



Dürr Aktiengesellschaft
Registered Office: Stuttgart

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30th Annual General Meeting on May 10, 2019

Report of the Board of Management on item 6 of the Agenda pursuant to Section 221 (4) sentence 2 of the German Stock Corporation Act, read in conjunction with Section 186 (4) sentence 2 of the same Act

In accordance with Section 221 (4) sentence 2 of the German Stock Corporation Act, read in conjunction with Section 186 (4) sentence 2 of the same Act, the Board of Management prepared a report in writing on the reasons for the authorization proposed in item 6 of the Agenda for the exclusion of subscription rights and on the proposed issuing amount. The report is accessible on the Internet from the date of the convening notice of the Annual General Meeting www.durr-group.com/en/investor-relations/annual-general-meeting. It will also be open to inspection by the shareholders at the Annual General Meeting. The report will be published as follows:

The issuance of convertible, option or profit participation bonds or of combinations of such instruments (collectively referred to as “bonds”) as well as the possibility of also being able to issue bonds with no restriction on their lifetime is intended to extend the Company’s possibilities to finance its activities in addition to the classic forms of borrowing and equity capital employed and to enable the Board of Management, with the consent of the Supervisory Board, to take advantage of flexible and timely funding in the Company’s interests, particularly when attractive capital market conditions happen to prevail. The additional alternative, apart from granting conversion or option rights, of also establishing conversion obligations as well as the possible combination of convertible, warrant-linked and/or profit participation bonds, serves to extend the scope of such financing instruments. Moreover, the authorization also affords the Company the necessary flexibility to place the bonds itself or to have them placed by

direct or indirect Group companies. Bonds may be issued in euros but also in other currencies, for instance in legal tender of an OECD country, with or without restrictions on their term to maturity. To increase the level of flexibility, the terms and conditions of bond issues may provide for the Company not to grant shares to a person entitled to conversion or an option, but to pay out the equivalent in cash, either wholly or in part.

For these reasons, a proposal is made at the Annual General Meeting to create a new authorization for the issuance of convertible, warrant-linked or profit participation bonds or combinations of such instruments also without imposing restrictions on their duration. In total, it is to be possible for bonds of up to a total nominal amount of up to EUR 17,715,732.48 to be issued and the bearers or creditors of convertible or warrant-linked bonds to be granted conversion or option rights to new no-par value shares with a pro rata amount of the capital stock totaling up to EUR 6,920,208. In the process, the authorization to fix the profit participation of new shares (in departure from Section 60 (2) of the German Stock Corporation Act) also for a financial year that has already elapsed, shall be utilized only if this appears necessary and expedient in the assessment of the Board of Management to avoid otherwise impending difficulties under company law with regard to special resolutions being adopted.

The issuing amount for the new shares, with the exception of those cases in which a replacement authorization or conversion obligation is provided, correspond to at least 80% of the stock exchange price determined on a timely basis for the issuance of such bonds associated with option or conversion rights or obligations. The possibility of exercise (which may increase after expiry of the term of the option or convertible bond) will create the prerequisites for allowing the terms and conditions of the convertible or warrant-linked bonds to take account of the respective capital market conditions at the time of issue of the bonds in question. In cases of a replacement authorization and compulsory conversion, the issuing amount of the new shares in accordance with the detailed terms and conditions of the bond issue must at least correspond either to the minimum price specified above or to the volume-weighted average closing price of the no-par value share in electronic trading on the Frankfurt Securities Exchange during the 10 trading days prior to final maturity or the other defined point in time, even if this average price happens to be below the minimum price (80%) indicated above. The pro rata amount of the capital stock of the bearer shares to be issued on conversion or exercise of the option must not exceed the nominal amount of the convertible bonds. Section 9 (1) of the German Stock Corporation Act must be observed, read in conjunction with Section 199 (2) of the same Act.

Shareholders' subscription rights

Shareholders are generally entitled to a statutory subscription right to the bonds to be issued (Section 221 (4), read in conjunction with Section 186 (1) of the German

Stock Corporation Act). In order to facilitate the handling of the bond issue, plans are to make use of the possibility of issuing the bonds to a credit institution of a consortium of credit institutions subject to the obligation to issue the said bonds to the shareholders in accordance with their subscription rights (indirect subscription right as contemplated by Section 186 (5) of the German Stock Corporation Act).

