

**Conversion Report**  
**of the management board of NORMA Group AG**

**concerning the conversion of**  
**NORMA Group AG, Maintal, Germany,**

**into a**

**European Company (Societas Europaea, SE)**

**with the company name NORMA Group SE and its registered office in Maintal,**  
**Germany**

**Table of contents**

|       |  |    |
|-------|--|----|
| 1     | Introduction .....   | 7  |
| 2     | NORMA Group AG .....   | 8  |
| 2.1   | Registered office/head office, financial year and object of the company .....  | 8  |
| 2.2   | Business operations .....  | 9  |
| 2.2.1 | Product range .....  | 9  |
| 2.2.2 | Channels of distribution .....   | 9  |
|       | (i) EJT marketing strategy .....   | 10 |
|       | (ii) DS marketing strategy .....   | 10 |
| 2.2.3 | Business development .....   | 10 |
|       | (i) Revenue .....  | 11 |
|       | (ii) Adjusted operating result .....   | 11 |
| 2.3   | Capital and shareholders .....   | 11 |
| 2.3.1 | Share capital .....  | 11 |
| 2.3.2 | Authorised capital .....   | 12 |
| 2.3.3 | Conditional capital .....  | 13 |
| 2.3.4 | Stock exchange trading and shareholding structure .....  | 13 |
| 2.4   | Corporate structure of the Company .....   | 14 |
| 2.4.1 | Corporate bodies .....   | 14 |
|       | (i) Management board .....   | 14 |
|       | (ii) Supervisory board .....   | 15 |
| 2.4.2 | Corporate Governance .....   | 16 |
| 2.4.3 | Employees and involvement of employees in NORMA Group AG and the NORMA Group .....   | 16 |
| 3     | Substantial aspects of the conversion .....  | 17 |
| 3.1   | Substantial reasons for the conversion .....   | 17 |
| 3.2   | Conversion costs .....   | 17 |
| 4     | Comparison of the legal form of a German stock corporation and the legal form of an SE with registered office in Germany as well as of the legal position of shareholders in NORMA Group AG and the legal position of shareholders in NORMA Group SE ..... | 18 |
| 4.1   | Introduction .....   | 18 |
| 4.2   | General provisions .....   | 19 |
| 4.2.1 | Share capital and shares .....   | 19 |
| 4.2.2 | Registered office of the Company and possibility of a cross-border transfer of the registered office .....   | 20 |
| 4.2.3 | Name .....   | 21 |
| 4.2.4 | Notification requirements .....  | 21 |
| 4.3   | Provisions on formation .....  | 21 |
| 4.4   | Capital maintenance and equal treatment of shareholders .....  | 22 |
| 4.5   | Corporate structure of the Company: two-tier and one-tier system .....   | 22 |
| 4.5.1 | Management organ (management board) .....  | 23 |
|       | (i) Managing the Company .....   | 23 |

|        |   |    |
|--------|---|----|
| (ii)   | Management.....   | 23 |
| (iii)  | Representation of the Company .....   | 24 |
| (iv)   | Size and composition of the management board .....  | 25 |
| (v)    | Appointment and removal of members of the management board /term of office.....   | 25 |
| (vi)   | Principles governing remuneration of members of the management board, prohibition of competition and granting of credits to members of the management board .....               | 26 |
| (vii)  | Reports to the supervisory board.....   | 26 |
| (viii) | Duties of the management board in the event of losses, over-indebtedness or insolvency.....   | 28 |
| (ix)   | Duty of care and responsibility.....  | 28 |
| (x)    | Liability due to exertion of influence on the company .....   | 29 |
| 4.5.2  | Supervisory organ (supervisory board) .....   | 29 |
| (i)    | Duties and rights of the supervisory board.....   | 29 |
| (ii)   | Representation of the company vis-à-vis management board members.....   | 31 |
| (iii)  | Size and composition .....  | 31 |
| (iv)   | Status procedure regarding the composition of the supervisory board.....  | 32 |
| (v)    | Personal qualifications of supervisory board members .....  | 32 |
| (vi)   | Incompatibility of simultaneous membership in both the management board and the supervisory board/temporary appointment of a supervisory board member to the management board33 |    |
| (vii)  | Appointment of supervisory board members.....   | 34 |
| (viii) | Term of office .....  | 35 |
| (ix)   | Judicial appointment .....  | 36 |
| (x)    | Removal .....   | 36 |
| (xi)   | Internal organisation.....  | 37 |
| (xii)  | Convening and frequency of meetings.....  | 38 |
| (xiii) | Remuneration of, contracts entered into with, and granting of credits to members of the supervisory board .....   | 38 |
| (xiv)  | Duties of care and obligation of secrecy .....  | 38 |
| 4.5.3  | General meeting .....   | 39 |
| (i)    | Responsibilities of the general meeting .....   | 39 |
| (ii)   | Convening a general meeting/organisation and conduct.....   | 41 |
| (iii)  | Convening a general meeting upon request of a minority/addition of items to the agenda upon request of a minority.....  | 42 |
| (iv)   | The right of shareholders to be provided with information, to speak and to submit questions at the general meeting.....   | 43 |
| (v)    | Rules of procedure of the general meeting; list of participants.....  | 44 |
| (vi)   | Ordinary resolutions by the general meeting (which do not amend the articles of association).....   | 44 |
| (vii)  | Resolutions by the general meeting amending the articles of association .....   | 45 |
| (viii) | Preferred shares/special resolution .....   | 46 |
| (ix)   | Special audit .....   | 47 |
| (x)    | Claims for damages/claims filed by shareholders pursuant to sections 147 et seq. of the German Stock Corporation Act .....  | 47 |
| 4.6    | Annual financial statements/consolidated financial statements.....  | 47 |
| 4.7    | Capital procurement and capital reduction measures.....   | 47 |
| 4.8    | Change in the relationship between several classes of shares.....   | 47 |

|        |  |    |
|--------|--|----|
| 4.9    | Nullity or, as the case may be, contesting of resolutions by the general meeting or the approved annual financial statements/special audit, due to impermissible undervaluation..... | 48 |
| 4.9.1  | Nullity of resolutions by the general meeting.....   | 48 |
| 4.9.2  | Nullity or, as the case may be, contesting of the election of supervisory board members..  | 48 |
| 4.9.3  | Nullity of the approved annual financial statements.....   | 48 |
| 4.9.4  | Special audit due to impermissible undervaluation.....   | 48 |
| 4.10   | Winding up and declaration of nullity of the company.....  | 49 |
| 4.11   | Affiliated companies/group law.....  | 49 |
| 4.12   | Provisions relating to penalties and fines.....  | 49 |
| 4.13   | German Corporate Governance Codex.....   | 50 |
| 5      | Implementation of NORMA Group AG's conversion into NORMA Group SE.....   | 50 |
| 5.1    | Drawing up the Terms of Conversion.....  | 50 |
| 5.2    | Issuance of the Certificate on Net Assets.....   | 51 |
| 5.3    | Publication and submission of the Terms of Conversion to the competent works council..   | 51 |
| 5.4    | General meeting of NORMA Group AG.....   | 52 |
| 5.5    | Conducting the negotiation procedure establishing rules on employee involvement in NORMA Group SE.....   | 52 |
| 5.6    | Constituent meeting of the first supervisory board and appointment of the first management board of NORMA Group SE.....  | 53 |
| 5.7    | Registration and entry into effect of the conversion.....  | 53 |
| 6      | Explanation of the Terms of Conversion and NORMA Group SE's Articles of Association, as well as the effects on its shareholders and employees.....                                   | 55 |
| 6.1    | Explanation of the Terms of Conversion.....  | 55 |
| 6.1.1  | Conversion of NORMA Group AG into NORMA Group SE (no. 1 of the Terms of Conversion).....   | 55 |
| 6.1.2  | Effective date of the conversion (no. 2 of the Terms of Conversion).....   | 55 |
| 6.1.3  | Legal form, name and registered office of NORMA Group AG and NORMA Group SE (no. 3 of the Terms of Conversion).....  | 55 |
| 6.1.4  | Ownership structure, shares and share capital of NORMA Group SE (no. 4 of the Terms of Conversion).....  | 56 |
| 6.1.5  | NORMA Group SE's Articles of Association and types of capital (no. 5 of the Terms of Conversion).....  | 57 |
| 6.1.6  | No cash buyout offer (no. 6 of the Terms of Conversion).....   | 58 |
| 6.1.7  | Special right holders and holders of other securities (no. 7 of the Terms of Conversion)...  | 58 |
| 6.1.8  | Management board (no. 8 of the Terms of Conversion).....   | 58 |
| 6.1.9  | Supervisory board (no. 9 of the Terms of Conversion).....  | 59 |
| 6.1.10 | Special benefits (no. 10 of the Terms of Conversion).....  | 60 |
| 6.1.11 | Information regarding the procedure for establishing rules on employee involvement in NORMA Group SE (no. 11 of the Terms of Conversion).....  | 60 |
|        | (i) Bases for the rules on employee involvement in NORMA Group SE.....   | 61 |
|        | (ii) Provision of information to the employees' representatives and request to establish an SNB (no. 11.2 of the Terms of Conversion).....   | 61 |
|        | (iii) Establishment and composition of the SNB (no. 11.3 of the Terms of Conversion).....  | 62 |

|        |  |    |
|--------|--|----|
| (iv)   | Negotiation procedure and rules on employee involvement in NORMA Group SE and costs of such procedure (no. 11.4 of the Terms of Conversion) .....            | 63 |
| (v)    | Content of an agreement on arrangements for the involvement of employees as stipulated by law .....  | 63 |
| (vi)   | Description of the statutory standard rules.....   | 64 |
| 6.1.12 | Other effects of the conversion on the employees and their representatives.....  | 66 |
| 6.1.13 | Auditor (no. 13 of the Terms of Conversion) .....  | 66 |
| 6.2    | Explanation of NORMA Group SE's Articles of Association .....  | 66 |
| 6.2.1  | Name, registered office and duration (section 1).....  | 67 |
| 6.2.2  | Object of the Company (section 2) .....  | 67 |
| 6.2.3  | Notices and transmission of information (section 3) .....  | 67 |
| 6.2.4  | Amount and division of the share capital (section 4) .....   | 67 |
| 6.2.5  | Authorised capital (section 5) .....   | 68 |
| 6.2.6  | Conditional capital (section 6).....   | 69 |
| 6.2.7  | Registered shares, share certificates (section 7).....   | 70 |
| 6.2.8  | Organisational structure (section 8) .....   | 71 |
| 6.2.9  | Composition, transactions which require the consent of the supervisory board, rules of procedure and term of office of the management board (section 9)..... | 71 |
| 6.2.10 | Representation of the Company (section 10) .....   | 72 |
| 6.2.11 | Composition, term of office and resignation from office of the supervisory board (section 11) .....  | 73 |
| 6.2.12 | Chairman and deputy chairman (section 12).....   | 74 |
| 6.2.13 | Convening of meetings and adoption of resolutions (section 13) .....   | 75 |
| 6.2.14 | Rules of procedure of the supervisory board; amendments to the Articles of Association (section 14).....   | 77 |
| 6.2.15 | Remuneration (section 15).....   | 77 |
| 6.2.16 | Venue and convening of the general meeting (section 16) .....  | 77 |
| 6.2.17 | Participation in and transmission of the general meeting (section 17).....   | 77 |
| 6.2.18 | Voting right (section 18).....   | 78 |
| 6.2.19 | Chair of the general meeting (section 19).....   | 78 |
| 6.2.20 | Adoption of resolutions (section 20).....  | 79 |
| 6.2.21 | Financial year, accounting (section 21) .....  | 79 |
| 6.2.22 | Appropriation of annual profit (section 22).....   | 80 |
| 6.2.23 | Appropriation of profits and basis for the shareholders' profit participation (section 23)...  | 80 |
| 6.2.24 | Formation costs/conversion costs (section 24).....   | 81 |
| 6.2.25 | Prevailing language (section 25).....  | 81 |
| 7      | Balance-sheet and tax consequences of the conversion.....  | 81 |
| 8      | Securities and stock exchange trading .....  | 82 |

### List of definitions

|   |   |
|---|---|
| <b>2013 General Meeting</b>                     | the annual general meeting of NORMA Group AG held on 22 May 2013  |
| <b>Certificate on Net Assets</b>                | certificate in accordance with Art. 37(6) of the SE Regulation  |
| <b>Company</b>                                  | NORMA Group AG or NORMA Group SE, as the case may be  |
| <b>€</b>  | Euro  |
| <b>EEA</b>                                      | the European Economic Area (as defined by the Agreement on the European Economic Area)  |
| <b>EU</b>                                       | the European Union  |
| <b>German SE Employee Involvement Act</b>       | the German Act on the Involvement of Employees in a European Company ( <i>Gesetz über die Beteiligung der Arbeitnehmer in einer Europäischen Gesellschaft</i> ) of 22 December 2004 (published in the German Federal Law Gazette Part I of 2004, no. 73, pp. 3686 et seq.)  |
| <b>German SE Implementation Act</b>             | the German Act Implementing Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) ( <i>Gesetz zur Ausführung der Verordnung (EG) Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE)</i> ) of 22 December 2004 (published in the German Federal Law Gazette ( <i>Bundesgesetzblatt – BGBl.</i> ) Part I of 2004, no. 73, pp. 3675 et seq.) |
| <b>Member State/Member States</b>               | an EU or EEA Member State, as the case may be   |
| <b>NORMA Group</b>                              | NORMA Group AG and the other companies and partnerships of the NORMA group  |
| <b>NORMA Group AG</b>                           | NORMA Group AG  |
| <b>NORMA Group AG's Articles of Association</b> | the Articles of Association of NORMA Group AG as amended on 6 April 2011  |
| <b>NORMA Group SE</b>                           | NORMA Group AG after its conversion into the legal form of an SE  |
| <b>SE</b>                                       | Societas Europaea (European Company)  |
| <b>SE Directive</b>                             | Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees   |
| <b>SE Regulation</b>                            | Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE)   |
| <b>SNB</b>                                      | the special negotiating body of the employees   |
| <b>UK</b>                                       | the United Kingdom of Great Britain and Northern Ireland  |

## 1 Introduction

The management board (*Vorstand*) of NORMA Group AG (hereinafter referred to as “**NORMA Group AG**”) prepared Terms of Conversion to convert NORMA Group AG into a European Company (*Societas Europaea*, hereinafter also referred to as “**SE**”), which were notarised on 4 April 2013 (deed no. 175/2013 of the notary Dr Hans Ulrich Kleim with official seat in Hanau). “**NORMA Group SE**” shall hereinafter mean NORMA Group AG after its conversion into the legal form of an SE. NORMA Group AG or, after its conversion into the legal form of an SE, NORMA Group SE shall also be referred to in this Conversion Report as the “**Company**”.

