



**Report by the Executive Board on agenda item 6 pursuant to Art. 9 (1) c)
ii) SE Regulation in conjunction with §§ 203 (2) sentence 2, 186 (4)
sentence 2 AktG**

It is in the interest of the Company to have as much flexibility as possible in order to be able to act quickly on capital markets. On this basis, the Executive Board and the Supervisory Board propose under agenda item 6 of the ordinary General Meeting on May 14, 2014 to create new Authorized Capital 2014 with the possibility to exclude the pre-emptive rights of shareholders.

The current Authorized Capital 2011 provided for in § 4 clause 2.1. of the Articles of Association was decided by the General Meeting on May 19, 2011 to have a term of five years (until May 18, 2016) and has meanwhile been used up in part.

The Executive Board of the Company decided on October 23/24, 2013, with the approval of the Supervisory Board, to make partial use of the existing authorization pursuant to § 4 clause 2.1 of the Articles of Association and to increase the Company's share capital by EUR 10,223.133.00 to EUR 112,454,470.00 through issuance of 10,223,133 new no-par value registered shares with a notional interest in the share capital of EUR 1.00 per share ("New Shares") against cash contribution. The shareholders' statutory pre-emptive right was excluded pursuant to § 186 (3) sentence 4 AktG. The newly issued shares of the Company were placed with institutional investors in an accelerated book building process at a price of EUR 9.90 per share (issue price). The placement generated proceeds of more than EUR 101 million, thereby strengthening the Company's balance sheet and liquidity and increasing its financial flexibility; moreover, it is expected that this will also improve the bargaining power of the Company, in particular vis-à-vis major customers. The proceeds help to strengthen the technological leadership of the Company and are to be used for investments in growth segments at an early date, in particular technologies for the manufacture of high-performance electronics, organic LEDs and applications in the silicon semiconductor industry. It was possible to broaden the investor basis and to avoid the time and expenses involved in a rights issue which would, moreover, have resulted in even larger discounts and uncertainties. By excluding the pre-emptive right it proved possible to implement this transaction quickly and efficiently.

The Executive Board and the Supervisory Board approved the placement price of EUR 9.90, because the volume-weighted average price was EUR 10.004 on the date of the placement (and until its conclusion) and the discount on the placement price was therefore only 1.04 percent, i.e. the placement price was not significantly below the market price within the meaning of §§ 203 (1) and (2), 186 (3) sentence 4 AktG, as provided for in the

authorization granted by the General Meeting. The placement price was determined in an accelerated book building process. Each of the existing shareholders of the Company had the opportunity to maintain his or her proportionate interest by purchasing the necessary shares on the stock exchange at approximately identical conditions. Thus, the interests of the existing shareholders in terms of both asset protection and voting rights were appropriately protected.

The new authorized capital is to be based on the well-established rules for the current Authorized Capital 2011. It is therefore proposed to the General Meeting under agenda item 6 that new Authorized Capital 2014 be created.

Pursuant to Art. 9 (1) c) ii) SE Regulation in conjunction with §§ 203 (2) sentence 2, 186 (4) sentence 2 AktG the Executive Board must submit a written report outlining the reasons for excluding pre-emptive rights.

The proposed resolution contains an authorization for the Executive Board to increase, with the approval of the Supervisory Board, the share capital on one occasion or in partial amounts on several occasions in the period to May 13, 2019 by up to a total of EUR 45,883,905.00 against cash and/or non-cash contributions through issuance of new registered no-par value registered shares (Authorized Capital 2014). Shareholders must be granted pre-emptive rights. The shares may also be underwritten by one or several credit institutions with the obligation to offer the shares to the shareholders of the Company for subscription (indirect subscription right).

The Executive Board shall, however, be authorized, with the approval of the Supervisory Board, to exclude the pre-emptive rights of shareholders to eliminate fractions resulting from the subscription ratio. Excluding pre-emptive rights for fractions is generally accepted and necessary to ensure a practicable subscription ratio and to simplify the technical implementation by ensuring round figures and maintaining a subscription ratio based on whole numbers. This is in the Company's interest. Shares representing fractions for which pre-emptive rights are excluded will either be sold on the stock market or disposed of by other means at best for the Company. The potential dilutive effect and the encroachment on shareholders' rights are minimal due to the limitation to fractions. For these reasons, the Executive Board and the Supervisory Board believe that excluding pre-emptive rights is objectively justified and reasonable in relation to the shareholders.

Furthermore, it will be possible to exclude pre-emptive rights for protection against dilution insofar as this is necessary to grant the holders of bonds with warrants or convertible bonds issued in the future the right to subscribe for new shares, if the conditions of the bond in question provide for this. In order to facilitate placement on the capital market, the conditions for issuing bonds usually provide for protection against dilution. Protection against dilution may take the form of granting to the holders of bonds with warrants or convertible

bonds the right to subscribe for new shares in any share issues cum-rights. They are therefore placed in the same position as if they had already exercised their option or conversion right or as if the conversion obligation had been fulfilled. As it will not be necessary for protection against dilution of this type to reduce the option or conversion price, a higher issue price can regularly be achieved for the shares issued in exchange for convertible bonds or bonds with warrants. In order to be able to provide for such anti-dilution protection, it must be possible to exclude the pre-emptive rights of shareholders. Ultimately, such anti-dilution protection will facilitate placement of the convertible bonds or bonds with warrants or conversion obligations and the exclusion of the pre-emptive rights is therefore in the interest of the shareholders to optimize the Company's financing structure.

