Report of the Board of Management to the Annual Stockholders' Meeting concerning item 7 of the agenda in accordance with Section 221 Para. 4 Sentence 2 AktG, in conjunction with Section 186 Para. 4 Sentence 2 AktG

An adequate endowment with capital is an important basis for the growth of the Company. By issuing convertible bonds and/or warrant bonds, profit participation rights and/or income bonds (or any combination of these instruments) (collectively "bonds") the Company is able to take advantage of attractive financing options in the capital market in addition to the classic options of raising capital through outside financing and equity contributions. The issuance of bonds facilitates for example the raising of low-interest outside capital, which can be classified as equity or quasi-equity both for rating and balance sheet purposes.

The authorizations I and II permitting the issuance of bonds adopted in the Stockholders' Meeting of 31 May 2007 were based on the decisions of some lower courts which required specifying a concrete conversion and/or option price for the adoption of resolutions regarding a contingent capital in support of an authorization of convertible bonds (and similar instruments), instead of considering the specification of a minimum price as sufficient, as practiced generally until that time. After a change of the German Stock Corporation Act the law regarding the authorization to issue warrant bonds or convertible bonds and a contingent capital created for exercising option and conversion rights or obligations now specifically provides that specifying a minimum issue price is sufficient. Therefore, in order to give the Company this same latitude of action, the authorizations I and II adopted by the Stockholders' Meeting on 31 May 2007 and set to expire on 31 May 2012 together with the contingent capital I and capital II in Section 4 Para. 4 and 5 of the Articles of Association shall be revoked and replaced by a new authorization as well as a new contingent capital in Section 4 Para. 4 of the Articles of Association.

The proposed authorization proposes to authorize the Board of Management, with the Supervisory Board's approval, to issue once or repeatedly bonds in the total nominal amount of up to EURO 2,000,000,000.00 and to create a contingent capital of up to EURO 16,640,534.00 for satisfying the option and conversion rights or obligations. The authorization will expire on 17 May 2016.

Pursuant to Section 221 Para. 4 in conjunction with Section 186 Para. 1 AktG, the Stockholders are owed in principle the legal subscription right to bonds linked to option or conversion rights or obligations. If the Stockholders are not given the opportunity to purchase the bonds directly, the Board of Management may choose the option of issuing bonds to a financial institution or a consortium of financial institutions with the obligation to offer the bonds to the Stockholders according to their subscription rights (indirect subscription right within the meaning of Section 186 Para. 5 AktG).

The exclusion of the subscription right for fractional amounts makes it possible to use the requested authorization in rounded amounts. This facilitates the handling of the subscription rights of the Stockholders. The exclusion of the subscription right in favor of the holders or creditors of already issued conversion and option rights or obligations has the advantage that the conversion and/or option price for already issued conversion and/or option rights or obligations do not have to be reduced, allowing thereby an altogether higher flow of funds. Both cases of the subscription right exclusion are therefore in the interest of the Company and its Stockholders.

The price at which the new shares are issued must correspond to at least 80% of the stock market price at the time of the issuance of the bonds linked to option or conversion rights or obligations. By allowing a surcharge (which may be increased depending on the term of the warrant bond and/or convertible bond), the preconditions are created so that the terms of the convertible bonds and/or warrant bonds take into account the respective capital market conditions at the time of issuance. The Board of Management is also authorized, with the Supervisory Board's approval, to totally exclude the subscription rights of the Stockholders if the bonds linked to option or conversion rights or obligations are issued against cash at a share price that is not significantly below the market price of these bonds. This gives the Company the chance to take advantage of favorable market conditions at very short notice and quickly to obtain better conditions with regard to the interest rate, option and/or conversion price and issue price of the bonds when specifying terms in line with the market. Specifying terms in line with the market and the smooth placement would not be possible if the subscription rights were left in place. While Section 186 Para. 2 AktG permits the publication of the subscription price (and thus the terms of these bonds) until three days before the subscription period expires, there is a market risk lasting several days because of the volatility frequently seen in the stock markets, resulting in discounts when specifying bond terms and thus in conditions that are not in line with the market. Also, if there is a subscription right, a successful placement with third parties is jeopardized and/or associated with additional expenses because of the uncertainty as to whether it will be exercised or not (subscription behavior). Finally, if a subscription right is granted, the Company is unable to react to favorable and/or unfavorable market conditions on short notice but instead runs the risk of declining stock prices during the subscription period because of the length of the subscription period, which can mean that capital has to be procured at conditions that are unfavorable for the Company.