The conversion shall be made in accordance with Art. 2(4) in conjunction with Art. 37 of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) (“**SE Regulation**”). In addition to the SE Regulation, the provisions of the German Act Implementing Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) of 22 December 2004 (published in the German Federal Law Gazette Part I of 2004, no. 73, pp. 3675 et seq.) (“**German SE Implementation Act**”) apply.

The involvement of employees in NORMA Group SE shall be regulated in accordance with the German Act on the Involvement of Employees in a European Company of 22 December 2004 (published in the German Federal Law Gazette Part I of 2004, no. 73, pp. 3686 et seq.) (“**German SE Employee Involvement Act**”). In this context, “involvement of employees” means any mechanism, including information, consultation and participation, through which employees may exercise an influence on the company’s affairs. The German SE Employee Involvement Act implements Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees (“**SE Directive**”). In addition, the provisions implementing the SE Directive in the other Member States of the European Union (“**EU**”) and the other Member States of the Agreement on the European Economic Area (“**EEA**”) (collectively the “**Member States**” or the “**Member State**”) in which NORMA Group has employees shall apply. The German acts on employee participation (*Mitbestimmungsgesetze*) do not apply to an SE. As a general rule, the involvement of employees in an SE is either subject to an agreement on arrangements for the involvement of employees in the SE, to the extent that such an agreement is made. To the extent no such agreement is made, the involvement of employees is subject to the statutory fall-back provision of the German SE Employee Involvement Act. The national laws on employees’ representation, such as works councils, of the Member State in which the SE’s registered office is located shall also apply to the SE. Only the European Works Council or similar councils under the German European Works Councils Act (*Europäische Betriebsräte-Gesetz – EBRG*) shall, as a general rule, be replaced by the SE works council in accordance with section 47 para. 1 no. 2 of the German SE Employee Involvement Act. On 26 February 2013, the management board of NORMA Group AG and the special negotiating body (“**SNB**”) established by the employees entered into negotiations on the involvement of the employees in NORMA Group SE.

The legal entity shall be converted into the legal form of an SE while maintaining its identity. This means that the conversion will not result in the winding up of the Company or in the creation of a new legal entity. Hence, the shareholders’ participation in the Company will continue in the same way as it had existed directly before the conversion took effect.

The conversion is conditional upon NORMA Group AG's general meeting approving the Terms of Conversion prepared by the management board and the Articles of Association of NORMA Group SE. The management board and the supervisory board of NORMA Group AG have decided to submit the Terms of Conversion and the Articles of Association of NORMA Group SE to the ordinary annual general meeting of NORMA Group AG to be held on 22 May 2013 ("**2013 General Meeting**") to pass the relevant resolution.

The management board of NORMA Group AG prepared this Conversion Report in accordance with Art. 37(4) of the SE Regulation. The report explains and justifies the legal and economic aspects of the conversion and the implications for the shareholders and for the employees of the conversion from the legal form of a German stock corporation (*Aktiengesellschaft*) into the supranational legal form of an SE. With respect to explaining the Company's business operations, the Conversion Report contains a summary only because the Company's business operations will not be affected by the conversion of NORMA Group AG into the legal form of an SE because the identity of the legal entity will be maintained. For further information on the business operations please refer to the Annual Report 2012 (available on the Company's website at [www.normagroup.com](http://www.normagroup.com) under the link "Investor Relations" and the further link "AGM").

## **2 NORMA Group AG**

### **2.1 Registered office/head office, financial year and object of the company**

NORMA Group AG is a stock corporation under German law having its statutory registered office and head office in Maintal, Germany. It is registered in the commercial register (*Handelsregister*) of the Local Court (*Amtsgericht*) of Hanau under HRB 93582. Its business address is Edisonstr. 4, 63477 Maintal, Germany. NORMA Group AG's financial year corresponds to the calendar year.

NORMA Group AG is the parent company of the NORMA Group and holds direct and indirect participations in the companies and partnerships of the NORMA Group in Germany and abroad. NORMA Group AG and the other companies and partnerships of the NORMA Group will hereinafter collectively be referred to as the "**NORMA Group**".

Pursuant to section 2(1) of its Articles of Association, NORMA Group AG's object is as follows:

- (i) the acquisition, ownership, disposal and administration of direct and indirect interests in other companies or enterprises, in particular in the area of the development, manufacturing and distribution of engineered joining technologies and solutions, including but not limited to acting as a management holding company or operational holding company by way of direct or indirect corporate governance, management and administration of such companies and enterprises, in particular by way of rendering administrative, financial, commercial and technical services for the respective portfolio companies or affiliates against consideration, as well as
- (ii) the acquisition, ownership and disposal of debt receivables and other financial assets.

Pursuant to section 2(2) of its Articles of Association, NORMA Group AG may engage in all business activities which serve, directly or indirectly, the object of the company. The Company is in particular allowed to invest in, acquire interests in and dispose of other companies, and to establish domestic and foreign branch offices and subsidiaries. The Company



may furthermore enter into agreements with its affiliates and third parties against consideration in the context of acting as management holding company or operational holding company by way of direct or indirect corporate governance, management and administration of its affiliates.

## **2.2 Business operations**

In the following, a summary presentation of the Company's/NORMA Group's business operations is given. For further information on the business operations, please refer to the Annual Report 2012 (available on the Company's website at [www.normagroup.com](http://www.normagroup.com) under the link "Investor Relations" and the further link "AGM").

NORMA Group is an international market and technology leader in the attractive niche markets for advanced engineered joining technology and fixing technology.

### **2.2.1 Product range**

NORMA Group manufactures and markets a broad range of innovative joining solutions in the following three product categories to customers in more than 90 countries: clamps (CLAMP), joining elements (CONNECT) and fluid systems/connectors (FLUID). NORMA Group provides more than 10,000 customers all over the world with more than 30,000 high-quality and often mission-critical joining products and solutions.

NORMA Group is respected in the marketplace for its many years of expertise, customer-specific system solutions and the global availability of its products in combination with reliable quality and delivery. This combination provides the basis for high customer satisfaction and forms the foundation of the continued business success of NORMA Group. The products and solutions offered by NORMA Group account for only a small share of the costs of its customers' end products, yet they are often mission-critical as regards quality, performance and operational reliability of the end product. They therefore offer important added value for NORMA Group's customers. Global megatrends such as the reduction of emissions, leakages, weight and size and the increased modularisation of manufacturing processes continue to present challenges to OEM companies when it comes to developing new products. Here, NORMA Group supports its customers proactively by offering its own broad range of established brand products as well as innovative customised joining products and solutions. Together with its customers, NORMA Group thus contributes to a more environmentally friendly, sustainable and efficient usage of natural resources.

The product range of clamps and joining elements includes products and solutions made of unalloyed steels or stainless steel, which are used to join or seal pipes and/or hoses. The fluid products are single or multiple layer thermoplastic plug-in connectors for liquid systems that reduce installation times, ensure a reliable flow of liquids or gases and occasionally replace conventional products like elastomer hoses.

### **2.2.2 Channels of distribution**

On the basis of a worldwide network that includes 19 production sites and additional sales and distribution centres as well as five additional sales branches in Europe, North, Central and South America and the Asia-Pacific region, NORMA Group employs two different marketing strategies when it comes to supplying

products and solutions in the field of clamps, joining elements and fluid systems to NORMA Group's diverse customer base: Engineered Joining Technology ("EJT") and Distribution Services ("DS"). This approach, which gives NORMA Group a much better understanding of the various needs of the market, enables NORMA Group to stand out from its manufacturing competitors.

(i) EJT marketing strategy

Within the scope of its EJT marketing strategy, NORMA Group provides customised, well-engineered solutions that match the specific application requirements of industrial OEM customers. For this, NORMA Group relies on its technological expertise, its profound understanding of customer requirements and its proven leadership in the development of innovative, value-adding solutions for its customers. NORMA Group's past experience shows that once its engineered joining technologies have been integrated in a customer's product, they normally remain part of the final design of that product. NORMA Group believes that, through its reputation and close customer relationships in combination with the mission-critical nature of its advanced engineered joining technologies as regards the performance of the end product, it will be able to generate strong, sustainable and profit-oriented growth with its EJT marketing strategy.

EJT joining solutions can be employed in many different areas of application, including emission control, cooling systems, air intake and induction, ancillary systems and infrastructure, and they are used in many different end markets, including agricultural machines, the aviation industry, commercial vehicles, construction machines, engines, infrastructure/the construction industry/water management, passenger cars, rail vehicles and other industries.

The EJT segment accounted for approximately 71% of revenue in the financial year ending 31 December 2012.

(ii) DS marketing strategy

Within the scope of its DS marketing strategy, NORMA Group markets a broad range of high-quality, standardised joining products for many different areas of application. The customers (distributors, OEM customers in the aftermarket segment, specialist wholesalers and do-it-yourself stores) are reached via different channels of distribution under NORMA Group's well-known brands, such as ABA<sup>®</sup>, BREEZE<sup>®</sup>, Connectors, Gemi<sup>®</sup>, NORMA<sup>®</sup>, R.G.RAY<sup>®</sup>, Serflex<sup>®</sup>, Serratub<sup>®</sup>, TERRY<sup>®</sup> and Torca<sup>®</sup>.

NORMA Group does not only benefit considerably from its extensive geographical presence and its global manufacturing, distribution and sales capacities, but also from its well-known brands, which market participants associate with the group's good reputation for technological know-how, high quality and reliability.

The DS marketing strategy accounted for approximately 29% of revenue in the financial year ending 31 December 2012.

**2.2.3 Business development**

NORMA Group's business development in the financial years 2011 and 2012 was as follows:

| Key figures   |           | 2011<br>(IFRS) | 2012<br>(IFRS) |
|---|-----------|----------------|----------------|
| Revenue   | million € | 581.4          | 604.6          |
| Adjusted EBITA*   | million € | 102.7          | 105.4          |
| Adjusted EBITA margin                                   | %         | 17.7           | 17.4           |
| Profit before income tax                                | million € | 47.0           | 81.1           |
| Profit for the period                                   | million € | 35.7           | 56.6           |
| Earnings per share                                      | €         | 1.19           | 1.78           |
| Total assets  | million € | 648.6          | 692.1          |
| Total equity  | million € | 256.0          | 288.3          |
| Equity ratio (total equity to total assets)             | %         | 39.5           | 41.7           |
| Net debt**  | million € | 177            | 174.2          |
| Debt-to-equity ratio (net debt to shareholders' equity) |           | 0.69           | 0.8            |
| Number of employees at year-end***                      |           | 4,252          | 4,485          |

\* Earnings before interest, taxes and amortisation (EBITA) has been adjusted for non-recurring, non-period-related costs, restructuring costs and other group items/normalised items as well as depreciation from purchase price allocations.

\*\* Net debt without hedging instruments.

\*\*\* Worldwide (including temporary workers).

### (i) Revenue

In the financial year 2012, NORMA Group generated revenue of approximately €604.60m, compared to approximately € 581,40m in the financial year 2011. 61% of NORMA Group's revenue in the financial year 2012 was generated in the EMEA region (Europe, Middle East and Africa), whereas 32% was generated in the Americas region (North, Central and South America) and 7% was generated in the Asia-Pacific region.

### (ii) Adjusted operating result

Compared to the previous year, the adjusted operating result (adjusted EBITA) of the Company grew by €2.70m in 2012, from €102.70m to €105.40m. The ratio of adjusted EBITA to revenue was 17.4% in the financial year 2012, compared to 17.7% in the previous financial year.

## 2.3 Capital and shareholders

### 2.3.1 Share capital

The share capital of NORMA Group AG is stated in section 4(1) of NORMA Group AG's Articles of Association and amounts currently (as at 4 April 2013) to €31,862,400.00. Pursuant to section 4(2) of NORMA Group AG's Articles of Asso-

ciation, the share capital is currently (as at 4 April 2013) divided into 31,862,400 no par value registered shares. Each share represents €1.00 of the share capital.

### 2.3.2 Authorised capital

Pursuant to section 5(1) of NORMA Group AG's Articles of Association, in the period ending on 5 April 2016 the management board of NORMA Group AG is authorised, subject to the consent of the supervisory board, to increase the share capital in one or more tranches by up to €15,931,200.00 in aggregate by issuing up to 15,931,200 new no par value registered shares against cash contribution or contributions in kind, in accordance with the provisions of section 5(2) to (4) of NORMA Group AG's Articles of Association (Authorised Capital 2011/II).

As a general rule, NORMA Group AG's shareholders are entitled by law to be granted a subscription right. However, the management board is authorised, subject to the consent of the supervisory board, to exclude the statutory subscription right

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory subscription right of the shareholders;
- (ii) in the case of increases of the share capital against contributions in kind in particular – but without limitation – to acquire companies, divisions of companies or interests in companies;
- (iii) in the case that the increase of the share capital is against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of sections 203(1) and (2), 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz – AktG*)) than the stock exchange price for shares in the Company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the share capital represented by the shares issued pursuant to this lit (iii) under the exclusion of the statutory subscription right as set forth in section 186(3) sentence 4 of the German Stock Corporation Act does not exceed 10% of the share capital at the time of this authorisation coming into effect or being exercised. Such amount of the share capital shall include shares which have been or are to be issued to fulfil conversion or option rights granted during the term of this Authorised Capital 2011/II in connection with convertible bonds or warrant-linked bonds or profit participation rights with conversion or option rights to the extent that such bonds were issued under the exclusion of the statutory subscription right by applying section 186(3) sentence 4 of the German Stock Corporation Act *mutatis mutandis*. The said threshold of 10% shall also include new or treasury shares of the Company which are issued or transferred during the term of this Authorised Capital 2011/II on another legal basis while excluding the subscription right pursuant to section 186(3) sentence 4 of the German Stock Corporation Act; or
- (iv) to fulfil obligations of the Company from convertible or warrant-linked bonds or profit participation rights or profit participating bonds (or combinations of these instruments), which have been issued by the Company or by companies which are controlled by it or in which the Company holds a majority

holding and which provide for a conversion or option right or an obligation to convert.