The authorization to increase the share capital against non-cash contributions while excluding pre-emptive rights in order to acquire companies, parts of companies, equity interests in companies, or other assets, enables the Executive Board to acquire a company or a part of a company or an equity interest in a company or other assets in return for shares if a suitable opportunity arises. This form of acquisition financing is increasingly required in international competition. The Company must always be able to react flexibly and to protect its growth strategy through acquisitions, if necessary. The proposed authorization is intended to enable the Company to react quickly and flexibly when advantageous acquisition opportunities or opportunities to acquire suitable assets arise on national and international markets and the acquisition in question appears suitable to strengthen the Company's competitiveness or is otherwise in the interest of the Company. In this context it may be expedient or necessary to provide shares in the Company as consideration which can, moreover, improve the bargaining power of the Company in certain cases. It may also be appropriate, given specific interests of the Company, to offer the seller new shares as consideration which would strengthen the Company's equity base. In all of these cases the exclusion of the pre-emptive rights of shareholders would be necessary. If new shares are to be issued in order to finance a specific acquisition, such new shares must, as a rule, be issued quickly. This would require the possibility to use authorized capital while excluding pre-emptive rights. The proposed authorization to exclude pre-emptive rights thus meets the requirement for the Executive Board to be able to act quickly and flexibly with the approval of the Supervisory Board if a suitable opportunity arises and to use as "acquisition currency" Company shares created through use of Authorized Capital 2014. When determining the conversion ratio and/or the issue price for shares to be issued while excluding pre-emptive rights, the Executive Board and the Supervisory Board will ensure that the interests of the shareholders are appropriately safeguarded and that the new shares will not be issued at unreasonably low prices.

In addition, the Executive Board will be authorized, with the approval of the Supervisory Board, to exclude statutory pre-emptive rights in the event of cash capital increases if the issue price for the new shares in accordance with § 186 (3) sentence 4 AktG is not significantly lower than the market price of listed Company shares. This will enable management to place the new shares quickly and at a near-market price, i.e. without the discount that is as a rule required for rights issues. The reason for this is that a placement without a statutory subscription period can take place immediately after the issue price has been fixed, as a result of which it is unnecessary to factor into the issue price the risk of a change in the market price during such a subscription period. Ultimately, this will regularly generate higher proceeds, which is in the interest of the Company. When exercising the authorization, the Executive Board will assess the discount as low as possible given the market conditions prevailing at the time of the placement. The discount on the market price at the time the Authorized Capital 2014 is used will in no event be more than 5 percent of the then current market price. The shares issued in accordance with § 186 (3) sentence 4 AktG by excluding pre-emptive rights may in the aggregate not exceed 10 percent of the share capital either at the time the authorization enters into force or at the time it is exercised. In accordance with legal requirements, these stipulations take into account the need to protect shareholders against the dilution of their shareholdings. Every shareholder has the opportunity to acquire the shares required to maintain his or her proportionate interest at approximately the same conditions via the stock market, due to the fact that the new shares are issued at a near-market price and due to the limit placed on the capital increase by excluding pre-emptive rights. In calculating this limit of 10 percent of the share capital, those shares shall be included which are issued or used during the term of this authorization while excluding pre-emptive rights in direct or analogous application of § 186 (3) sentence 4 AktG. In addition, in calculating the limit of 10 percent of the share capital, those shares will be included which are issued or will have to be issued to service bonds with warrants and/or convertible bonds, provided that, following the granting of this authorization, the bonds are issued with exclusion of pre-emptive rights in analogous application of § 186 (3) sentence 4 AktG based on an authorization that is in force at the time of granting this authorization or any authorization replacing it. This will also ensure that the interests of the shareholders in terms of asset protection and voting rights are appropriately protected when Authorized Capital 2014 is utilized while excluding pre-emptive rights in line with the legal provisions of § 186 (3) sentence 4 AktG, while giving the Company additional scope for action in the interest of all shareholders.

In order to protect the shareholders this authorization to issue shares with an exclusion of the pre-emptive rights of the shareholders shall apply only subject to the provision that – without taking into account shares issued without pre-

emptive rights in order to eliminate fractions and/or to protect the holders of option or conversion rights or conversion obligations arising from bonds with warrants or convertible bonds against dilution – following exercise of such authorization the sum of the shares issued without pre-emptive rights under Authorized Capital 2014 does not exceed 20 percent of the share capital existing at the time this authorization becomes effective or – if this amount is lower – existing at the time of its exercise. In calculating this limit of 20 percent of the share capital, those shares shall be included which are issued during the term of this authorization with exclusion of pre-emptive rights under any other authorized capital and/or contingent capital as a result of the exercise of option and/or conversion rights or conversion obligations to holders of bonds with warrants or convertible bonds, provided that an exclusion of pre-emptive rights to eliminate fractions and/or in favor of the holders of bonds with warrants or convertible bonds to protect them against dilution will not be taken into account.

In consideration of all of these circumstances, the authorization to exclude pre-emptive rights within the outlined limits is in the interest of the Company. Overall, the authorization to exclude pre-emptive rights does not unreasonably impair shareholders' interests. The Executive Board will carefully examine in each specific case whether it should make use of the authorization to implement a capital increase while excluding the pre-emptive rights of the shareholders. This authorization will only be exercised if it is in the interests of the Company and therefore of its shareholders, in the opinion of the Executive Board and the Supervisory Board, and if it is reasonable.

The Executive Board will report on each utilization of Authorized Capital 2014 to the respective next General Meeting.

Herzogenrath, March 2014

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– Executive Board –

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