

CONVENIENCE TRANSLATION

NORMA Group SE

Annual General Meeting on 20 May 2015

Report of the Management Board on agenda item 6

Capital adequacy and adequate financing are major bases for the further development of NORMA Group SE and for a successful market appearance. By issuing convertible bonds and bonds with warrants as well as participation rights, the Company can – depending on the market situation and its financing needs – take advantage of attractive financing opportunities at comparatively low interest rates, for example to procure favourable debt capital for the Company. Moreover, by issuing convertible bonds and bonds with warrants as well as participation rights, the Company may possibly even reach new investor groups in addition to using other instruments, such as capital increases. And the Company will also receive the conversion and option premiums when issuing such bonds.

The planned authorisation is intended to replace the existing authorisation to issue bonds with warrants and convertible bonds as well as participation rights carrying an option or conversion right which had been resolved in the Extraordinary General Meeting of 6 April 2011. This authorisation resolved on 6 April 2011 will run until 5 April 2016 and will therefore likely expire before the scheduled date for the Annual General Meeting in 2016. The Management Board and Supervisory Board believe it reasonable to allow the Company to issue convertible bonds and/or bonds with warrants as well as participation rights subject to an exclusion of subscription rights even after 5 April 2016. When it comes to its legal arrangement, the authorisation proposed under agenda item 6 b) largely equals the authorisation granted on 6 April 2011.

The new authorisation to issue bonds as proposed under agenda item 6 b) enables the Management Board to issue, with the Supervisory Board's consent, once or repeatedly on or before 19 May 2020, bearer or registered convertible bonds and/or bonds with warrants and/or participation rights carrying a conversion or option right and/or conversion or option obligation (or a combination of these instruments) in a total nominal amount of up to EUR 200,000,000 with or without a limited maturity term (hereinafter referred to collectively as "**Bonds**") and to grant the creditors of Bonds conversion/option rights and/or lay down for the creditors of Bonds conversion/option obligations to subscribe to a total of up to 3,186,240 new registered shares of the Company with a pro rata amount of the share capital of a total of up to EUR 3,186,240 in accordance with the terms and conditions of the Bonds (hereinafter together "**Bond Conditions**"). The authorisation proposed in agenda item 6 b) will furthermore make it possible for the Management Board to issue the Bonds with a variable interest rate, in terms of which the interest rate may be wholly or partially dependent on the amount of the net profit for the year, the balance sheet profit or the Company's dividend.

The possibility provided for in the authorisation to the effect that Bonds may also be issued with conversion or option obligations upon maturity or at another time extends the scope for structuring financing instruments of this kind.

When issuing Bonds, the Company shall be able to make use of the German or international capital markets – depending on the market situation – and to issue Bonds not only in euros but also in the legal currency of an OECD country, as long as the corresponding EUR-equivalent is not exceeded. The Bonds may also be issued by domestic or foreign companies, in which the Company holds directly or indirectly the majority of the votes and capital (hereinafter also “**Majority-Owned Subsidiary**”); in this case, the Management Board shall be authorised to provide a guarantee for the Bonds on behalf of the Company and to grant the creditors of such Bonds conversion/option rights on shares of the Company and/or fulfil conversion or option obligations in shares of the Company as well as to make additional declarations and carry out additional acts as are necessary for a successful issue.

The proposed Conditional Capital 2015 is to enable the Company to issue shares to the creditors of Bonds which will be issued based on the authorisation that is yet to be granted under agenda item 6 b). The nominal value of the Contingent Capital 2015 corresponds to 10 % of the current share capital of the Company. New shares from the Conditional Capital 2015 are issued at the conversion or option price to be determined in each case in accordance with the respective authorisation. Pursuant to section 193(2) no. 3 German Stock Corporation Act, the authorisation will merely define the bases for determining the relevant minimum par value so as to give the Company the necessary flexibility when determining the conditions. The conditional increase in capital will be performed only insofar as use is made of conversion or option rights that are based on issued Bonds or insofar as conversion or option obligations that are based on such Bonds are fulfilled, and insofar as the conversion or option rights and/or conversion or option obligations are not satisfied through own shares, shares from authorised capital or other consideration.

When issuing Bonds carrying a conversion or option right or a conversion or option obligation, shareholders are generally entitled to a subscription right (section 221(4) in conjunction with section 186(1) German Stock Corporation Act). If the Bonds are issued by a Majority-Owned Subsidiary of NORMA Group SE, NORMA Group SE must ensure that the shareholders are granted the statutory subscription rights. To simplify this process, the Bonds can also be taken on by one or several credit institutions pursuant to section 186(5) German Stock Corporation Act, which must undertake to offer them to the shareholders for subscription (so-called indirect subscription right).