Pursuant to section 5(3) of NORMA Group AG's Articles of Association, the management board is authorised to determine, subject to the consent of the supervisory board, the further details regarding the rights attached to the shares and the conditions of the share issue. Pursuant to section 5(4) of NORMA Group AG's Articles of Association, the supervisory board is authorised to amend accordingly the wording of the Articles of Association of the Company following the increase of the share capital or following the expiry of the period for which the authorisation regarding the Authorised Capital 2011/II has been granted and in which the authorisation has not been employed.

### **2.3.3 Conditional capital**

Pursuant to section 6(1) of NORMA Group AG's Articles of Association, the share capital of NORMA Group AG has been conditionally increased by up to €12,505,000.00 through the issuance of up to 12,505,000 new no par value registered shares with profit participation rights from the beginning of the financial year in which they were issued (Conditional Capital 2011).

The conditional capital serves to issue shares to the holders or creditors of convertible or warrant-linked bonds as well as profit participation rights with option or conversion rights, which may be issued until the end of 5 April 2016, based on the authorisation approved by the Company's general meeting of 6 April 2011, by the Company or companies which are controlled by it or in which the Company holds a majority holding.

The conditional capital increase may only be implemented to the extent that option or conversion rights under warrant-linked bonds or convertible bonds or profit participation rights with option or conversion rights have been exercised or conversion obligations under such bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorised capital are being used to fulfil such claims.

Pursuant to section 6(3) of NORMA Group AG's Articles of Association, the management board is authorised to set forth the additional details of the implementation of the conditional capital increase.

### **2.3.4 Stock exchange trading and shareholding structure**

NORMA Group AG's shares have been admitted to trading on the regulated market with additional post-admission obligations on the Frankfurt Stock Exchange (Prime Standard) since April 2011.

In addition, NORMA Group AG's shares are traded in the regulated unofficial market (*Freiverkehr*) of the Berlin, Düsseldorf, Munich and Stuttgart stock exchanges. Since mid-March 2013, the NORMA Group share has been listed in the MDAX Index of Deutsche Börse.

NORMA Group AG's shareholding structure has considerably changed since its IPO in 2011. The Company's former majority shareholder, 3i Group plc, and funds managed by 3i disposed of their last shares in NORMA Group AG in January 2013.

Pursuant to sections 21 et seq. of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*), there are notification requirements if by acquiring or selling shares or otherwise, a shareholder reaches, exceeds or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in NORMA Group AG. Pursuant to mandatory notifications in accordance with sections 21 et seq. of the German Securities Trading Act (as at: 31 March 2013), Ameriprise Financial Inc. holds less than 10% of the voting rights (as at 20 March 2013: approx. 9.96% of attributed voting rights) in the Company. In addition, Allianz Global Investors Europe GmbH holds more than 5% of the voting rights (as at 14 January 2013: approx. 5.75% (taking into account approx. 0.16% of attributed voting rights)), Mondrian Investment Partners Limited holds more than 5% of the voting rights (as at 15 June 2012: approx. 5.34%), DWS Investment GmbH holds more than 3% of the voting rights (as at 3 February 2012: approx. 4.87%), Black Rock, Inc. holds more than 3% of the voting rights (as at 19 March 2013: approx. 4.17%), ODDO et Cie. holds more than 3% of the voting rights (as at 5 September 2012: approx. 3.39% of attributed voting rights) and T. Rowe Price Group, Inc. holds more than 3% of the voting rights (as at 5 August 2011: approx. 3.02% of attributed voting rights) in the Company.

## 2.4 Corporate structure of the Company

### 2.4.1 Corporate bodies

The corporate bodies of NORMA Group AG are the management board, the supervisory board and the general meeting.

The responsibilities and the rights and obligations of such corporate bodies are provided for by law – in particular the German Stock Corporation Act –, NORMA Group AG's Articles of Association and the rules of procedure (*Geschäftsordnungen*) of the management board and the supervisory board.

#### (i) Management board

The management board manages the affairs of NORMA Group AG. It consists of four members appointed by the supervisory board.

The members of NORMA Group AG's management board are:

| Name                        | Year of birth | Responsibility/Office              |
|-----------------------------|---------------|------------------------------------|
| Werner Deggim<br>(chairman) | 1953          | Chief Executive Officer            |
| Dr Othmar Belker            | 1962          | Chief Financial Officer            |
| Bernd Kleinhens             | 1967          | Business Development & Engineering |
| John Stephenson             | 1964          | Chief Operation Officer            |

The members of NORMA Group's management board are members of various supervisory boards or other supervisory bodies of the companies and partnerships of the NORMA Group.

The members of NORMA Group AG's management board may be contacted at the business address of NORMA Group AG, Edisonstr. 4, 63477 Maintal, Germany.

**(ii) Supervisory board**

The supervisory board is responsible for supervising the activities of the management board and appoints the members of the management board.

Pursuant to section 10(1) of NORMA Group AG's Articles of Association, the supervisory board of NORMA Group AG consists of six members, which are all representatives of the shareholders and are all elected by the general meeting. NORMA Group AG is not subject to any employee participation at board level (cf. nos. 2.4.3 and **Fehler! Verweisquelle konnte nicht gefunden werden.** of this Conversion Report). Accordingly, the employees of NORMA Group AG do not have any rights to elect or nominate a part of the members of the supervisory board.

To organise its duties, the supervisory board has elected from among its members an executive and nomination committee (*Präsidential- und Nominierungsausschuss*) consisting of three members and an audit committee (*Prüfungsausschuss*) consisting of three members. No other committees have been established so far. However, in the future, NORMA Group AG's supervisory board may establish further committees.

The members of NORMA Group AG's supervisory board are:

| Name   | Position                               | Member since      | Other appointments   |
|--|--|-------------------|--|
| <b>Dr Stefan Wolf</b><br>(Chief Executive Officer of EirringKlinger AG, Dettingen/Erms)  | chairman of the supervisory board      | <b>March 2011</b> | (a)<br>▪ Fielmann AG, member of the supervisory board<br><br>(b)<br>▪ Micronas Semiconductor Holding AG, member of the administrative board  |
| <b>Lars M. Berg</b><br>(independent consultant and member of the supervisory board of four other companies in the telecommunications, media and financial sectors and former head of telecommunications of Mannesmann AG's management board) | vice-chairman of the supervisory board | <b>April 2011</b> | (b)<br>▪ Net Insight AB, chairman of the supervisory board<br>▪ Ratos AB, member of the supervisory board<br>▪ Tele2 AB, member of the supervisory board<br>▪ KPN OnePhone Holding B.V., chairman of the supervisory board |
| <b>Günter Hauptmann</b><br>(independent consultant and former member of Siemens VDO AG's management board )  |  | <b>April 2011</b> | (b)<br>▪ Geka GmbH, member of the advisory board   |
| <b>Knut J. Michelberger</b><br>(Chief Financial Officer of Dematic Group and independent consultant)   |  | <b>April 2011</b> | (b)<br>▪ Dematic GmbH, chairman of the advisory board  |

| Name   | Position | Member since         | Other appointments  |
|--|----------|----------------------|---|
| <b>Dr Christoph Schug</b><br>(entrepreneur and member of the supervisory board/advisory board of two other companies and former member and chairman of management boards and managements of other companies) |          | <b>March 2011</b>    | (a) <ul style="list-style-type: none"> <li>▪ Tom Tailor AG, member of the supervisory board</li> <li>▪ Baden-Baden Cosmetics AG, member of the supervisory board</li> </ul> (b) <ul style="list-style-type: none"> <li>▪ AMEOS Gruppe AG, member of the administrative board</li> </ul> |
| <b>Erika Schulte*</b><br>(managing director of Hanau Wirtschaftsförderung GmbH, of Brüder-Grimm-Berufsakademie Hanau GmbH and of Technologie- und Gründerzentrum Hanau GmbH)                                 |          | <b>February 2013</b> | ---   |

(a) Supervisory boards required by law

(b) Comparable bodies of companies in Germany and abroad

\* Ms Erika Schulte has been appointed as a member of the supervisory board by decision of the Local Court of Hanau with effect from 18 February 2013 until the end of the 2013 General Meeting. The supervisory board will propose to the 2013 General Meeting that Ms Erika Schulte be re-appointed as a member of the supervisory board.

The members of NORMA Group AG's supervisory board may be contacted at the business address of NORMA Group AG, Edisonstr. 4, 63477 Maintal, Germany.

#### 2.4.2 Corporate Governance

Being a German listed stock corporation, NORMA Group AG is subject to the German Corporate Governance Code. Pursuant to section 161 of the German Stock Corporation Act, it is required to disclose on an annual basis which recommendations of the German Corporate Governance Code it adopts and to which extent it deviates from such recommendations (compliance statement).

Except for a few exceptions, NORMA Group AG mainly complies with the recommendations of the German Corporate Governance Code (see the compliance statement of 4 March 2013, which is available on the Internet at <http://investoren.normagroup.com>).

#### 2.4.3 Employees and involvement of employees in NORMA Group AG and the NORMA Group

As at 31 December 2012, the companies and partnerships of the NORMA Group had approximately 4,485 employees at a global level, of which approximately 870 employees were located in Germany and approximately 1,573 in other Member States.

NORMA Group AG's supervisory board consists of six members which are all elected by the general meeting. In the management board's opinion, NORMA Group AG is not subject to any employee participation at board level based on the current legal and factual situation. Accordingly, the employees of NORMA Group AG do not have any rights to elect or appoint a part of the members of the supervisory board. Only NORMA Germany GmbH, Maintal, has a supervisory board in ac-



cordance with the German One-Third Participation Act (*Drittelbeteiligungsgesetz – DrittelbG*), in which two members are appointed by the employees.

The companies, partnerships and establishments of the NORMA Group have employees' representatives in accordance with the provisions of the relevant applicable law.

### **3 Substantial aspects of the conversion**

#### **3.1 Substantial reasons for the conversion**

In the last years, NORMA Group has expanded internationally and built up a company that is fit for the future. The SE is the appropriate legal form for a modern global company whose home market is in Europe. The conversion into an SE is thus a manifestation of NORMA Group's vision of a company doing business in Europe and emphasises the international outlook of NORMA Group. Both NORMA Group's customers all over the world and its numerous branches abroad are adequately addressed and paid tribute to by means of the adoption of the legal form of an SE.

The SE is a modern legal form. This legal form contributes to the future-oriented development and strengthening of corporate governance. By converting the NORMA Group stock corporation into an SE, NORMA Group supports the European Idea and makes a contribution to the continuing European integration. With its decision in favour of the SE, NORMA Group sends a clear signal in favour of this new legal form and the underlying European Idea. This decision thus also demonstrates NORMA Group's social responsibility.

The management board of NORMA Group AG has thoroughly examined possible alternatives to the conversion of the Company into the legal form of an SE. The management board arrived at the conclusion that there is no better alternative to serve the interests of both the Company and its shareholders: The SE is the only supranational legal form that is comparable to a German stock corporation and particularly allows for the continued stock exchange listing of the shares and the maintenance of the well established corporate governance structures. The only eligible alternative for NORMA Group AG's conversion into the legal form of an SE (while maintaining its identity) would be the formation of an SE by merging with another company that is governed by the law of another Member State (cf. Art. 2(1), 17 et seq. of the SE Regulation). In order to continue to exist as a legal entity, NORMA Group AG would have to participate in such merger as acquiring company in order to adopt the form of an SE upon the effectiveness of the merger (cf. Art. 29(1) letter d) of the SE Regulation). However, this approach to forming an SE would be more complex than the direct conversion of NORMA Group AG, because it requires, in particular, the participation of another NORMA Group company governed by foreign law; this is not required in case of the formation of an SE by way of conversion.

#### **3.2 Conversion costs**

According to current assessments made by the management board of NORMA Group AG, the total conversion costs will amount to a maximum amount of approximately €1 million.

This cost assessment includes, in particular, the costs of preparatory measures, the costs for the court-appointed expert pursuant to Art. 37(6) of the SE Regulation to examine and prepare the Certificate on Net Assets, the costs of the notarisation of the Terms of Conversion, registration cost, the costs for external advisers, the costs of the required publications, the costs of the procedure for establishing rules on employee involvement and the

costs of changing the stock exchange listing from NORMA Group AG shares to NORMA Group SE shares. The costs of holding the 2013 General Meeting of NORMA Group AG have not been included in the assessment, because the annual general meeting must be held anyway.

#### **4 Comparison of the legal form of a German stock corporation and the legal form of an SE with registered office in Germany as well as of the legal position of shareholders in NORMA Group AG and the legal position of shareholders in NORMA Group SE**

In the following, the principal statutory provisions and stipulations in the articles of association currently applicable to NORMA Group AG are contrasted with the provisions applicable to the future NORMA Group SE. In this regard, particular attention will be given to the rights of the shareholders and aspects of corporate governance.

To the extent that in this Conversion Report, the legal situation generally applicable to an SE is described, the SE referred to is always an SE with registered office in Germany; SEs with registered offices in other Member States may be subject to different legal provisions.

##### **4.1 Introduction**

Similar to the German stock corporation, the SE – pursuant to Art. 1 of the SE Regulation – is a commercial company with legal personality and a capital divided into shares. However, the SE is not a German stock corporation but a European stock corporation (Art. 1(1) of the SE Regulation) having its legal basis in the European Community law.

The primary legal basis of the SE is the SE Regulation which – being a regulation of European Community law – is directly applicable in all Member States and has precedence over national legislation. Based on the SE Regulation, companies in the legal form of an SE may be formed in all Member States. An SE formed in accordance with the provisions stipulated in the SE Regulation must be recognised in all Member States.

