Dürr Aktiengesellschaft
Registered Office: Stuttgart

Securities Identification Code WKN 556 520, ISIN DE0005565204

30th Annual General Meeting on May 10, 2019

Report of the Board of Management on item 7 of the Agenda pursuant to Section 203 (2) 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 203 (2) 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 7 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 https://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 past authorized capital adopted at the Annual General Meeting on April 30, 2014 under agenda item 8 is scheduled to expire on April 29, 2019. For this reason, under item 7 of the Agenda a motion is proposed to the Annual General Meeting to create new authorized capital amounting to up to EUR 53,147,197.44 by issuing up to 20,760,624 new no-par value bearer shares against cash and/or non-cash contributions in kind ("Authorized Capital"). With the proposed authorized capital, the Board of Management of the Company is placed in an appropriate position to adjust the equity position of the Company to business requirements prevailing at any time, especially in view of the Group's further strategic development pursued by the Board of Management and the targeted expansion of business activities in dynamic markets and to act speedily and flexibly to changing markets in the interests of its shareholders. To this end, the Company – regardless of specific utilization plans – must dispose of the necessary capital procurement instruments at all times. As decisions concerning the coverage of capital requirements need to be made at short notice as a rule, it is important to ensure that the Company is not dependent on the intervals at which the annual general meetings are held. With the instrument of authorized capital, the legislature has done justice to this requirement. Common occasions for utilizing authorized capital are cases in which there is a need to reinforce the equity base and to fund the acquisition of equity interests.

Shareholders' subscription rights

In utilizing the authorized capital, the shareholders generally have statutory subscription rights (Sect. 203 (1) sentence 1 of the Stock Corporation Act, read in conjunction with Section 186 (1) of the Stock Corporation Act). Pursuant to Section 186 (5) of the German Stock Corporation Act, the shares may also be indirectly granted to the shareholders within the scope of this statutory subscription right without explicit authorization being necessary. However, the shareholders' subscription rights may be excluded in the cases explained below, with the possibility of excluding subscription rights with regard to capital increases against cash and non-cash contributions in kind being restricted to a total of 10% of the capital stock.

Exclusion of subscription rights for fractional amounts

The authorization to exclude the subscription right for fractional amounts serves to be able to present a practicable subscription ratio as far as the amount of the respective capital increase is concerned. If the subscription right were not to be excluded with regard to fractional amounts, the technical execution of the capital increase and the exercise of the subscription right would be rendered considerably more difficult, particularly in the case of capital increases involving rounded amounts. The new shares excluded from the shareholders' subscription rights as free fractional amounts are realized in the best manner possible 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 subject to conversion or option rights or conversion obligations

Moreover, the subscription right is to be capable of being excluded with the consent of the Supervisory Board to the extent necessary to also enable the bearers or creditors of bonds subject to option or conversion rights existing at the time of utilization of the authorized capital to be granted subscription rights to new shares if this is provided for by the terms and conditions of the respective bond issue. While such option or convertible bonds have not been issued to date, at the Annual General Meeting of May 10, 2019 a bond issue of this kind is to be authorized. As a result, the authorization to exclude subscription rights serves to avoid having to reduce the terms and conditions of the option or conversion price in accordance with the so-called dilution protection clauses in the event of such authorization being exercised. Instead, the bearers or creditors of bonds with option or conversion rights or conversion obligations are also to be enabled to be granted a subscription right to the extent to which they would be entitled after exercising the conversion or option right or the conversion obligation. The authorization enables the Board of Management to choose between the two alternatives when utilizing the authorized capital, carefully weighing the interests in such cases.

Exclusion of subscription rights for cash capital increases pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act

Moreover, with the approval of the Supervisory Board, it is to be possible for the subscription right to be excluded in the case of cash capital increases pursuant to Sections 203 (1) sentence 1, 203 (2), 186 (3) sentence 4 of the German Stock Corporation Act. This possibility serves the interests of the Company in achieving the best issue price possible when issuing the new shares. The possibility provided for by law in Section 186 (3) sentence 4 of the German Stock Corporation Act of excluding subscription rights enables Management to take advantage of the opportunities unfolding in light of the prevailing conditions on the stock markets speedily, flexibly and at favorable prices. In doing so, an optimum reinforcement of equity is achieved in the interests of the Company and all shareholders. By dispensing with the need for time-consuming and cost-intensive handling and processing of subscription rights, the equity capital requirements can be covered in a timely manner and additional new shareholder groups can be acquired at home and abroad. A fixing of terms and conditions in line with current market parameters from time to time 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 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 subscription price 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. The possibility of carrying out a capital increase under ideal conditions and without a significant subscription rights margin is of particular importance to the Company since it must be able to speedily and flexibly take advantage of market opportunities unfolding in fast-changing as well as new markets and to cover resulting capital requirements at very short notice as well.