In this context, the Management Board, with the Supervisory Board’s consent, shall be allowed to design the subscription right such as to provide for direct and indirect subscription rights. It may for example be particularly expedient and, for cost-related reasons, in the interest of the Company, to offer a major shareholder who is entitled to subscription rights and who has undertaken to purchase a fixed number of (partial) Bonds in advance, such bonds for subscription directly, in order to avoid the issuing bank fees that would be otherwise incurred by the Company in case of an indirect subscription right. This does not entail any restriction of the content of the subscription rights of the shareholders to whom the Bonds are offered by way of an indirect subscription right.

In accordance with the legal provisions, the Management Board shall be authorised – with the consent of the Supervisory Board – in the individual cases specified in detail in such authorisation to exclude the shareholders’ subscription right.

Exclusion of subscription rights for fractional amounts

Initially, the Management Board shall be authorised to exclude the shareholders' subscription right for fractional amounts with the Supervisory Board's consent. Said exclusion of the subscription right shall enable a practicable subscription and thus facilitate the technical aspect of issuing Bonds. The value of the fractional amounts is normally low, whereas the time and effort required to issue Bonds without an exclusion of the subscription right for fractional amounts is regularly much higher. When it comes to fractional amounts, the costs associated with trading in subscription rights would be out of proportion to the shareholders' actual benefits. The Bonds that are excluded from the subscription right due to such fractional amounts will be used in the Company's best possible interest. The exclusion of the subscription right in these cases thus serves to make an emission more practicable and feasible.

Exclusion of subscription rights in the case of bonds with warrants and convertible bonds

When Bonds are issued, the Management Board shall be moreover authorised to exclude, with the Supervisory Board's consent, the shareholders' subscription rights insofar as this is necessary to grant the bearers or creditors of conversion or option rights, or the creditors of Bonds or participation rights carrying conversion or option obligations, which were or will be issued by the Company or a Majority-Owned Subsidiary a subscription right to an extent they would be entitled to as shareholders after the exercise of the conversion or option rights or after the fulfilment of conversion or option obligations.

The background to this is as follows: The economic value of the said conversion or option rights or the Bonds carrying conversion or option obligations depends not only on the conversion or option price but also, in particular, on the value of the shares of the Company to which the conversion or option rights or conversion or option obligations relate. To ensure a successful placement of the respective Bonds or, rather, to avoid a corresponding markdown during placement, it is thus common practice to include so-called anti-dilution provisions in the Bond Conditions, which will protect those who are eligible from depreciation of their conversion or option rights as a result of a dilution of the value of the shares to be subscribed; the inclusion of such anti-dilution provisions in Bond Conditions is thus also provided for in the authorisation to issue convertible bonds and/or bonds with warrants and/or participation rights carrying a conversion or option right and/or a conversion or option obligation (or a combination of such instruments), as proposed under agenda item 6 b). The subsequent issuing of further Bonds carrying conversion or option rights or conversion or option obligations with subscription rights being granted to the shareholders would typically lead to such a dilution of value in the absence of dilution protection. This is because in order to make the subscription rights attractive to the shareholders and to ensure subscription, the relevant convertible bonds or bonds with warrants are, in cases in which subscription rights are granted, generally issued under more favourable conditions than would be in line with their market value. This leads to a corresponding dilution of the value of the shares. The aforesaid anti-dilution provisions in the Bond Conditions usually provide for a reduction in the conversion or option price in such a case, with the result that in the event of the subsequent conversion or exercising of the option or the subsequent fulfilment of a conversion or option obligation, the funds flowing into the Company are reduced or the number of shares to be issued by the Company is increased.

As an alternative, based on which a reduction of the conversion and/or option price can be avoided, the anti-dilution provisions usually allow for those who are eligible for Bonds carrying conversion or option rights or conversion or option obligations to be granted a subscription right to subsequently issued convertible bonds and/or bonds with warrants to an extent they would be entitled to after the exercise of their own conversion or option rights or after the fulfilment of their conversion or option obligations. They are hence treated as if the exercise of the conversion or option rights or the fulfilment of possible conversion or option obligations had turned them into shareholders already before the subscription offer and as if already entitled to subscription to that extent; the value of the subscription right therefore compensates them – like all the already participating shareholders – for the dilution of value. For the Company, this second alternative for granting dilution protection has the benefit that the conversion or option price does not have to be reduced; it therefore serves to guarantee the largest possible inflow of funds in the event of a subsequent conversion or exercising of the option or the subsequent fulfilment of any conversion or option obligation or reduces the number of shares to be issued in this case. This also benefits the participating shareholders, so that it at the same time constitutes remuneration for the restriction of their subscription rights. Their subscription rights as such continue to exist and are merely reduced pro rata to the extent to which, in addition to the participating shareholders, the bearers of the conversion or option rights or of the Bonds carrying conversion or option obligations are also granted subscription rights. In case of an emission of subscription rights, the present authorisation enables the Company to choose between one of the two above-described alternatives for granting dilution protection, by weighing the shareholders' interests against the Company's.