However, since not all circumstances are exhaustively provided for in the SE Regulation, an SE is governed in many aspects by the national law of the respective state where the registered office of the SE is located. This is set out in Art. 9(1) of the SE Regulation listing the legal provisions applicable to an SE and at the same time providing a hierarchy of these legal provisions:

- An SE is primarily governed by the provisions of the SE Regulation (Art. 9(1) letter a) of the SE Regulation) and by the provisions of its articles of association, where expressly authorised by the SE Regulation (Art. 9(1) letter b) of the SE Regulation).
- In the case of matters not regulated by the SE Regulation or, where matters are partly regulated by it, of those aspects not covered by it, the SE, pursuant to Art. 9(1) letter c) of the SE Regulation, is governed by
  - (i) the provisions of law adopted by Member States in implementation of Community measures relating specifically to SEs,
  - (ii) the provisions of Member States' laws which would apply to a stock corporation formed in accordance with the law of the Member State in which the SE has its registered office,

- (iii) the provisions of its articles of association, under the same conditions as are applicable to a stock corporation formed in accordance with the law of the Member State in which the SE has its registered office.

NORMA Group SE is thus primarily governed by the provisions of the SE Regulation and the provisions of its articles of association, to the extent that these articles of association have been adopted based on a corresponding authorisation in the SE Regulation. If any particular legal matter or aspect is not regulated by the SE regulation or the articles of association, the provisions of the German act implementing the SE Regulation – the German SE Implementation Act – and of the German SE Employee Involvement Act implementing the SE Directive and containing provisions with regard to the involvement of employees in the SE shall apply, because NORMA Group SE will have its registered office in Germany. If the particular legal matter or aspect is not regulated by these acts either, the legal provisions which would apply to a German stock corporation shall apply – and thus in particular the provisions of the German Stock Corporation Act (*Aktiengesetz – AktG*) and the commercial, tax and capital markets provisions applicable to German stock corporations. And finally, to the extent that the German Stock Corporation Act allows for a matter to be regulated by the articles of association, the respective provisions as stipulated in NORMA Group SE's Articles of Association adopted in compliance with the German Stock Corporation Act shall apply.

Employee involvement in an SE with registered office in Germany is subject either to an agreement entered into by the management and the so-called special negotiating body of the employees (“**SNB**”), or, if no such agreement has been entered into, to the legal standard rules as set out in the sections 22 et seq. of the German SE Employee Involvement Act. If an agreement has been entered into, such agreement must ensure pursuant to section 21(6) of the German SE Employee Involvement Act, that employee involvement in the SE will be at least at the same level as it is in the company that is converted into the SE. If the legal standard rules apply, an SE works council must be established (sections 22 to 33 of the German SE Employee Involvement Act) and employee participation in the supervisory board must be maintained at the same level as it applied in the company before the conversion (sections 34 et seq. of the German SE Employee Involvement Act). For further details regarding employee involvement in NORMA Group SE please see no 5.5 and no. 6.1.11 of this Conversion Report.

## **4.2 General provisions**

### **4.2.1 Share capital and shares**

Pursuant to Art. 4(1) of the SE Regulation, the share capital of an SE is expressed in euro (“€”). In this regard, there is no difference between an SE and a stock corporation. There are differences, however, as regards the subscribed capital: The subscribed capital of a stock corporation must be at least €50,000.00 (section 7 of the German Stock Corporation Act), whereas the subscribed capital of an SE must be no less than €120,000.00 (Art. 4(2) of the SE Regulation).

NORMA Group AG's share capital currently amounts to €31,862,400.00 (as at 4 April 2013). The amount of NORMA Group AG's share capital may be subject to changes in the period of time between the signing of this Conversion Report and the registration of the conversion with the commercial register, for example by means of capital increases regarding authorised or conditional capital. The amount of the share capital of NORMA Group SE at the point in time it is registered with the

commercial register will correspond to the amount of the share capital of NORMA Group AG at the point in time the conversion is registered with the commercial register (cf. nos. 4.2 and 5.2.1 of the Terms of Conversion). When NORMA Group AG is converted into NORMA Group SE, the required minimum share capital of an SE amounting to €120,000.00 pursuant to Art. 4(2) of the SE Regulation will be exceeded in any case.

Pursuant to Art. 5 of the SE Regulation, the capital of an SE with registered office in Germany, maintenance of this capital and changes thereto as well as the shares of an SE with registered office in Germany are governed by the same provisions as are applicable to German stock corporations. The shares of an SE may thus also be par value shares or no par value shares. They may be issued as bearer shares or – as is the case with NORMA Group SE – as registered shares. Furthermore, registered shares of an SE may have limited transferability or be issued in different share classes (e.g. ordinary or preferred shares).

NORMA Group AG's share capital is currently (as at 4 April 2013) divided into 31,862,400 no par value registered shares. The share capital of NORMA Group SE at the point in time it is registered with the commercial register will be divided into the same amount of no par value registered shares as the share capital of NORMA Group AG at the point in time the conversion is registered with the commercial register.

#### **4.2.2 Registered office of the Company and possibility of a cross-border transfer of the registered office**

Pursuant to section 5 of the German Stock Corporation Act, the articles of association of a German stock corporation determine the location of its registered office (cf. section 5(1) of the German Stock Corporation Act). A German stock corporation's registered office must be located in Germany, whereas its head office may also be located abroad.

The location of the registered office of an SE is determined by its articles of association, too (Art. 9(1) letter c) ii) of the SE Regulation in conjunction with section 5 of the German Stock Corporation Act). However, the registered office of an SE must be located in the same Member State as the head office of the SE pursuant to Art. 7 sentence 1 of the SE Regulation. If an SE's registered office and its head office are not located in the same Member State, this may lead to the winding up of the SE (see in this respect no. 4.10 of this Conversion Report). The registered office of NORMA Group SE and the registered office of NORMA Group AG will both be located in Maintal, Germany (cf. section 1(2) of NORMA Group SE's Articles of Association, cf. also no. 6.2.1 of this Conversion Report).

In order to transfer the registered office to another place in Germany, the general meeting of the SE must pass a resolution amending the articles of association to this end (Art. 9(1) letter c) ii) of the SE Regulation in conjunction with sections 179 et seq., 45 of the German Stock Corporation Act). This corresponds to the legal situation in case of a German stock corporation.

In accordance with the procedure as set out in Art. 8 of the SE Regulation, an SE's registered office in accordance with its articles of association may be transferred to another Member State of the European Union or the rest of the EEA, without such transfer resulting in the winding up of the SE or the creation of a new legal entity.

According to these provisions, a cross-border transfer of an SE's registered office requires a resolution amending the articles of association passed by the general meeting, too. In such a case, shareholders objecting on the record to the resolution to transfer the registered office, are to be offered the acquisition of their shares against payment of an appropriate cash consideration pursuant to section 12(1) of the German SE Implementation Act (*SE-Ausführungsgesetz – SEAG*). As – to the extent there are no special provisions contained in the SE Regulation or the national acts implementing the SE Regulation or the SE Directive – an SE is always governed by the provisions of law applicable to stock corporations formed in accordance with the law of the state in which the SE has its registered office, the national stock corporation law governing the SE changes in case of a cross-border transfer of its registered office which might also involve changes in terms of substance and effects with respect to the legal position of shareholders.

#### **4.2.3 Name**

Pursuant to section 4 of the German Stock Corporation Act, the name of a German stock corporation must include the designation “*Aktiengesellschaft*” (German stock corporation) or an abbreviation of this designation that is generally understandable (e.g. “AG”).

In contrast, the name of an SE must be preceded or followed by the abbreviation “SE” (Art. 11(1) of the SE Regulation).

Following the conversion, NORMA Group AG will thus change its name from “NORMA Group AG” to “NORMA Group SE” (no. 3.3 of the Terms of Conversion and section 1(1) of NORMA Group SE's Articles of Association).

#### **4.2.4 Notification requirements**

After the conversion, the provisions of the German Securities Trading Act (*Gesetz über den Wertpapierhandel – WpHG*) will still be applicable to the Company. Therefore, legal provisions such as the regulations as to insider monitoring or notification requirements regarding voting rights are also applicable to NORMA Group SE. The provisions set out in the German Securities Trading Act regarding the loss of shareholder rights in case of a violation of notification requirements are applicable to NORMA Group SE just like they are applicable to NORMA Group AG. In this regard, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

Furthermore, NORMA Group SE will be subject to the same notification requirements under capital markets law that are applicable to NORMA Group AG prior to the conversion, including, in particular, section 10 of the German Securities Prospectus Act (*Wertpapierprospektgesetz – WpPG*).

### **4.3 Provisions on formation**

The formation of a German stock corporation is subject to the provisions of sections 23 et seq. of the German Stock Corporation Act. If a company, by way of conversion (change of legal form), adopts the legal form of a stock corporation, the provisions of the German Conversion Act (*Umwandlungsgesetz – UmwG*) apply in addition to the above provisions, in particular the provisions regarding a change of legal form (sections 190 et seq. of the German Conversion Act).

Pursuant to Art. 15(1) of the SE Regulation, the formation of an SE shall be governed – subject to the provisions of the SE Regulation – by the law applicable to stock corporations in the Member State in which the SE establishes its registered office. The formation of NORMA Group SE by way of conversion of NORMA Group AG is thus – in addition to the provisions of Art. 2(4) und Art. 37 of the SE Regulation regarding the formation of an SE by way of conversion – generally governed by the provisions on formation as set out in the German stock corporation law (please also see the information stated in no. 5 and the explanations as to the Terms of Conversion in no. 5 of this Conversion Report for detailed information on the formation of NORMA Group SE by way of conversion).

#### **4.4 Capital maintenance and equal treatment of shareholders**

Pursuant to Art. 5 of the SE Regulation, maintenance of the capital of an SE with registered office in Germany and changes thereto are subject to the provisions applicable to German stock corporations in this respect. NORMA Group SE is thus governed by the same provisions regarding capital maintenance as NORMA Group AG.

These provisions include, in particular, the provisions regarding the acquisition of treasury shares admitted only under certain conditions (sections 71 et seq. of the German Stock Corporation Act), the prohibition to subscribe own shares (section 56 of the German Stock Corporation Act), the prohibition of the repayment of contributions to the shareholders (section 57 of the German Stock Corporation Act), the use of the annual profit, the setting up of reserves and the appropriation of profits (sections 58 et seq. of the German Stock Corporation Act), and the permissibility of advance payments of the balance sheet profit (section 59 of the German Stock Corporation Act).

Furthermore, based on the reference contained in Art. 9(1) letter c) ii) of the SE Regulation, the principle of equal treatment of shareholders (section 53a of the German Stock Corporation Act) applicable to a German stock corporation is also applicable to an SE with registered office in Germany, so that, in this regard as well, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

#### **4.5 Corporate structure of the Company: two-tier and one-tier system**

A specific feature of the SE – that the German stock corporation does not have – is the fact that the SE may choose between the so-called two-tier system and the so-called one-tier system as regards its company constitution:

Pursuant to sections 76 et seq., 95 et seq. and 118 et seq. of the German Stock Corporation Act, the corporate bodies of a German stock corporation are the management board, the supervisory board and the general meeting. The management board manages the stock corporation and runs the stock corporation's business, whereas the supervisory board controls the management. This kind of constitution is referred to as two-tier system. The constitution of a German stock corporation is automatically subject to the two-tier system; a German stock corporation thus has no option to choose.

An SE, on the other hand, has the option to choose the so-called one-tier system instead of the two-tier system. An SE with two-tier system has – in addition to the general meeting – a “management organ” (corresponds to the management board of a German stock corporation) and a “supervisory organ” (corresponds to the supervisory board of a German stock corporation), whereas an SE with one-tier system only has an “administrative organ” in addition to the general meeting (in case of an SE with registered office in Germany, this administrative organ is referred to as “administrative board” (*Verwaltungsrat*) pursuant to sec-

tion 20 of the German SE Implementation Act). The administrative organ manages the company, determines the basic framework regarding the company's activity and controls the implementation of this framework, cf. Art. 43(1) of the SE Regulation and the provision in section 22(1) of the German SE Implementation Act applicable to one-tier system SEs with registered office in Germany.

Section 8 of NORMA Group SE's Articles of Association provides that NORMA Group SE will keep the two-tier system, which means that NORMA Group SE will continue to have a management board as management organ and a supervisory board as supervisory organ. Although the conversion does thus not lead to a fundamental change in the constitution of the Company, there will nevertheless be a few changes affecting details, which are materially set out in nos. 4.5.1 and 2.3 of this Conversion Report below.

For the avoidance of doubt, the following should be noted as regards the terminology used: The SE Regulation refers to the managing body in the two-tier system as "management organ" (cf. Art. 38 letter b) and Art. 39(1) of the SE Regulation) and to the body responsible for the supervision as "supervisory organ" (cf. Art. 38 letter b) and Art. 40(1) of the SE Regulation). However, in order to avoid any misunderstanding, NORMA Group SE's management organ will still be referred to as "management board" and the supervisory organ will still be referred to as "supervisory board" pursuant to section 8 of NORMA Group SE's Articles of Association. For the purposes of a consistent use of terminology, the management organ of an SE will hereinafter be referred to as "management board" and the supervisory organ of an SE as "supervisory board".

#### **4.5.1 Management organ (management board)**

##### **(i) Managing the Company**

Pursuant to Art. 39 (1) of the SE Regulation, the management organ (i.e. the management board) manages NORMA Group SE in its own responsibility. This provision is in line with the content of section 76(1) of the German Stock Corporation Act applicable to the management board of NORMA Group AG, so that the conversion will not give rise to any changes in this regard.

##### **(ii) Management**

As is the case with a German stock corporation, the principle of joint management also applies to an SE with registered office in Germany. In both cases, the articles of association or the rules of procedure may provide otherwise; however, they may not provide that one or more members of the management board are to make decisions to resolve differences of opinion within the management board against the majority of its members (cf. in this regard section 77(1) of the German Stock Corporation Act that is applicable to an SE with registered office in Germany due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation). However, it is possible to grant a right of veto – i.e. the right to block a decision – to one member of the management board (normally the chairman). Continuing NORMA Group AG's previous arrangements, NORMA Group SE's Articles of Association, however, do not provide for a right of veto to be granted to the chairman or any other member of the management board.