Exclusion of subscription rights for fractional amounts

The authorization to exclude subscription rights for fractional amounts makes it possible to utilize the requested authorization to issue convertible, warrant-linked or profit participation bonds or combinations of such instruments with rounded amounts, simplifying the handling of the bond issue. The free fractional amounts excluded from the shareholders' subscription right are realized at best possible prices for the Company, either by sale on the stock exchange or in any other manner.

Subscription rights in favor of warrant-linked, convertible or profit participation bonds issued subject to conversion or option rights or conversion obligations

The advantage of excluding the subscription right in favor of the holders of conversion and option rights already issued is that the conversion or option price for the conversions or option rights already issued does not need to be reduced or paid out as cash compensation to the holders of the said rights or obligations in order to protect them to such an extent from dilution, as provided in the terms and conditions of the bond issue. This facilitates a higher inflow of funding on the whole, which means that the exclusion of subscription rights is in the interests of the Company and its shareholders.

Exclusion of subscription rights pursuant to Section 221 (4), sentence 2, read in conjunction with Section 186 (3), sentence 4 of the German Stock Corporation Act

The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights if the bonds are issued against cash payment at a price that does not significantly fall below the market value of such bonds. This gives the Company the ability to speedily take advantage of favorable market situations at very short notice and, by fixing the terms and conditions in conformity with the prevailing market parameters, to achieve better conditions in fixing the interest rate, option or conversion price and the issuing price of the bonds. A fixing of terms and conditions subject to near-market conditions and smooth placement would not be possible if subscription rights were to be safeguarded. On the one hand, Section 186 (2) of the Stock Corporation Act allows the subscription price (and, therefore, the terms and conditions of the bond issue) to be published by the third-last day of the subscription period. On the other, the frequently observed volatility on

the equity markets also entails a market risk spread across a number of days, leading to safety margins when fixing the terms and conditions of bonds and, therefore, to conditions not in conformity with near-market parameters. Moreover, the existence of a subscription right – due to the uncertainty of its exercise – endangers the successful placement with third parties or entails additional expenditure. Finally, in granting a subscription right, due to the duration thereof the Company may not be able to react at short notice to favorable or unfavorable market situations and will be exposed to declining share prices during the subscription period, which may lead to unfavorable equity funding conditions for the Company.

In this case of full exclusion of subscription rights, in accordance with Section 221 (4) sentence 2 of the Stock Corporation Act, the provisions of Section 186 (3) sentence 4 of the Stock Corporation Act are of analogous application. The maximum limit it stipulates for exclusions of subscription rights, amounting to 10% of the capital stock, is to be complied with according to the content of the resolution. The maximum volume of contingent capital to be made available in this case to secure option or conversion rights or obligations shall not exceed 10% of the capital stock existing at the time the authorization to exclude subscription rights pursuant to Section 186 (3), sentence 4 of the Stock Corporation Act takes effect. A corresponding parameter in the authorization resolution likewise serves to ensure that the 10% threshold is not exceeded even in the event of a capital reduction since the authorization to exclude subscription rights explicitly stipulates that 10% of the capital stock must not be exceeded, namely neither at the time it takes effect nor – in case this value turns out lower – at the time of exercise of the relevant authorization. In the process, treasury shares sold subject to application of Section 186 (3) sentence 4 of the Stock Corporation Act as well as those shares issued from authorized capital to the exclusion of subscription rights pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act are – if the sale or issuance takes place during the term of such authorization until such time as the issuance, without subscription rights, of bonds with option and/or conversion rights or obligations pursuant to Section 186 (3) sentence 4 of the Stock Corporation Act – taken into account and thus reduce this amount accordingly.

Section 186 (3) sentence 4 of the Stock Corporation Act also stipulates that the issuing price must not be significantly lower than the stock market price. This is to ensure that a marked economic dilution of the value of the shares does not occur. Whether such a dilutive effect occurs when issuing convertible, warrant-linked or profit participation bonds or a combination of such instruments to the exclusion of subscription rights can be determined by calculating the hypothetical market value of such bonds using acknowledged (in particular, finance mathematical methods) and comparing it with the issuing price. If a due and proper analysis of this issuing price reveals that it is only marginally below the hypothetical stock market price at the time of issuing the convertible, warrant-linked or profit participation bonds or combinations of such instruments, according to the sense and purpose of the provision in Section 186 (3)

sentence 4 of the Stock Corporation Act an exclusion of subscription rights is permissible due to discount only being marginal in scope. The resolution therefore imposes the obligation on the Board of Management to reach the conclusion after due and proper analysis that the issuing price planned will lead to no noteworthy dilution in the value of the shares. This would lower the calculatory market value of a subscription right to almost zero, which means that the exclusion of subscription rights cannot give rise to a marked economic benefit for the shareholders.