Exclusion of subscription rights for Bonds issued for cash consideration

The Management Board shall also be authorised, with the Supervisory Board's consent, to exclude the subscription rights if, where Bonds are issued in return for cash payment, the issue price of the Bonds is not substantially below the theoretical market value of the Bonds determined using recognised financial calculation methods.

It may be expedient to make use of this statutory possibility of excluding subscription rights to enable the Company to respond swiftly to favourable market situations and place Bonds on the market quickly and flexibly with attractive conditions. The two week subscription period required when granting subscription rights to the shareholders (in analogous application of section 186(1), sentence 2 German Stock Corporation Act) makes it impossible to react swiftly to the current market situation in this way. Moreover, because of the volatility of the stock markets, conditions which are as close as possible to market conditions can generally only be achieved if the Company is not bound to them for a prolonged period. If subscription rights are granted, section 186(2) German Stock Corporation Act stipulates that the final subscription price or, in the case of Bonds carrying conversion and/or option rights or conversion or option obligations, the final conditions for the Bonds must be announced no later than three days before the end of the subscription period. As compared to an allocation without subscription rights, this is associated with a greater market risk – in particular with a change in price risk that lasts for several days. When granting a subscription right, one must hence regularly provide for a corresponding safety discount when determining the conditions of the Bonds in order to achieve a success-

ful placement; this will normally result in less favourable conditions for the Company than when placing the Bonds under exclusion of the subscription right. Also, when granting a subscription right, complete placement is not readily warranted and a subsequent placement with third parties is normally associated with extra expenses due to the uncertainties regarding the exercise of the subscription rights by those entitled thereto.

With this exclusion of subscription rights, the shareholders' interests are guaranteed by the fact that the Bonds must not be issued substantially below their theoretical market value, whereby the actuarial value of the subscription right is reduced to almost zero. The resolution therefore provides that before issuing any Bonds, the Management Board must arrive at the conclusion that the envisaged par value will not lead to any noteworthy dilution of the shares' value. Should the Management Board consider it appropriate to obtain expert advice in the respective situation, it may consult experts, for example the syndicate banks assisting with the bond issue, an independent investment bank or a private expert, to confirm, in a suitable form, that no significant dilution of the share value is to be expected. Regardless of the assessment by the Management Board, the setting of conditions in line with general market conditions is guaranteed if a book building process is carried out. This means that the exclusion of subscription rights will not lead to a noteworthy dilution of the shares' value.

This authorisation to exclude subscription rights applies only to Bonds carrying rights to shares or obligations to subscribe shares, to which a proportional amount of the share capital of not more than 10% of the share capital is attributable either at the time of said authorisation taking effect or at the time of said authorisation being exercised. In this context, the legislator deems it reasonable to expect the shareholders to maintain their participation quota by purchases on the market. Shares in the Company that are issued or sold by the Company during the term of this authorisation subject to the exclusion of the shareholders' subscription rights pursuant to or in analogous application of section 186(3), sentence 4 German Stock Corporation Act will be counted towards this 10%-limit. Such imputations serve to protect the shareholders and keep the dilution of their interest as low as possible.

Exclusion of subscription rights for Bonds issued for non-cash consideration

The Management Board shall also be authorised, with the Supervisory Board's consent, to exclude the shareholders' subscription rights if Bonds are issued for non-cash consideration and the exclusion of subscription rights is in the interest of the Company.

The aim of this stipulation is to ensure that the Bonds can be used as acquisition currency to selectively acquire specific assets, enterprises, parts of or interests in enterprises. This will enable the Company, especially in combination with other financing instruments or the issuing of Bonds for cash consideration, to act flexibly and to respond to corresponding demands by the sellers. A prerequisite for issuing Bonds for non-cash consideration is that the value of the non-cash consideration at least corresponds to the issue price of the Bonds. This means that the Company does not suffer any disadvantage as a result of issuing Bonds for non-cash consideration. Rather, this possibility creates additional flexibility and improves the Company's competitive position in terms of making acquisitions. The Management Board will carefully consider, on a case-by-case basis, whether it will make use of the option

of issuing Bonds for non-cash consideration. It will only make use of this option if this is in the best interest of the Company and therefore of its shareholders.

Utilisation of the authorisation

Currently, there are no specific plans to make use of the authorisation to issue Bonds proposed in agenda item 6 b). The anticipatory resolutions proposed here including an option to exclude subscription rights are common both at the national and international level. Each and every such exclusion of subscription rights, as proposed herein, is subject to the consent of the Supervisory Board. The Management Board will moreover in each case carefully consider whether it would be in the interest of the Company to make use of the proposed authorisation to issue Bonds; it will in particular also consider whether any exclusion of the subscription rights in a specific case is objectively justified. The Management Board will report to the next General Meeting on any use of the authorisation.