Unless otherwise provided for in its articles of association, the management board of an SE has a quorum if at least half of the members of the management board are present or represented (Art. 50(1) letter a) of the SE Regulation). Passing a resolution generally requires a majority of the members present or represented (Art. 50(1) letter b) of the SE Regulation), with the chairman of the management board having a casting vote in the event of a tie of votes, unless otherwise provided for in the articles of association (Art. 50(2) sentence 1 of the SE Regulation). Such a provision stating that in the event of a tie of votes, the chairman of the management board shall have a casting vote is already contained in section 8(2) of NORMA Group AG's Articles of Association and has also been explicitly provided for in section 9(2) of NORMA Group SE's Articles of Association (see also no. 6.2.9 of this Conversion Report). In this regard, the conversion thus will not give rise to any changes.

**(iii) Representation of the Company**

Pursuant to section 78(1) and (2) of the German Stock Corporation Act, a German stock corporation shall in principle be represented in and out of court by its management board; an exception applies in case of the representation of the company as against members of the management board, in such a case, the company is represented by its supervisory board pursuant to section 112 of the German Stock Corporation Act.

Unless otherwise provided in the articles of association, a stock corporation is in principle jointly represented by all members of the management board (section 78(2) of the German Stock Corporation Act). The articles of association of a stock corporation may provide that individual members of the management board may represent the company either alone or together with an authorised signatory (*Prokurist*) (section 78(3) sentence 1 of the German Stock Corporation Act).

Pursuant to Art. 9(1) letter c) ii) and iii) of the SE Regulation, the aforementioned provisions apply accordingly to NORMA Group SE being an SE with registered office in Germany.

NORMA Group SE's Articles of Association provide in section 10(1) that the Company is jointly represented by two members of the management board or by one member of the management board together with an authorised signatory (*Prokurist*). In case the management board consists of only one person, it is provided that this person represents the Company alone. Pursuant to section 10(2) of NORMA Group SE's Articles of Association, the supervisory board may furthermore grant to individual or all members of the management board sole power of attorney (*Einzelvertretungsbefugnis*) and/or may exempt individual or all members of the management board from the restrictions of the prohibition of multiple representation (*Mehrvertretung*) as stipulated in section 181 2<sup>nd</sup> alternative of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*). These provisions set out in NORMA Group SE's Articles of Association correspond to the provisions in section 9 of NORMA Group AG's Articles of Association. In this regard, the conversion into the legal form of an SE thus will not give rise to any changes.



**(iv) Size and composition of the management board**

Pursuant to section 76(2) sentence 2 of the German Stock Corporation Act, in case of a German stock corporation having a share capital of more than €3 million, the management board shall consist of at least two persons, unless the articles of association provide that the management board shall consist of one person.

The management board of an SE with registered office in Germany having a share capital of more than €3 million shall also consist of at least two persons, unless otherwise provided for in the articles of association (Art. 39(4) sentence 2 of the SE Regulation in conjunction with section 16 of the German SE Implementation Act). However, if section 38(2) sentence 2 of the German SE Employee Involvement Act is applicable, the articles of association cannot provide otherwise. Section 38(2) sentence 2 of the German SE Employee Involvement Act provides that the management board shall consist of at least two members, one of them being responsible for labour and social affairs. This provision is applicable if in the stock corporation which was converted into the SE, employee participation existed at supervisory board level, or if the arrangements for the involvement of employees in the SE provide for this provision to be applied. NORMA Group AG's management board does not expect that the provision will be applicable in NORMA Group SE.

Just like section 8(1) of NORMA Group AG's Articles of Association, section 9(1) of NORMA Group SE's Articles of Association thus provides that the management board consists of one or more members the specific number of which shall be determined by the supervisory board.

**(v) Appointment and removal of members of the management board /term of office**

Pursuant to section 84(1) of the German Stock Corporation Act, the supervisory board of a German stock corporation shall appoint the members of the management board for a period not exceeding five years. The appointment may be renewed, or the term of office extended, provided that the term of each such renewal or extension does not exceed five years. The supervisory board may revoke the appointment of a member of the management board pursuant to section 84(3) of the German Stock Corporation Act if there is good cause.

The members of the management board of an SE shall also be appointed and removed by the supervisory board (Art. 39(2) of the SE Regulation). By way of derogation from the provisions applicable to stock corporations, Art. 46(1) of the SE Regulation provides with respect to SEs that members of an SE's corporate bodies – i.e. also members of the management board – shall be appointed for a period laid down in the articles of association not exceeding six years. Subject to any restrictions laid down in the articles of association, members may be reappointed pursuant to Art. 46(2) of the SE Regulation. Furthermore, SEs with registered office in Germany are subject to the provisions of the German stock corporation law due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation.

The members of the management board of NORMA Group SE will thus be appointed and removed by the supervisory board of NORMA Group SE. Therefore, in this regard there is no material difference to the legal situation in NORMA Group AG. Regarding the term of office of members of the management board, section 9(4) of NORMA Group SE's Articles of Association provides that members of the management board shall be appointed for a maximum term of office of five years and may be reappointed once or several times. In this regard as well, the conversion into the legal form of an SE will not give rise to any changes in terms of substance.

**(vi) Principles governing remuneration of members of the management board, prohibition of competition and granting of credits to members of the management board**

Regarding remuneration, the granting of credits and the prohibition of competition, the management board of NORMA Group SE is subject to the same provisions as the management board of NORMA Group AG. The sections 87 et seq. of the German Stock Corporation Act which are applicable to German stock corporations are – due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation – also applicable to SEs with registered offices in Germany.

**(vii) Reports to the supervisory board**

The requirements of the management board of an SE to report to its supervisory board are similar to the requirements of the management board of a German stock corporation to report to its supervisory board.

Pursuant to section 90(1) sentence 1 of the German Stock Corporation Act, the management board of a German stock corporation shall report to the supervisory board on the following:

- the intended business policy and other fundamental matters regarding business planning (in particular financial, investment and personnel planning), with the proviso that deviations of the actual development from objectives reported at an earlier date have to be explained and the reasons specified;
- the profitability of the company, in particular the return on equity;
- the course of business, in particular sales, and the situation of the company;
- transactions which may be of significant importance for the profitability or liquidity of the company.

If the company is a parent company within the meaning of section 290(1), (2) of the German Commercial Code (*Handelsgesetzbuch – HGB*), the report shall also include information on subsidiaries and joint companies within the meaning of section 310(1) of the German Commercial Code (section 90(1) sentence 2 of the German Stock Corporation Act). The reports shall each be made on a rotational basis (cf. section 90(2) of the German Stock Corporation Act). In addition, reports to the chairman of the supervisory board shall be made on the occurrence of other significant de-

velopments, such significant developments shall also include circumstances concerning the business of an affiliated company which become known to the management board and which may have a material impact on the situation of the company (cf. section 90(1) sentence 3 of the German Stock Corporation Act).

Furthermore, the supervisory board of a German stock corporation may – pursuant to section 90(3) of the German Stock Corporation Act – at any time request a report from the management board on the affairs of the company, on the company’s legal and business relationships with affiliated companies and on any events relating to the business of these companies which may have a material impact on the situation of the company. Any single member of the supervisory board may also request such a report, but only to the supervisory board as a body.

The reports of the management board must conform to the principles of conscientious and accurate accounting. They are to be made as soon as possible and, generally, in text form (section 90(4) of the German Stock Corporation Act). Each member of the supervisory board shall be entitled to examine the reports (section 90(5) sentence 1 of the German Stock Corporation Act).

In case of an SE with registered office in Germany, the management board’s requirements to report to the supervisory board are quite similar. Pursuant to Art. 41(1) of the SE Regulation, the management board shall report to the supervisory board at least once every three months on the course and foreseeable development of the SE’s business. In addition to this regular information, the management board shall provide the supervisory organ with any information on events likely to have an appreciable impact on the SE in due time (Art. 41(2) of the SE Regulation).

The supervisory board of an SE may require the management board to provide information of any kind which the supervisory board needs to exercise supervision (Art. 41(3) sentence 1 of the SE Regulation). In section 18 of the German SE Implementation Act, it is – in addition to Art. 41(3) of the SE Regulation – provided with respect to an SE with registered office in Germany, that any single member of the supervisory board may also request from the management board to provide information of any kind, but only to the supervisory board as a body. Pursuant to Art. 41(4) of the SE Regulation, the supervisory board may undertake or arrange for any investigations necessary for the performance of its duties. Each member of the supervisory board shall be entitled to examine all information submitted to the supervisory board (cf. Art. 41(5) of the SE Regulation).

A comparison between the provisions of the German stock corporation law pertaining to this matter and the respective provisions applicable to an SE with registered office in Germany leads to the conclusion that there are no considerable differences. The scope of the reporting requirements of NORMA Group SE’s management board thus correspond – as regards their contents – to the reporting requirements of NORMA Group AG’s management board, so that there are no significant changes resulting from the conversion.

**(viii) Duties of the management board in the event of losses, over-indebtedness or insolvency**

The duties of the management board in the event of losses, over-indebtedness or insolvency of a German stock corporation as provided for in section 92 of the German Stock Corporation Act are – due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation – also applicable to the management board of an SE with registered office in Germany. There are thus no differences in this respect resulting from the conversion of NORMA Group AG into NORMA Group SE.

**(ix) Duty of care and responsibility**

Pursuant to section 93(2) of the German Stock Corporation Act, members of the management board of a German stock corporation who act in breach of their duties, shall be jointly and severally liable to the company for any resulting damage. Pursuant to section 93(1) sentence 1 of the German Stock Corporation Act, the members of the management board shall – when managing the business – employ the care of a prudent and conscientious business manager. However, the members of the management board shall not be deemed to have acted in breach of their duties if, at the time of taking an entrepreneurial decision, they could reasonably assume that they were acting on the basis of adequate information for the benefit of the company (section 93(1) sentence 2 of the German Stock Corporation Act; this provision is also referred to as “business judgment rule”). Members of the management board are also subject to the obligation of secrecy (section 93(1) sentence 3 of the German Stock Corporation Act).

Due to the reference contained in Art. 51 of the SE Regulation, these provisions apply accordingly to the members of the management board of an SE with registered office in Germany: pursuant to Art. 51 of the SE Regulation, the members of the management board of an SE shall be liable, in accordance with the provisions applicable to stock corporations in the Member State in which the SE's registered office is situated, for loss or damage sustained by the SE following any breach on their part of the legal, statutory or other obligations inherent in their duties. Thus, the provisions of section 93 of the German Stock Corporation Act referred to above in principle also apply to an SE with registered office in Germany. Regarding the obligation of secrecy of the members of corporate bodies of an SE – including the members of its management board – the special provisions of Art. 49 of the SE Regulation shall apply. According to this article, the members of the management board of an SE are obliged, even after they have ceased to hold office, not to disclose any information concerning the SE the disclosure of which might be prejudicial to the company's interests, except where such disclosure is required or permitted under national law provisions applicable to stock corporations or is in the public interest. Materially, this provision largely corresponds to section 93(1) sentence 3 of the German Stock Corporation Act.

Thus, the provisions regarding the responsibility of NORMA Group SE's management board correspond to the provisions regarding the responsibility of NORMA Group AG's management board.

**(x) Liability due to exertion of influence on the company**

Pursuant to section 117 of the German Stock Corporation Act, it is not allowed to, by exerting one's influence on the company, induce a member of the management board or the supervisory board, an authorised signatory (*Prokurist*) or a holder of a commercial power of attorney (*Handlungsbevollmächtigter*) of a German stock corporation to act to the disadvantage of the company or its shareholders. This prohibition is also applicable to an SE with registered office in Germany (cf. Art. 51 and Art. 9(1) letter c) ii) of the SE Regulation in conjunction with section 117 of the German Stock Corporation Act), so that, in this regard as well, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**4.5.2 Supervisory organ (supervisory board)**

**(i) Duties and rights of the supervisory board**

The main duty of the supervisory board of a German stock corporation is to supervise the management (section 111(1) of the German Stock Corporation Act). The supervisory board itself may not be entrusted with the management of the business (section 111(4) sentence 1 of the German Stock Corporation Act).

This is in line with the provisions set forth in Art. 40(1) of the SE Regulation, according to which the supervisory board of a two-tier SE shall supervise the work of the management board, but may not itself exercise the power to manage the SE. Therefore, the supervisory board of NORMA Group SE – just like the supervisory board of NORMA Group AG – shall be responsible for supervising the management of the business, but shall not manage the business itself.

There are certain transactions, however, which both the management board of a German stock corporation and the management board of an SE may only carry out subject to the supervisory board's consent. The rules governing stock corporations stipulate in this regard that the articles of association or the supervisory board shall determine that certain categories of transactions may only be carried out subject to the supervisory board's consent (section 111(4) sentence 2 of the German Stock Corporation Act). Therefore, transactions requiring consent may be specified in the articles of association of a stock corporation, which, however, is not mandatory. In contrast, pursuant to Art. 48(1) of the SE Regulation the articles of association of an SE must list the categories of transactions for which the management board needs the consent of the supervisory board. The supervisory board of an SE with registered office in Germany – like the supervisory board of a German stock corporation – may, however, specify – in addition to the transactions listed in the articles of association – other transactions requiring its consent pursuant to Art. 48(1) sentence 2 of the SE Regulation in conjunction with section 19 of the German SE Implementation Act.

Accordingly, the provisions of section 8(3) of NORMA Group AG's Articles of Association only stipulate that the supervisory board may specify transactions requiring its authorisation in the rules of procedure issued by it to the management board; however, no transactions requiring such authorisa-

tion are specified in the Articles of Association themselves. In contrast, section 9(3) of NORMA Group SE's Articles of Association contains a list of transactions that the management board may only carry out subject to the supervisory board's consent. In addition, NORMA Group SE's supervisory board may determine in respect of other transactions that they require its consent.

If the supervisory board of a German stock corporation refuses to consent to a transaction reserved for its consent, the management board may request that the general meeting resolve upon such consent (section 111(4) sentences 3 to 5 of the German Stock Corporation Act). According to the prevailing view, due to the reference contained in Art. 52(2) of the SE Regulation, this provision also applies to an SE with registered office in Germany, with the result that, in this regard, as well, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

Furthermore, the supervisory board of a German stock corporation must convene a general meeting if this is required in the company's best interests (section 111(3) sentence 1 of the German Stock Corporation Act). Based on Art. 54(2) of the SE Regulation, this provision also applies to an SE, with the result that, in this regard, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

Pursuant to section 111(5) of the German Stock Corporation Act the principle that each member of the supervisory board of a German stock corporation shall carry out his duties himself applies. Duties of a supervisory board member may not be carried out by any other person – including any other supervisory board member. The same applies to an SE in accordance with Art. 9(1) letter c) ii) of the SE Regulation.