All this serves to ensure that a noteworthy dilution of the value of the shares due to the exclusion of subscription rights will not occur. In addition, even after the exercise of conversion or option rights, the shareholders are entitled to maintain their share of the Company's capital stock at any time by purchasing additional shares on the stock exchange. In contrast, the authorization to exclude subscription rights allows the Company to benefit from near-market fixing of terms and conditions, maximum possible safety as regards placement capability with third parties and exploitation of favorable market situations at short notice.

Exclusion of subscription rights when issuing bonds against non-cash contributions

Furthermore, it is to be made possible for the shareholders' subscription right to be excluded by the Board of Management with the consent of the Supervisory Board if the bonds are issued against non-cash contributions in kind for the purpose of acquiring enterprises, parts thereof or equity interests in enterprises or other economic assets (including receivables) and if this is in the interests of the Company. A precondition for this is that the value of the non-cash contribution in kind must reflect an appropriate ratio to the value of the bond. The theoretical market value determined using acknowledged methods is decisive in this regard.

The issuance of bonds against non-cash contributions to the exclusion of subscription rights is intended to enable the Board of Management *inter alia* also to employ the bonds as an acquisition currency so as to be able to acquire such non-cash contributions in suitable individual cases within the scope of business combinations or (also indirect) acquisition of enterprises, operating units, corporate divisions, equity interests or other assets or claims for acquisition of assets, including receivables from the Company or its Group entities against transfer of such financing instruments. As a rule, corporate expansions in the wake of such a corporate takeover or acquisition of an equity interest call for speedy decisions to be taken. The planned authorization is intended to allow the Board of Management to react speedily and flexibly to advantageous offers or other opportunities as they unfold on national or international markets, or to possibilities to expand the organization by acquiring businesses or equity interests against issuance of bonds in the interests of the Company and its shareholders.

Restriction of the total volume of bonds issued free from subscription rights

Following authorization – to the exclusion of subscription rights – bonds may only be issued with an option or conversion right or conversion obligation into shares with a pro-rata amount of the capital stock of up to 10% thereof at the time of effectiveness or – if this value should be lower – at the time of exercising the existing authorization to exclude subscription rights. Shares are taken into account in the aforementioned 10% limit that are to be issued under the present authorization to the exclusion of subscription rights, as well as those shares that are issued from authorized capital during the lifetime of this authorization up to the issuance of bonds with option and/or conversion rights or obligations to the exclusion of subscription rights. As the possibility of excluding subscription rights already is highly restricted in terms of the aforementioned authorization, this additional volume-related restriction beyond the statutory restrictions in place will serve to ensure that the shareholders' impairment is confined to tight limits.

Exclusion of subscription rights specifically for profit participation bonds featuring particular characteristics

To the extent that profit participation bonds are to be issued without conversion or option rights or conversion obligations, the Board of Management shall be authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights as a whole if such profit participation bonds have similar features to obligations, i.e. if they do not give rise to any membership rights in the Company, do not grant any participation in liquidation proceeds and are not calculated on the basis of net income, net retained profit or the dividend. Moreover, it is necessary for the interest earned or paid and the issue amount of the profit participation bonds to correspond to current market conditions applicable to similar forms of borrowing at the time of issuance. If the preconditions stipulated have been met, then no disadvantages from the exclusion of subscription rights will result for the shareholders since the profit participation bonds do not give rise to any membership rights and do not grant a share in the liquidation proceeds or in the Company's profit either. Whereas it may be provided for interest to be made dependent on the availability of net income, net retained profit or a dividend, in contrast a rule would not be permissible if higher net income, higher net retained profit or a higher dividend would result in higher interest being payable. Accordingly, the issuance of profit participation bonds does not result in voting rights or the participation of the shareholders in the Company and their profit being modified or diluted. Moreover, due to the issuing terms and conditions in conformity with market conditions, which are stipulated in a binding manner for this case of subscription rights being excluded, this does not give rise to a notable subscription rights value.

Bietigheim-Bissingen, March 2019

Dürr Aktiengesellschaft

– The Board of Management –

Please note:

This is a convenience translation. Only the German text is legally binding.