The issue price should be fixed as soon as possible after placement of the shares in question, therefore ensuring that the cash inflow to the Company for the new shares will be based on the stock market price of shares already listed and will not fall below the current stock market price by more than 3% as forecast, but at any rate by no more than 5%. The shares issued to the exclusion of the subscription rights pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act must not fall below a total of 10% of the capital stock, whether at the time of effectiveness or at the time of utilizing the authorization. The sale of treasury shares is to be taken into account in this limitation if such sale is effected during the term of this authorization to the exclusion of subscription rights pursuant to Sections 71 (1) no. 8 sentence 5, 186 (3) sentence 4 of the German Stock Corporation Act. Furthermore, those shares are to be taken into consideration in terms of this limitation which are issued or are still to be issued in order to service bonds with conversion or option rights or conversion obligations if the bonds are issued during the term of this authorization to the exclusion of subscription rights subject to appropriate application of Section 186 (3) sentence 4 of the German Stock Corporation Act. These parameters, in conformity with the statutory rules and regulations, take account of the shareholders' need to protect their shareholding from dilution in value. Due to the issue price of the new shares being close to the stock market price and due to the limited extent of the capital increase free of subscription rights, the shareholders have the additional possibility to maintain their participation ratio by acquiring the necessary shares at approximately subject to the same terms and prices via the stock exchange. Accordingly, it is ensured that, in conformity with the statutory assessment of Section 186 (3) sentence 4 of the German Stock Corporation Act, the asset and voting interests are duly protected when utilizing authorized capital to the exclusion of subscription rights, while the Company is given additional scope for action in the interests of all shareholders.

Exclusion of subscription rights in the case of capital increases from non-cash contributions in kind

Furthermore, it is to be made possible to exclude the shareholders' subscription rights, with the consent of the Supervisory Board, in the case of capital increases from non-cash contributions in kind. As a result, the Board of Management is placed in a position in suitable individual cases to use the Company's shares for the acquisition of enterprises, parts thereof, corporate shareholdings or other economic assets. For instance, in the course of negotiations there may be a need for shares to be provided as consideration rather than cash. The possibility to be able to offer shares of the Company by way of consideration is necessary in particular in international competition for attractive acquisition projects and creates the necessary scope for taking advantage of opportunities for the acquisition of enterprises, parts thereof, corporate shareholdings or other economic assets and preserve liquidity in the process. Payment in the form of shares can also be sensible in the interest of achieving an optimum financing structure. This authorization enables the Company to also acquire larger companies or corporate shareholdings in suitable cases if this happens to be in the interests of the Company and, therefore, of its shareholders. The Company suffers no disadvantage in this regard since the issuance of shares against a non-cash capital contribution in kind presupposes that the value of such contribution is in an appropriate ratio to the value of the shares in question. In determining the valuation ratios, the Board of management will ensure that the interests of the Company and its shareholders remain duly protected, with an appropriate issue amount price being achieved for the new shares.

Restriction of the overall scope of capital increases free of subscription rights

The total number of shares to be issued on the basis of the aforementioned authorizations to the exclusion of subscription rights for capital increases both against cash and/or non-cash contributions in kind may not exceed 10% of the capital stock, whether at the time of effectiveness of the authorization or at the time of its exercise. Shares are taken into consideration in the aforementioned 10% limit that are issued under authorized capital to the exclusion of subscription rights, as well as shares to be issued during the term of the authorized capital to the exclusion of subscription rights with an option and/or conversion right or conversion obligation to the exclusion of subscription rights. This capital limit restricts the total extent of an issue of shares free of subscription rights from authorized capital. In this way, the shareholders are given additional protection against dilution of their shareholdings.

Utilization of authorized capital

No plans exist at present for utilization of the authorized capital. The Board of Management will need to carefully establish in each and every case whether it plans to utilize the authorization for a capital increase to the exclusion of the shareholders' subscription rights. It will do so only if, according to an assessment by the Board of Management and the Supervisory Board, this is in the interests of the Company and, therefore, its shareholders. The Board of Management will present a report on the utilization of the authorization at the following Annual General Meeting from time to time.

Bietigheim-Bissingen, March 2019

Dürr Aktiengesellschaft, Registered Office: Stuttgart
– The Board of Management –

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