Both the supervisory board of a German stock corporation and that of an SE are granted rights to examine and investigate, for the purpose of enabling them to fulfil their duty of supervision. Accordingly, the supervisory board of a stock corporation is entitled by law to inspect and examine the company's books and records, as well as its assets – in particular cash and holdings of securities and stocks of goods – (section 111(2) sentence 1 of the German Stock Corporation Act). The supervisory board of a stock corporation may also entrust certain of its members with the exercise of such rights, or commission experts to carry out specific assignments (section 111(2) sentence 2 of the German Stock Corporation Act). As regards the supervisory board of an SE, the provisions of Art. 41(4) of the SE Regulation also stipulate that each of its members may undertake or arrange for any investigations necessary for the performance of its duties, with the result that, in terms of substance, there will be no significant differences between the rights to examine and investigate of NORMA Group AG's supervisory board and those of NORMA Group SE's supervisory board.

**(ii) Representation of the company vis-à-vis management board members**

The responsibility for representing a German stock corporation both in and out of court vis-à-vis members of its management board shall rest with its supervisory board (section 112 of the German Stock Corporation Act).

Due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation, this also applies to an SE with registered office in Germany, with the result that, in this regard, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**(iii) Size and composition**

The size of the supervisory board of a German stock corporation is, basically, subject to the provisions of section 95 of the German Stock Corporation Act. According to these provisions, the supervisory board of a stock corporation shall consist of three members, unless a higher number that is divisible by three is provided for in such stock corporation's articles of association. No further statutory requirements apply in respect of the size of the supervisory board of a stock corporation that – like NORMA Group AG – is not subject to employee participation. Depending on a stock corporation's share capital, the number of its supervisory board members is subject to a certain maximum pursuant to section 95 sentence 4 of the German Stock Corporation Act: in the case of a company with a share capital of up to €1,500,000.00, such maximum shall be nine, in the case of one with a share capital of more than €1,500,000.00, such maximum shall be fifteen, and in the case of one with a share capital of more than €10,000,000.00, such maximum shall be twenty-one.

Pursuant to section 96(1) of the German Stock Corporation Act the supervisory board of a stock corporation that – like NORMA Group AG – is not subject to employee participation, shall only be composed of supervisory board members representing shareholders.

The provisions of Art. 40(3) of the SE Regulation stipulate that the number of members of an SE's supervisory board shall be laid down in the articles of association. Pursuant to Art. 40(3) sentence 1 of the SE Regulation the articles of association may either lay down the number of supervisory board members or rules for determining it. In this connection, in the case of an SE with registered office in Germany, the requirements of section 17(1) of the German SE Implementation Act in conjunction with Art. 40(3) sentence 2 of the SE Regulation must be complied with: according to these provisions, the supervisory board of an SE shall comprise at least three members. The articles of association may specify a higher number of supervisory board members which, however, must be divisible by three. Depending on the share capital of an SE, pursuant to section 17(1) of the German SE Implementation Act the number of such SE's supervisory board members is subject to a maximum; the respective maximums correspond to those set forth in section 95(4) of the German Stock Corporation Act: thus, in the case of an SE with a share capital of up to €1,500,000.00, such maximum shall be nine, in the case of one with a share capital of more than €1,500,000.00,

such maximum shall be fifteen, and in the case of one with a share capital of more than €10,000,000.00, such maximum shall be twenty-one.

Other requirements may arise from the statutory standard rules of sections 34 et seq. of the German SE Employee Involvement Act or any agreement on arrangements for the involvement of employees where an SE is subject to the participation of employees in the supervisory board. However, since NORMA Group AG's supervisory board is not subject to any such participation, the management board assumes that NORMA Group SE's supervisory board will only comprise representatives of the shareholders, too. Accordingly, it is intended for the supervisory board of NORMA Group SE to be composed of a total of six members – like the supervisory board of NORMA Group AG. Subject to any agreement on arrangements for the involvement of employees to the contrary, there will be no difference between the composition of NORMA Group AG's supervisory board and that of NORMA Group SE's supervisory board.

**(iv) Status procedure regarding the composition of the supervisory board**

If the management board of a German stock corporation is of the opinion that the composition of such stock corporation's supervisory board is not in line with the statutory provisions applicable to it, the management board must initiate a status procedure pursuant to sections 97 et seq. of the German Stock Corporation Act. In cases where it is disputed or unclear which statutory provisions govern the composition of the supervisory board, the status procedure may also be initiated by any other party entitled to file a motion as defined in the German Stock Corporation Act (section 98 of the German Stock Corporation Act).

Due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation, these provisions will also apply to NORMA Group SE being an SE with registered office in Germany. In addition to the parties entitled to file a motion specified in the German Stock Corporation Act, in the case of an SE, the SE works council is also entitled pursuant to section 17(3) sentence 1 of the German SE Implementation Act to file a motion to initiate the status procedure pursuant to section 98, section 99 of the German Stock Corporation Act. Other than this additional provision authorising the SE works council to file a motion, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes in respect of the status procedure.

**(v) Personal qualifications of supervisory board members**

Only an individual with unlimited legal capacity may be a member of the supervisory board of a German stock corporation (section 100(1) sentence 1 of the German Stock Corporation Act).

The same applies to the membership in the supervisory board of an SE with registered office in Germany: the provisions of Art. 47(1) of the SE Regulation generally permit a company or other legal entity to be a member of the supervisory board of an SE; however, this is subject to the condition that the law applicable to stock corporations in the Member State in which the SE's registered office is situated does not provide otherwise. In this re-



gard, the provisions of section 100(1) of the German Stock Corporation Act stipulate otherwise, with the result that the supervisory board of an SE with registered office in Germany may only comprise individuals with unlimited legal capacity.

Furthermore, a person who fulfils any of the cases specified below is not eligible for being a member of the supervisory board of a German stock corporation pursuant to section 100(2) of the German Stock Corporation Act:

- a person who already is a member of the supervisory boards of ten commercial companies required by law to form a supervisory board;
- a person who is the legal representative of an enterprise controlled by the company,
- a person who is the legal representative of another corporation whose supervisory board includes a member of the management board of the company, or
- (in the case of companies listed on the stock exchange) a person who has been a member of the management board of the same listed company during the last two years, unless such person has been elected upon the proposal of shareholders holding more than 25 percent of the voting rights in the company.

For the purposes of determining the maximum referred to under the first dash bullet, no account shall be taken of up to five seats which a legal representative (or, in the case of a sole proprietorship, the owner) of the controlling enterprise of a group holds in supervisory boards of commercial companies required by law to form a supervisory board which are members of such group. Likewise, supervisory board seats as defined under the first dash bullet, for which the member was elected chairman, shall be taken into account twice for the purposes of determining said maximum. Pursuant to Art. 47(2) of the SE Regulation these provisions, as well, apply to the membership in the supervisory board of an SE with registered office in Germany.

In conclusion, pursuant to section 100(5) of the German Stock Corporation Act at least one independent member of the supervisory board of a capital market oriented German stock corporation must have accounting and auditing expertise. Pursuant to Art. 9(1) letter c) ii) of the SE Regulation this requirement must also be met by the supervisory board of an SE with registered office in Germany.

Consequently, the requirements to be met by a member of NORMA Group SE's supervisory board will correspond to those to be met by a member of NORMA Group AG's supervisory board.

- (vi) **Incompatibility of simultaneous membership in both the management board and the supervisory board/temporary appointment of a supervisory board member to the management board**

A supervisory board member of a German stock corporation may not be simultaneously a member of the management board, a permanent deputy management board member, a holder of a statutory power of attorney (*Prokurist*) or a holder of a commercial power of attorney authorised to manage the company's entire business (section 105(1) of the German Stock Corporation Act). The supervisory board may appoint certain of its members as deputies for members of the management board who are absent or incapacitated only for a period of time that is limited in advance and may not exceed one year; during such period of time, none of the supervisory board members so appointed may exercise their office as a member of the company's supervisory board (section 105(2) of the German Stock Corporation Act).

Likewise, no person may at the same time be a member of both the management board and the supervisory board of the same SE (Art. 39(3) sentence 1 of the SE Regulation). The supervisory board may, however, nominate one of its members to act as a member of the management board in the event of a vacancy; during such a period the functions of the person concerned as a member of the supervisory board shall be suspended. A Member State may impose a time limit on such a period, which, in the case of an SE with registered office in Germany, has been implemented by the provisions of section 15 of the German SE Implementation Act. According to these provisions, the period of time during which a supervisory board member may act as a deputy management board member must be limited in advance and may not exceed one year; a supervisory board member may be repeatedly nominated to act as a management board member, or his term of office as a management board member may be renewed, provided that this does not result in a total term of such office exceeding one year.

Therefore, no differences between NORMA Group AG and NORMA Group SE will arise in this connection.

**(vii) Appointment of supervisory board members**

The members of the supervisory board of a German stock corporation shall be elected by the general meeting, unless provisions of employee participation law stipulate otherwise (section 101(1) of the German Stock Corporation Act). Since NORMA Group AG is not subject to employee participation, all six members of the supervisory board shall be elected by the general meeting.

Pursuant to Art. 40(2) sentence 1 of the SE Regulation the members of the supervisory board of an SE shall be appointed by the general meeting. In principle, this applies to every supervisory board member, including employee representative (if any) (cf. section 36(4) of the German SE Employee Involvement Act). According to Art. 40(2) sentence 3 of the SE Regulation, an agreement on arrangements for the involvement of employees may, in principle, stipulate otherwise; however, as NORMA Group AG's supervisory board does not include any employee representatives, the management board assumes that, likewise, no employee representatives will have to be appointed to NORMA Group SE's supervisory board.

Therefore, as regards the appointment of supervisory board members, basically, no difference will arise from the conversion of NORMA Group AG into NORMA Group SE. However, pursuant to Art. 40(2) sentence 2 of the SE Regulation the members of the first supervisory board of NORMA Group SE will be appointed in accordance with NORMA Group SE's Articles of Association as approved by the general meeting of NORMA Group AG when passing the resolution on the conversion (in this regard also see nos. 6.1.9 and 6.2.11 of this Conversion Report).

**(viii) Term of office**

The members of the supervisory board of a German stock corporation may not be appointed for a period of time extending beyond the termination of the general meeting resolving on the approval of the supervisory board's actions for the fourth financial year following the commencement of their terms of office (section 102(1) of the German Stock Corporation Act). For these purposes, the financial year in which the terms of office of such supervisory board members commences shall not be taken into account.

In contrast, the supervisory board members of an SE may be appointed for any period laid down in the articles of association not exceeding six years (Art. 46(1) of the SE Regulation). Each of them may be reappointed once or more than once for the period so determined, subject to any restrictions laid down in the articles of association (Art. 46(2) of the SE Regulation). As a result, the term of office determined for a member of the supervisory board of an SE may, in principle, be longer than that determined for a member of the supervisory board of a German stock corporation.

The provisions of section 11(2) of NORMA Group SE's Articles of Association stipulate, however, that the members of NORMA Group SE's supervisory board, as well, shall be appointed for a period of time until the termination of the general meeting resolving on the approval of the supervisory board's actions for the fourth financial year following the commencement of their terms of office, and the financial year in which the terms of office of such supervisory board members commence shall not be taken into account, whereas the complete term of office must in any case not exceed six years (also see no. 6.2.11 of this Conversion Report). Except for the maximum of six years, which was expressly laid down in the articles of association due to the requirements imposed by the SE Regulation, this corresponds, in terms of substance, to the previously applicable provisions relating to the terms of office of the members of NORMA Group AG's supervisory board. The provisions of section 11(2) sentence 2 of NORMA Group SE's Articles of Association, as well, according to which the general meeting, when electing a member to the supervisory board, may determine a shorter term of office, are in line with the previously applicable provisions of section 10(2) of NORMA Group AG's Articles of Association. As in the case of NORMA Group AG's supervisory board, reappointments of the members of NORMA Group SE's supervisory board are permitted (cf. section 11(2) of NORMA Group SE's Articles of Association).

**(ix) Judicial appointment**

The provisions of section 104 of the German Stock Corporation Act stipulate that, in the event that not all the seats on the supervisory board of a German stock corporation are filled, a court of competent jurisdiction shall appoint such number of additional supervisory board members as is required to fill the vacant seats. According to these provisions, if the supervisory board of a stock corporation does not comprise the number of members required to constitute a quorum, such court shall, upon a motion from the management board, a supervisory board member, or a shareholder, appoint the number of additional supervisory board members that is required for a quorum. The management board shall file such motion without undue delay (*unverzüglich*), unless it is expected that the vacant seats on the supervisory board will be filled in due time prior to the next meeting of the supervisory board. If, for a period of more than three months, the number of supervisory board members is less than that required by law or the articles of association, the court shall, upon a motion being filed, appoint as many additional supervisory board members as are required for compliance with the law or the articles of association. In cases of urgency, the court shall, upon a motion being filed, appoint the required number of supervisory board members even prior to the expiry of such three-month period (section 104(2) of the German Stock Corporation Act).

These provisions also apply to the supervisory board of an SE with registered office in Germany. In addition to the parties entitled to file a motion specified in section 104(1) sentence 1 of the German Stock Corporation Act, the SE works council is also entitled to file a motion for judicial appointment (section 17(3) of the German SE Implementation Act).

Other than increasing the number of parties entitled to file a motion to include the SE works council, as regards the judicial appointment of supervisory board members, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**(x) Removal**

Pursuant to section 103(1) of the German Stock Corporation Act supervisory board members of a German stock corporation who have been elected by the general meeting without the general meeting being bound by an election proposal may be removed by it prior to the expiry of their terms of office. The corresponding resolution by the general meeting requires a majority of at least three quarters of the votes cast. The articles of association may provide for a different majority and additional requirements. Furthermore, a court of competent jurisdiction may, upon a motion from the supervisory board, remove a member from the supervisory board for good cause attributable to the person of such member. The supervisory board shall resolve on such motion by simple majority (cf. section 103(3) of the German Stock Corporation Act).

