

Schramberg  
ISIN: DE0005156236  
WKN: 515 623

## **Explanatory Report to § 289a para 1 and § 315a para 1 German Commercial Code (HGB)**

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### **Composition of the subscribed capital**

The company's share capital of EUR 9,664,053.86 is divided into 3,780,000 registered shares (no-par-value shares). The same rights and obligations are associated with all company shares and arise from statutory provisions and the Articles of Association.

### **Restrictions relating to voting rights or the transfer of share**

The Executive Board is not aware of any restrictions relating to voting rights or the transfer of shares.

### **Direct or indirect shareholdings in the company's capital that exceed ten percent of the voting rights**

Mr Christoph Schweizer, resident in Schramberg, Mr LK Wu, resident in Kunshan, China, to whom the voting rights of WUS International Company Limited based in Tsuen Wan, New Territories, Hong Kong are attributable and WUS Printed Circuit Co, Ltd. based in Kaohsiung, Taiwan, to which the voting rights of WUS Group Holding Co., Ltd. based in Tortola, British Virgin Islands are attributable, each hold more than ten percent of the subscribed capital.

### **Shares conferring special control rights**

There are no shares conferring special control rights.

### **Type of voting right controls in the case of profit-sharing programmes**

There are no profit-sharing programmes or comparable arrangements whereby employees have participating interests in the capital without being able to directly exercise their control rights.

### **Statutory provisions and provisions governing the nomination and withdrawal of Executive Board members and amendments to the Articles of Association**

The regulations governing the nomination and withdrawal of Executive Board members, as set out in Sections 84 and 85 of the German Stock Corporation Act (Aktengesetz; AktG) and in Section 5 (2) of the company's Articles of Association, are as follows: The Supervisory Board determines the number and appointment of Executive Board members as well as their withdrawal. The Supervisory Board is also responsible for appointing a member of the Executive Board as CEO. Deputy board members may be appointed.

The prerequisites for an amendment to the Articles of Association are regulated in Sections 179 to 181 AktG and in Section 17 (2) of the Articles of Association. The power to make amendments and additions to the Articles of Association which only affect the wording has

been assigned to the Supervisory Board by the annual general meeting (cf. Section 12 of the Articles of Association).

## **Powers of the Executive Board to issue and buy back shares**

### **Authorised capital**

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company up to 30 June 2021 by up to a total of EUR 4,832,026.93 by issuing new, registered ordinary or preferred shares (no-par-value shares), once or several times, for contributions in cash and/or in kind (authorised capital). The authorisation encompasses the power to issue further preferred shares (with or without voting rights) in the case of the multiple issue of preferred shares, which have priority over or are equal to the preferred shares issued earlier, when distributing the profits or assets of the company. The new shares must, in principle, be offered to the shareholders to purchase. The Executive Board is however authorised, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription right under the conditions of the resolution of the annual general meeting of 1 July 2016.

The Executive Board may only avail of the aforementioned authorisation to exclude the subscription right to such an extent overall that the pro rata amount of the shares issued subject to the exclusion of the subscription right does not exceed 20 percent of the share capital (20 percent limit), neither on the date the resolution is passed on this authorisation nor at the time of its utilisation. Insofar as use is made, during the term of the authorised capital until its use, of other authorisations to issue or to sell company shares or to issue rights that allow the purchase of company shares or make it obligatory, while the subscription right is excluded, this must be credited against the aforementioned 20 percent limit.

### **Convertible bonds, inter alia, conditional capital**

The Executive Board is authorised, subject to the consent of the Supervisory Board, until 30 June 2021, to issue bearer or registered convertible bonds, warrant bonds, participation rights, participation bonds or combinations of these instruments (together referred to as "bonds") with or without a restriction on maturity in a total nominal amount of up to EUR 35,000,000.00 and to grant the bearers and/or creditors of convertible or warrant bonds conversion or option rights to new, registered no-par-value shares of the company with a pro rata amount of the share capital of up to EUR 4,832,026.93 overall. The issue can also be made against contributions in kind. The shareholders generally have a subscription right. However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right under certain conditions.

Any issue of bonds for which the subscription right is excluded may only take place subject to the aforementioned authorisation, if the calculated share of the share capital attributable to the sum of new shares to be issued on the basis of such a bond does not exceed 20 percent of the share capital, neither on the effective date nor, if this value is less, at the time the authorisation is exercised. Shares that are issued or sold or that will be issued during the term of this authorisation on the basis of another authorisation, for which the subscription right is excluded are credited against this limit.

The share capital of the company is conditionally increased by up to EUR 4,832,026.93 through the issue of up to 1,890,000 new, registered no-par-value shares (conditional capital). The conditional capital increase is only implemented insofar as the bearers and/or creditors of conversion or option rights or those parties subject to a conversion obligation arising from bonds, which the company or a Group company issued on the basis of the authorisation resolution of the annual general meeting of 1 July 2016 through to 30 June 2021, utilise their conversion or option rights or those bearers/creditors of issued bonds subject to a conversion obligation fulfil their obligation to convert or if the company exercises an option to grant, in whole or in part, no-par-value shares in the company instead of the payment of the due monetary amount and insofar as no own shares or other forms of fulfilment are used to service these rights. New shares are issued at the conversion or option price to be determined in the bond/option conditions, in accordance with the aforementioned authorisation resolution. The new shares participate in profits from the start of the business year in which they come into being through the exercise of conversion or option rights, through the fulfilment of conversion obligations or through the exercise of put options. The Executive Board is authorised, with the consent of the Supervisory Board, to define the further details of the implementation of the conditional capital increase.

#### **Authorisation to acquire own shares and their use**

The company is authorised, up to 30 June 2021, to acquire own shares up to a total of 10 percent of the share capital of EUR 9,664,053.86 existing at the time the resolution was adopted or – if this value is less – the share capital existing at the time the authorisation is exercised. At no time may more than 10 percent of the relevant share capital of the company be attributable to the shares acquired on the basis of this authorisation together with other shares of the company which the company had already acquired or still owns or which are assigned to it in accordance with Sections 71 ff. AktG. The authorisation may not be used by the company for the purposes of trading in own shares; otherwise the determination of the purpose of the acquisition is left to the discretion of the Executive Board. The Executive Board may choose to acquire shares via the stock market, via a public purchase offer aimed at all shareholders of the company or via a public invitation to the shareholders to submit offers to sell. Further information can be found in the publicly available invitation to the annual general meeting 2016 at [www.schweizer.ag/en/investor-relations/shareholders-meeting.html](http://www.schweizer.ag/en/investor-relations/shareholders-meeting.html).

#### **Essential agreements for the event of a change in control**

The conditions for the event of a change in control are variously set out in individual credit agreements. Agreements with an overall volume of EUR 6 million provide an extraordinary right of termination, if one or more people, who act jointly in the meaning of Section 2 (5) of the Wertpapiererwerbs- und Übernahmegesetz (German Securities and Takeover Act; WpÜG), at any time in the future purchase or hold directly or indirectly more than 50 percent of the voting rights.

#### **Compensation agreements concluded by the company**

In the event of premature termination of an Executive Board member's contract of employment as a result of a change of control, both Executive Board members are entitled to a compensation and severance payment limited to three years' compensation. The

calculation of the relevant annual remuneration is based on the average of the total remuneration for the last three financial years prior to their exit.

Schramberg, May 2018  
Der Management Board