

Report by the Executive Board to the Annual General Meeting pursuant to Section 203 (2) sentence 2 of the German Stock Corporation Act in conjunction with Section 186 (4) sentence 2 of the German Stock Corporation Act ad agenda item 7

Pursuant to Section 4 (5) of the Articles of Association, the Executive Board is authorised by resolution of the Annual General Meeting dated May 29, 2015 to increase, subject to the consent of the Supervisory Board, the share capital of the Company by issuing new no-par value bearer shares against cash contributions and/or contributions in kind on one or more occasions by up to a total of EUR 14,378,109.00. To the extent this authorised capital is still in existence at the time of the performance of the Annual General Meeting it expires on May 28, 2020. By resolution under agenda item 7 a new authorisation will be created. The proposed authorisation will allow the Executive Board also in the future to adjust the equity capital base of the Company to the business and legal requirements. It is intended to generally grant subscription rights to the shareholders upon making use of the authorisation. The new shares may also be acquired by one or several bank(s) or any equivalent institution subject to the obligation to offer such shares to the shareholders (indirect subscription right within the meaning of Section 186 (5) of the German Stock Corporation Act). By virtue of the involvement of banks or equivalent institutions merely the technical aspects of the implementation of share issuance will be facilitated. The Executive Board shall, however, be authorised to exclude the shareholders' subscription rights in the following cases:

The Executive Board shall be authorised, subject to the consent of the Supervisory Board, to exclude the subscription rights in case of capital increases against contribution in kind which serve the purpose of mergers or of acquiring companies, parts of companies, interests in companies or other assets including rights and receivables. In the case of acquiring interests in companies, interests of all sizes shall be covered. By this authorisation the Executive Board shall be enabled to use shares of the Company as consideration as appropriate in individual cases. The Company shall be enabled to react swiftly and successfully to advantageous offers or arising possibilities to merge with companies or to acquire companies, parts of companies, interests in companies or other assets including rights and receivables. As in the past, the Executive Board continuously examines opportunities for the Company to acquire companies or participations in companies.

The option to offer shares as consideration strengthens the negotiating position of the Company in the event that the acquisition of companies, parts of companies, interests in companies or a merger or the acquisition of other assets by way of a capital increase against contribution in kind results in tax savings for the seller or if, for other reasons, the seller is more interested in the acquisition of shares in the Company than in cash consideration. In the individual case, it may also be expedient to offer the seller new shares as consideration for a participation in a company due to special interests of the Company.

Moreover, the option to provide the seller consideration in the form of shares for the acquisition of companies, parts of companies, interests in companies or other assets including rights and receivables or in the context of mergers may be the less expensive – as it preserves corporate liquidity – form of financing for the Company as compared to cash consideration and thus be in the interests of the shareholders. The proposed range of the authorisation allows the Company to also acquire larger companies as appropriate in individual cases, if this is in the interests of the shareholders and the Company. The Executive Board and the Supervisory Board will carefully examine in each individual case whether the exclusion of the subscription rights is necessary for this purpose and whether the value of the company, parts of companies, interest in a company, or other assets to be acquired is reasonably proportionate to the value of the new shares of the Company.

The Executive Board shall further be authorised, subject to the consent of the Supervisory Board, to exclude the subscription rights in case of a capital increase against cash contribution in favour of the holders of option or conversion rights (*Options- oder Wandlungsrecht*) from warrant-linked bonds (*Optionsanleihen*) or convertible bonds (*Wandelanleihen*) issued by VTG Aktiengesellschaft. This enables the holders of option or conversion rights to be considered as if the respective right had already been exercised. The exclusion of subscription rights in favour of the holders of already issued option or conversion rights has the advantage that a reduction of the conversion or option price which might otherwise be required by the terms and conditions of the warrants or bonds (*Options- oder Anleihebedingungen*) can be avoided and hence, should this situation arise, a higher total cash inflow may be achieved.

The Executive Board shall further be authorised, subject to the consent of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription rights. This provision serves to ensure a practicable subscription ratio regarding the amount of the respective capital increase. This facilitates the implementation of subscription rights and saves additional effort.

The Executive Board and the Supervisory Board will carefully assess in each individual case whether making use of the proposed authorisation and potentially an exclusion of the subscription right is in the best interest of the Company while also taking the interests of the existing shareholders into account. The Executive Board will report to the Annual General Meeting on any use of the authorised capital.

Hamburg, April 2019

VTG Aktiengesellschaft

The Executive Board