Neither the SE Regulation nor the German SE Implementation Act contain any provisions on the removal of the supervisory board members of an SE; therefore, based on Art. 9(1) letter c) ii) of the SE Regulation, the provisions

of stock corporation law applicable in the Member State in which the SE's registered office is situated apply.

Consequently, the same provisions that apply to the removal of members from NORMA Group AG's supervisory board will also apply to the removal of members from NORMA Group SE's supervisory board, with the result that the conversion will not give rise to any changes in this regard.

**(xi) Internal organisation**

The supervisory board of a German stock corporation shall elect a chairman and a deputy chairman from among its members (section 107(1) sentence 1 of the German Stock Corporation Act). In addition, the supervisory board of a stock corporation shall – unless otherwise provided by the articles of association – have a quorum if at least half of the number of its members participate in the passing of resolutions (section 108(2) sentence 2 of the German Stock Corporation Act).

The supervisory board of an SE, as well, shall elect a chairman from among its members (Art. 42 sentence 1 of the SE Regulation). Pursuant to Art. 9(1) letter c) ii) of the SE Regulation in conjunction with section 107(1) of the German Stock Corporation Act it shall also elect a deputy chairman.

The supervisory board of an SE shall have a quorum – in each case unless otherwise provided by the articles of association – if at least half of the number of its members is present (Art. 50(1) letter a) of the SE Regulation); it shall pass its resolutions by a majority of members present or represented (Art. 50(1) letter b) of the SE Regulation). Pursuant to Art. 50(2) of the SE Regulation the chairman of the SE's supervisory board shall have a casting vote in the event of a tie. In cases other than those where half of the number of the supervisory board members are representatives of the shareholders while the other half are employees' representatives, the articles of association may provide otherwise.

The provisions of NORMA Group SE's Articles of Association – just like those of NORMA Group AG's Articles of Association – stipulate that, in accordance with the aforementioned requirements, the supervisory board shall elect a chairman and a deputy chairman from among its members (section 12(1) of NORMA Group SE's Articles of Association, as is also provided for in section 11(1) of NORMA Group AG's Articles of Association). Pursuant to section 13(4) of NORMA Group SE's Articles of Association the chairman of the supervisory board shall have a casting vote in the event of a tie, which is in line with the provisions of Art. 50(2) sentence 1 of the SE Regulation. As regards the deputy chairman of the supervisory board, such casting vote shall be explicitly excluded pursuant to section 13(4) sentence 3 of NORMA Group SE's Articles of Association.

Aside from the casting vote of the deputy chairman of the supervisory board being explicitly excluded by the provisions of section 13(4) sentence 3 of NORMA Group SE's Articles of Association, whereas section 12(4) of NORMA Group AG's Articles of Association contains no explicit provisions in this regard, there will be no significant changes with regard to

the supervisory board's internal organisation as a result of the conversion of NORMA Group AG into NORMA Group SE.

**(xii) Convening and frequency of meetings**

Each member of the supervisory board or management board of a German stock corporation may request, stating the purpose of and reasons for doing so, that the chairman of the supervisory board convene a meeting of the supervisory board without undue delay (*unverzüglich*). In such case, the meeting must be held within a period of two weeks from the date on which notice thereof has been given; if his request is not complied with, such member of the supervisory board or management board may convene a meeting of the supervisory board himself, stating the facts and submitting the agenda (section 110(1) and (2) of the German Stock Corporation Act).

Pursuant to section 110 (3) sentence 1 of the German Stock Corporation Act meetings of the supervisory boards of companies listed on the stock exchange, such as NORMA Group AG, shall be convened twice each calendar half year.

Due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation, these provisions will also apply to NORMA Group SE, with the result that the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**(xiii) Remuneration of, contracts entered into with, and granting of credits to members of the supervisory board**

Due to the reference contained in Art. 9(1) letter c) ii) of the SE Regulation, the provisions of the German Stock Corporation Act relating to the remuneration of, contracts entered into with, and granting of credits to members of the supervisory board (section 113 to section 115 of the German Stock Corporation Act) also apply to an SE with registered office in Germany.

Pursuant to section 15 of NORMA Group SE's Articles of Association the general meeting shall resolve on the remuneration of the members of NORMA Group SE's supervisory board; this is in line with the provisions of section 14 of NORMA Group AG's Articles of Association. In this regard, the conversion will not give rise to any changes.

**(xiv) Duties of care and obligation of secrecy**

In performing their duties, the members of a supervisory board of a German stock corporation shall exercise the care of a diligent and conscientious supervisory board member (section 116 sentence 1 of the German Stock Corporation Act in conjunction with section 93(1) sentence 1 of the German Stock Corporation Act). In particular, they are bound to maintain secrecy as to confidential reports received or confidential consultations (section 116 sentence 2 of the German Stock Corporation Act), and they may be held liable for damages if they determine an inadequate remuneration for management board members (section 116 sentence 3 of the German Stock Corporation Act).

These provisions apply *mutatis mutandis* to an SE with registered office in Germany: as regards the liability of supervisory board members, Art. 51 of the SE Regulation refers to the corresponding provisions that apply to a German stock corporation. In addition, the provisions of Art. 49 of the SE Regulation expressly stipulate that the members of an SE's organs which includes the members of an SE's supervisory board – shall be under a duty, even after they have ceased to hold office, not to divulge any information concerning the SE the disclosure of which might be prejudicial to the company's interests, except where such disclosure is required or permitted under national law provisions applicable to stock corporations in the Member State in which the SE's registered office is situated or is in the public interest. However, the fact that these provisions expressly stipulate an obligation of supervisory board members to maintain secrecy even after they have ceased to hold office does not result in any changes in terms of substance, since it is generally recognised by German stock corporation law, as well, that an obligation of board members to maintain secrecy shall continue to exist after they cease to hold office.

Thus, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes in terms of substance.

#### 4.5.3 General meeting

The shareholders of a German stock corporation shall exercise their rights regarding the company's affairs at general meetings, unless otherwise provided for by law (section 118(1) of the German Stock Corporation Act). The members of the management board and the supervisory board shall attend the general meeting (section 118(3) sentence 1 of the German Stock Corporation Act).

These provisions also apply to an SE with registered office in Germany, with the result that the conversion of NORMA Group AG into NORMA Group SE will not give rise to any differences in this regard.

##### (i) Responsibilities of the general meeting

Pursuant to section 119(1) of the German Stock Corporation Act, the general meeting of a German stock corporation shall resolve on matters explicitly provided for by law or the articles of association, which includes, in particular, the following matters:

- the appointment of members of the supervisory board, to the extent they are not to be appointed to the supervisory board or be elected as representatives of employees pursuant to the German Employee Participation Act (*Mitbestimmungsgesetz*), the German Supplementary Employee Participation Act (*Mitbestimmungsergänzungsgesetz*), the German One-Third Employee Participation Act (*Drittelbeteiligungsgesetz*) or the German Act on Employee Participation in Case of a Cross Border Merger (*Gesetz über die Mitbestimmung der Arbeitnehmer bei einer grenzüberschreitenden Verschmelzung*),
- the appropriation of net profits,
- the approval of the business actions of the members of the management board and the supervisory board,

- the appointment of the auditor,
- amendments to the articles of association,
- measures to increase or reduce share capital,
- the appointment of auditors for the examination of matters in connection with the formation or the management of the company, and
- the winding up of the company.

Responsibilities are allocated to the general meeting of a German stock corporation by other statutory provisions, as well. By way of example, the responsibility to resolve on measures under the German Conversion Act (in particular mergers, demergers and conversions (cf. sections 13, 125, 193 of the German Conversion Act)), enterprise agreements (sections 291 et seq. of the German Stock Corporation Act), squeeze-outs pursuant to sections 327a et seq. of the German Stock Corporation Act, convertible bonds, dividend bonds and profit participation rights (section 221 of the German Stock Corporation Act), as well as any waiver or settlement of claims for damages (section 50, section 93 para. 4, section 116 of the German Stock Corporation Act) are mentioned.

In principle, the general meeting may not decide on management measures – except for the cases explicitly assigned to it by law – unless the management board requires it to do so (cf. section 119(2) of the German Stock Corporation Act). In its so-called “Holzmüller” (case number: II ZR 174/80) and “Gelatine” decisions (case number: II ZR 154/02 and II ZR 155/02), however, the Federal Court of Justice (*Bundesgerichtshof – BGH*) has permitted exceptions to this principle. According to these decisions, the general meeting of a stock corporation has a limited special responsibility if the measures envisaged by the management board – as set out in the “Gelatine” decisions – “affect the general meeting’s core responsibility to determine on the company’s constitution and have almost the same effect as that which can be produced solely by amending the articles of association”.

The responsibilities of the general meeting of an SE with registered office in Germany largely correspond to those of the general meeting of a German stock corporation:

The SE Regulation expressly states the responsibilities of the general meeting with regard to resolutions on amendments to the articles of association (Art. 59 of the SE Regulation) and the appointment of members of the supervisory board (Art. 40(2) of the SE Regulation) which are also provided for in the German Stock Corporation Act.

The provisions of Art. 52(2) of the SE Regulation further stipulate that the general meeting of an SE shall resolve on the matters for which responsibility is given to the general meeting of a stock corporation governed by the law of the Member State in which the SE’s registered office is situated, either by the law of that Member State or by the SE’s articles of association in accordance with that law.



The question whether or not the unwritten responsibilities of the general meeting of a German stock corporation are covered by Art. 52(2) of the SE Regulation also apply to an SE with registered office in Germany, has not yet been clarified in legal literature and case law. According to the view probably prevailing among legal scholars, this question must be answered in the affirmative. Based on this view, in accordance with the Federal Court of Justice's "Holzmüller" and "Gelatine" rulings, the responsibility of the general meeting of an SE regarding resolutions on management measures corresponds to that of the general meeting of a German stock corporation.

In addition, the general meeting of an SE is responsible for matters for which it has been delegated responsibility by either the SE Regulation or the laws implementing the SE Directive applicable in the Member State in which the SE's registered office is situated – in Germany, this is the German SE Employee Involvement Act. This includes, without being limited to, the cross-border transfer of the registered office of an SE pursuant to Art. 8 of the SE Regulation and the SE's conversion back into a national stock corporation (Art. 66 of the SE Regulation).

Aside from these additional responsibilities, the responsibilities of NORMA Group SE's general meeting will therefore correspond to those of NORMA Group AG's general meeting.

**(ii) Convening a general meeting/organisation and conduct**

A general meeting of a German stock corporation shall be convened in the cases provided for by law or the articles of association or whenever required by the company's best interests (section 121(1) of the German Stock Corporation Act). In the latter case, the supervisory board, as well, shall be obliged to convene a general meeting (section 111(3) sentence 1 of the German Stock Corporation Act). Due to the reference to German stock corporation law contained in Art. 54(2) of the SE Regulation, the same applies to an SE with registered office in Germany.

However, the general meeting of an SE, in contrast to the general meeting of a German stock corporation, which is held during the first eight months of a financial year (section 175(1) sentence 2 of the German Stock Corporation Act), must convene at least once each calendar year, within six months of the end of its financial year (Art. 54(1) of the SE Regulation). Since so far, NORMA Group AG's general meeting has been held in May of each year, in this regard nothing will actually change as a result of the conversion into NORMA Group SE.

For the purposes of convening a general meeting and requests by a minority that items are added to the agenda, the SE Regulation partly contains its own provisions relating to an SE, which prevail over the provisions of the German Stock Corporation Act; as regards an SE with registered office in Germany – and thus NORMA Group SE, as well – however, this does not result in any significant differences compared to the provisions applicable to a German stock corporation (in this regard, please see section 4.5.3(iii) of this Conversion Report). In addition, the provisions of the German Stock Corporation Act (sections 121 et seq. of the German Stock Corporation Act)

apply to the convening of a general meeting and the provision of information to shareholders prior to the general meeting. In particular, the provisions regarding the notice period, the application to attend the general meeting, the publication of the agenda and the shareholders' forum are thus also applicable to an SE with registered office in Germany.

Pursuant to the reference contained in Art. 53 of the SE Regulation, the organisation and conduct of a general meeting of an SE with registered office in Germany, as well as the voting procedures, shall basically be governed by the provisions of the German Stock Corporation Act, as well. For information regarding partly differing provisions as to the majorities required for resolutions, see the explanations contained in nos. 4.5.3(vi) and 4.5.3(vii) of this Conversion Report.

**(iii) Convening a general meeting upon request of a minority/addition of items to the agenda upon request of a minority**

In accordance with section 122 of the German Stock Corporation Act the general meeting of a German stock corporation must be convened if shareholders whose shareholdings in aggregate equal or exceed one-twentieth (i.e. 5%) of the share capital request such meeting in writing, stating the purpose and the reasons thereof. The request shall be addressed to the management board. The articles of association may provide that the right to request a general meeting shall require a different form or the holding of a lower proportion of the share capital (section 122(1) sentence 2 of the German Stock Corporation Act). The shareholders must furnish evidence that they have been the holders of the shares for at least three months prior to the date of the general meeting and will continue to hold the shares until the date on which the management board convenes the general meeting or a competent court decides on the request (section 122 (1) sentence 3 in conjunction with section 142(2) sentence 2 of the German Stock Corporation Act).

Pursuant to section 122(2) of the German Stock Corporation Act the shareholders of a German stock corporation whose shareholdings, in aggregate, equal 5% of the share capital, or the corresponding proportion of the share capital of €500,000.00, may similarly request that certain items be added to the agenda of a general meeting and be published. In such case, each new agenda item must be accompanied by a statement of reasons or a proposal for a shareholders' resolution. Such request must be received by the company – if it is listed on the stock exchange like NORMA Group AG – at least 30 days prior to the date of the general meeting.

Should the management board not comply with such request, the court may authorise the shareholders who filed that request to convene the general meeting or to publish the relevant item (section 122(3) sentence 1 of the German Stock Corporation Act).

In the case of an SE with registered office in Germany, one or more shareholders may request that a general meeting be convened and an agenda be drawn up, provided that the holdings of share capital of such shareholder(s) equals at least 5% (Art. 55(1) of the SE Regulation in conjunction

with section 50(1) of the German SE Implementation Act). The request that a general meeting be convened must state the items to be put on the agenda (cf. Art. 55(2) of the SE Regulation). If a general meeting is not held within two months after the date on which a request that such meeting be convened was made, a competent court, upon being requested to do so, may authorise the shareholders who have requested it to convene a general meeting (Art. 55(3) of the SE Regulation). In contrast to the relevant rule under stock corporation law set forth in section 122(1) sentence 3 in conjunction with section 142(2) sentence 2 of the German Stock Corporation Act, the shareholders of an SE who file such a request are not required to have held their shares for at least three months prior to filing it.

