction with the acquisition of companies, company investments or other commodities. Practice has shown that it is frequently necessary in negotiations to provide the consideration not only in cash, but also or exclusively in some other form. The possibility of offering bonds as a consideration results in an advantage in competition for interesting acquisition properties and offers the necessary scope for exploiting opportunities to acquire companies (even large companies), company

investments and other commodities that present themselves without impacting heavily on liquidity. This can also be prudent from the point of view of an optimum financing structure. In any case, the Management Board will carefully consider whether to exercise its authorisation to issue bonds with conversion or option rights or obligations against contributions in kind subject to the exclusion of subscription rights. It will only do so if this is in the interests of the company and therefore also of the shareholders.

Insofar as profit participation rights or participating bonds are to be issued without conversion or option rights or obligations, the Management Board is, with the approval of the Supervisory Board, authorised to exclude shareholders' subscription rights if these profit participation rights or participating bonds have the characteristics of a bond, i.e. they do not warrant company membership rights, they do not grant a stake in the proceeds of liquidation and the interest is not calculated on the basis of the net income for the year, net profit or the dividend. Additionally, the interest rate and the issue amount for the profit participation rights or participating bonds must be in accordance with the current market conditions for comparable borrowings at the time of the issue. If the above-mentioned conditions are met, the exclusion of subscription rights will not result in any disadvantages for the shareholders, as the profit participation rights or participating bonds do not warrant membership rights and do not grant the shareholders any stake in liquidation proceeds or in company profit. While it is possible for interest to be dependent on net income for the year, net profit or a dividend, it would not be permissible to have an arrangement in which a higher net income for the year, net profit or dividends would lead to higher interest. The issue of profit participation rights or participating bonds therefore does not change or dilute voting rights or the shareholders' stakes in the company and its profits. Additionally, based on the market-oriented issue conditions which are obligatorily stipulated for this case of subscription rights exclusion, there is no significant subscription right value.

The above authorisations to exclude subscription rights are limited to an amount not exceeding 20% of the share capital, either at the time at which this authorisation becomes effective or at the time at which it is exercised. The above 20% cap is also to include treasury shares sold during the term of this authorisation subject to the exclusion of subscription rights and any shares issued during the term of this authorisation subject to the exclusion of shareholders' subscription rights due to the authorisation stipulated in item 9 of the agenda of the Annual General Meeting of April 30, 2015. Shares issued against cash contributions during the term of this authorisation pursuant to Section 186 para. 3 sent. 4 AktG on the basis of other corporate action and subject to the exclusion of shareholders' subscription rights are likewise to be included in this 20% cap on the share capital. This restriction also limits the potential dilution of the voting rights of the shareholders in relation to whom subscription rights have been excluded. With all of these circumstances having been considered, the authorisation to exclude

subscription rights within the limits outlined is necessary, suitable, appropriate and in the interests of the company.

The intended conditional capital serves to fulfil the conversion or option rights or obligations relating to bonds issued for company shares or to grant the creditors/holders of bonds shares in the company in lieu of payment of the cash sum due. It is also intended that conversion or option rights or obligations can instead be satisfied by means of the provision of treasury shares or shares from authorised capital or by means of other consideration.

Insofar as the Management Board fully exercises one of the aforementioned authorisations to exclude subscription rights in relation to the issue of bonds within a single financial year, it shall report on this in the subsequent Annual General Meeting.