Pursuant to Section 221 Para. 4 sentence 2 AktG, in this case of a complete exclusion of the subscription right, the provision of Section 186 Para. 3 Sentence 4 AktG applies accordingly. According to the content of the resolution, the limit of 10% of the capital stock for subscription right exclusions set forth therein must be complied with. The volume of the contingent capital, which is to be made available in this case at best as a guarantee for the option or conversion rights and/or obligations, may not exceed 10% of the capital stock existing on the effective date of the authorization to exclude the subscription right pursuant to Section 186 Para. 3 sentence 4 AktG. An appropriate mandate in the authorization resolution also ensures that the 10% limit is not exceeded even in case of a capital reduction, since 10% of the capital stock may not be exceeded according to the authorization to exclude the subscription right, either when this authorization takes effect or - if this value decreases - at the time it is exercised. In this process the Company's own shares that are sold with the exclusion of the subscription right pursuant to Section 186 Para. 3 Sentence 4 AktG, and the shares that are issued out of the authorized capital with the exclusion of the subscription right pursuant to Section 186 Para. 3 Sentence 4 AktG are offset and therefore reduce this amount accordingly, if they are sold and/or issued during the validity of this authorization until the issuance of the bonds with option and/or conversion rights or obligations excluding the subscription right according to Section 186 Para. 3 sentence 4 AktG. From Section 186 Para. 3 Sentence 4 AktG it furthermore follows that the issue price may not fall significantly below the stock market price. This is meant to ensure that the economic value of the shares is not diluted unduly. Whether such a dilution effect occurs if bonds linked to option or conversion rights or obligations are issued without subscription right can be determined by calculating the hypothetical market value of the bonds following recognized methods, in particular using financial mathematics, and by comparing it with the issue price. If after due examination this issue price is only insignificantly below the hypothetical stock market price at the time the bonds are issued, a subscription right exclusion is permitted according to the meaning and purpose of the provisions in Section 186 Para. 3 Sentence 4 AktG because the discount is insignificant. The resolution therefore provides that the Board of Management, before issuing bonds linked to option or conversion rights or obligations, must have come to the conclusion, after due examination, that the planned issue price does not lead to a significant dilution of the value of the shares because the issue price of the bonds is not significantly below its hypothetical market value calculated following recognized methods, in particular using financial mathematics. This would make the imputed market value of a subscription right drop to almost zero, so that no significant economic disadvantage would accrue to the Stockholders as a result of the subscription right exclusion. All this ensures that there is no significant dilution of the value of the shares when excluding the subscription right. In addition the Stockholders have the option of maintaining their percentage of the capital stock of the Company even after the exercise of conversion or option rights or after the occurrence of the option or conversion obligation by purchasing shares via the stock market. In contrast, the authorization to exclude the subscription right allows the Company to set terms that are in line with the market, to place the shares with third parties as safely as possible and to take advantage of favorable market conditions at short notice.

To the extent that profit participation rights or income bonds without an option or conversion right or obligation are issued, the Board of Management is furthermore authorized, with the Supervisory Board's approval, to exclude the subscription rights of the Stockholders altogether if these profit participation rights or income bonds have features that are similar to obligations. This is the case if they do not create membership rights in the Company or grant any equity interest in the liquidation proceeds or if the interest is not calculated on the basis of the amount of the net income for the year, the balance sheet profits or the dividend. Also, the interest and issue price of the profit participation rights or income bonds must correspond to the actual market conditions prevailing at the time of issuance. If these conditions are fulfilled, the exclusion of the subscription right does not result in any disadvantage to the Stockholders because the profit participation rights and/or income bonds do not create any membership rights and do not grant the right to a percentage of the liquidation proceeds or the profits of the Company.

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