One or more shareholders may request that one or more additional items be put on the agenda of a general meeting of an SE with registered office in Germany, provided that such shareholder(s) hold(s) at least 5% of the share capital or the corresponding proportion of the amount of €500,000.00 (Art. 56 of the SE Regulation in conjunction with section 50(2) of the German SE Implementation Act). The requirement for shareholders who request additional items be put on the agenda of a general meeting to have held their shares for a certain minimum holding period, as is required under German stock corporation law, does not apply to the shareholders of an SE.

Consequently, subject to the differences as to details described above, essentially the same provisions regarding requests made by shareholders that a general meeting be convened or that additional items be put on the agenda which apply to NORMA Group AG will continue to apply following its conversion into NORMA Group SE.

**(iv) The right of shareholders to be provided with information, to speak and to submit questions at the general meeting**

Generally, each shareholder of a German stock corporation shall, upon request, be provided with information regarding the company's affairs by the management board at the general meeting, to the extent that such information is necessary for properly assessing the relevant agenda item (section 131(1) of the German Stock Corporation Act). For the purposes of such right to information, shareholders are not required to hold a certain minimum of the share capital. The articles of association may authorise the chairman of the meeting to reasonably limit the period of time during which a shareholder may exercise his right to speak and submit questions, and may provide further details in this regard (section 131(2) sentence 2 of the German Stock Corporation Act). Further details regarding a shareholder's right to be provided with information at the general meeting, and the limitations thereof, are set out in section 131 of the German Stock Corporation Act.

As regards the right of shareholders to be provided with information, to speak and submit questions, neither the SE Regulation nor the German SE Implementation Act contain any specific provisions regarding an SE. Therefore, the same provisions that apply to a German stock corporation also apply to an SE with registered office in Germany.

As regards the reasonable limitation of a shareholder's right to speak and to submit questions based on the provisions of section 131(2) sentence 2 of the German Stock Corporation Act, the provisions of section 19(3) of NORMA Group SE's Articles of Association stipulate the same as those set forth in section 18(3) of NORMA Group AG's Articles of Association. Therefore, the conversion of NORMA Group AG into NORMA Group SE will not lead to any changes in this area.

**(v) Rules of procedure of the general meeting; list of participants**

Pursuant to section 129(1) sentence 1 of the German Stock Corporation Act the general meeting of a German stock corporation may adopt rules of procedure that contain provisions on the preparation and conduct of a general meeting. In order for the general meeting to resolve on the adoption of rules of procedure, in addition to a simple majority of the votes cast, as is required pursuant to section 133(1) of the German Stock Corporation Act, a three-quarters majority of the share capital represented at that general meeting is required.

The general meeting of an SE with registered office in Germany is also authorised to adopt rules of procedure. However, based on the view probably prevailing among legal scholars, in order for the general meeting of an SE to resolve on the adoption of rules of procedure, a majority of three quarters of the votes cast is required and not – as in the case of a German stock corporation – a simple majority and a three-quarters majority of the share capital represented. The reason for this is that, as regards majorities required for resolutions, the SE Regulation – unlike the German Stock Corporation Act – always takes into account majorities of votes instead of capital majorities (cf. Art. 57, Art.58, Art. 59 of the SE Regulation). Therefore, to the extent that the provisions applicable to an SE with registered office in Germany require a general meeting to resolve by a capital majority, according to the view probably prevailing in legal literature, such provisions must be interpreted in accordance with the SE Regulation to the effect that a corresponding majority of votes is required instead of a capital majority (with regard to resolutions amending the articles of association, see below no. 4.5.3(vii) of this Conversion Report). On the other hand, some legal scholars assume, in contrast, that the capital majorities required pursuant to German stock corporation law also apply to an SE with registered office in Germany.

The requirement to compile a list of participants pursuant to section 129(1) sentence 2 of the German Stock Corporation Act also applies to an SE with registered office in Germany, with the result that, in this regard, no changes will arise from the conversion.

**(vi) Ordinary resolutions by the general meeting (which do not amend the articles of association)**

In principle, resolutions by the general meeting of a German stock corporation require a majority of the votes cast (simple majority), unless a larger majority, or further requirements, are required by law or the articles of association (section 133(1) of the German Stock Corporation Act).

Resolutions by the general meeting of an SE shall be passed by a majority of the votes validly cast, unless the SE Regulation or stock corporation law require a larger majority (Art. 57 of the SE Regulation). Thus, the principle of a simple majority required for resolutions by the general meeting is not changed in any way by the conversion of NORMA Group AG into NORMA Group SE (with regard to resolutions amending the articles of association, see below no. 4.5.3(vii) of this Conversion Report).

**(vii) Resolutions by the general meeting amending the articles of association**

A resolution amending the articles of association of a German stock corporation requires a simple majority of the votes cast (section 133(1) of the German Stock Corporation Act), as well as a majority of at least three quarters of the share capital represented at the general meeting passing such resolution (section 179(2) sentence 1 of the German Stock Corporation Act). The articles of association may provide for a different capital majority, however, in the case of a change of the company's object, only for a larger capital majority (section 179(2) sentence 2 of the German Stock Corporation Act).

The provisions of section 19 of NORMA Group AG's Articles of Association stipulate that resolutions by the general meeting shall be adopted by a simple majority of the votes cast and, in cases where, in addition to the majority of votes, a majority of the share capital represented at the general meeting adopting the resolution is required by law, a simple majority of the share capital represented at the general meeting adopting that resolution, provided that this is permitted by law. As a result, the majority required for resolutions of NORMA Group AG is reduced to a simple majority of votes and capital, with regard to both resolutions amending its Articles of Association and other resolutions for which this is permitted by law.

In the case of an SE, the provisions of Art. 59(1) of the SE Regulation stipulate that resolutions by the general meeting which amend the articles of association shall be adopted by a majority which may not be less than two thirds of the votes cast, unless the law applicable to stock corporations in the Member State in which the SE's registered office is situated requires or permits a larger majority. Pursuant to Art. 59(2) of the SE Regulation in conjunction with section 51 of the German SE Implementation Act, the articles of association of an SE with registered office in Germany may provide, by way of derogation, that in cases where at least half of that SE's share capital is represented, a simple majority of the votes cast shall suffice to adopt a resolution amending its articles of association. However, pursuant to section 51 sentence 2 of the German SE Implementation Act this shall not apply to any change of the SE's object, any resolution on a cross-border transfer of the SE's registered office pursuant to Art. 8(6) of the SE Regulation, or to any cases where a larger capital majority is required by mandatory law. This is why, in cases where a majority of three quarters of the share capital represented is required by the provisions of mandatory law applicable to a German stock corporation, the requirement of a three-quarters majority continues to apply to an SE with registered office in Ger-

many, as well; however, in such case – based on the view probably prevailing among legal scholars – it is no longer the share capital represented, but the number of votes cast, which shall be taken into account as a reference parameter in accordance with the SE Regulation, which always takes into account the majority of the votes cast instead of capital majorities (cf. Art. 57, Art. 58, Art. 59 of the SE Regulation, in this regard, see the explanations above in no. 4.5.3(v) of this Conversion Report).

Accordingly, the provisions of section 20 of NORMA Group SE's Articles of Association stipulate that a simple majority of the votes cast shall be sufficient for a resolution amending the articles of association, provided that at least half of its share capital is represented, and unless a different majority is required by mandatory law.

In the case of amendments to the articles of association where a three-quarters capital majority is required by the provisions of mandatory law applicable to German stock corporations – based on the understanding that what must be taken into account in the case of an SE are always majorities of votes and not capital majorities (see the explanations set out in the preceding paragraph) – NORMA Group SE's general meeting, accordingly, will require a majority of at least three quarters of the votes cast in order to adopt a resolution on any such amendment. In this regard, the legal situation of NORMA Group SE will differ from that of NORMA Group AG: the relevant reference parameter to be taken into account by the latter for the purpose of adopting a resolution by a three-quarters majority will be the share capital represented at the general meeting adopting it. A further difference between the legal situation of NORMA Group AG and that of NORMA Group SE will be that a simple majority of the votes cast will not suffice to adopt a resolution amending NORMA Group SE's Articles of Association unless at least half of its share capital is represented at the general meeting adopting such resolution. If this is not the case, any such resolution will require a majority of two thirds of the votes cast, except where a larger majority is already required by law.

**(viii) Preferred shares/special resolution**

Neither the SE Regulation nor the German SE Implementation Act contain any special provisions relating to preferred shares, with the result that, basically, the same provisions relating to preferred shares that apply to a German stock corporation also apply to an SE with registered office in Germany.

However, Art. 60 of the SE Regulation contains autonomous provisions relating to an SE with two or more share classes: according to such provisions, every resolution by the general meeting of an SE with two or more share classes shall be subject to a separate vote by each class of shareholders whose class rights are affected by such resolution. Where a resolution by the general meeting requires the same majority of votes as that required for resolutions amending the articles of association, that majority shall also be required pursuant to Art. 60(2) of the SE Regulation for the separate vote by the class of shareholders whose class rights are affected by that resolution.

Since NORMA Group SE, like NORMA Group AG, will only have one class of shares (ordinary shares), the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**(ix) Special audit**

In the absence of any special provisions relating to the conduct of a special audit, the same special audit provisions that apply to a German stock corporation (sections 142 et seq. of the German Stock Corporation Act) also apply to an SE with registered office in Germany.

Consequently, in this regard, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**(x) Claims for damages/claims filed by shareholders pursuant to sections 147 et seq. of the German Stock Corporation Act**

As regards the assertion of claims for damages and the corresponding claims filed by shareholders pursuant to sections 147 et seq. of the German Stock Corporation Act, as well, neither the SE Regulation nor the German SE Implementation Act contains any provisions of its own, with the result that, in this regard, as well, the same provisions that apply to a German stock corporation also apply to an SE with registered office in Germany.

Consequently, in this regard, as well, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

**4.6 Annual financial statements/consolidated financial statements**

As regards the preparation of the annual financial statements and the consolidated financial statements, including the related management reports, and the auditing and publication of those documents, pursuant to Art. 61 of the SE Regulation an SE shall be governed by the rules applicable to stock corporations under the law of the Member State in which its registered office is situated.

Therefore, in this regard NORMA Group SE is subject to the same provisions that already applied to NORMA Group AG; consequently, the conversion will not give rise to any changes in this regard.

**4.7 Capital procurement and capital reduction measures**

Basically, pursuant to Art. 5 of the SE Regulation the same provisions relating to capital measures that apply a German stock corporation also apply to an SE with registered office in Germany.

**4.8 Change in the relationship among several classes of shares**

In order to change the existing relationship of more than one class of shares to the disadvantage of any class, the corresponding resolution by the general meeting of a German stock corporation will require the consent of the shareholders adversely affected which shall be granted by a special resolution to be adopted by the same majority of votes as that required for adopting a resolution amending its articles of association (section 179(3) sentence 2 of the German Stock Corporation Act).

Where an SE has two or more classes of shares, every resolution by the general meeting shall be subject to a separate vote by each class of shareholders whose class rights are affected thereby (Art. 60(1) of the SE Regulation). If a resolution to be adopted by the general meeting requires the same majority of votes as that required for a resolution amending the articles of association, that majority shall also be required for the separate vote (Art. 60(2) of the SE Regulation). However – unlike in the case of a German stock corporation – for the purpose of adopting such special resolution, instead of holding a separate meeting, it will suffice to hold a separate vote at the general meeting adopting such special resolution.

All in all, in this regard the conversion of NORMA Group AG into NORMA Group SE will not give rise to any significant changes, particularly since neither NORMA Group AG nor NORMA Group SE has different classes of shares.

#### **4.9 Nullity or, as the case may be, contesting of resolutions by the general meeting or the approved annual financial statements/special audit due to impermissible undervaluation**

##### **4.9.1 Nullity of resolutions by the general meeting**

Since neither the SE Regulation nor the German SE Implementation Act contain any separate provisions relating to the nullity of resolutions by the general meeting, or the contesting of such resolutions, or the examination of resolutions from a substantive perspective (*materielle Beschlusskontrolle*), the same provisions that apply to a German stock corporation in this regard (i.e. in particular sections 241 et seq. of the German Stock Corporation Act) also apply to an SE with registered office in Germany.

Thus, in this regard, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

##### **4.9.2 Nullity or, as the case may be, contesting of the election of supervisory board members**

The provisions of sections 250 et seq. of the German Stock Corporation Act relating to the nullity of the election of supervisory board members, as well, apply *mutatis mutandis* to an SE with registered office in Germany.

##### **4.9.3 Nullity of the approved annual financial statements**

Since neither the SE Regulation nor the German SE Implementation Act contain any special provisions relating to the nullity of the approved annual financial statements, in this regard, the provisions of sections 256 et seq. of the German Stock Corporation Act apply *mutatis mutandis* to an SE with registered office in Germany.

Thus, in this connection, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

##### **4.9.4 Special audit due to impermissible undervaluation**

The provisions relating to the conduct of a special audit due to impermissible undervaluation (sections 258 et seq. of the German Stock Corporation Act), as well, apply *mutatis mutandis* to an SE with registered office in Germany, with the result that, in this regard as well, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.



#### **4.10 Winding up and declaration of nullity of the company**

As regards winding up, liquidation, insolvency, cessation of payments and similar procedures, an SE shall be governed pursuant to Art. 63 of the SE Regulation by the legal provisions which would apply to a stock corporation formed in accordance with the law of the Member State in which its registered office is situated, including provisions relating to the adoption of resolutions by the general meeting.

As a result, in this regard, initially, the same provisions that apply to a German stock corporation also apply to an SE with registered office in Germany. The provisions on judicial winding up (sections 396 to 398 of the German Stock Corporation Act), as well, apply *mutatis mutandis* to an SE with registered office in Germany.

In this connection, however, the following special rules apply to an SE:

If the registered office in accordance with the articles of association and the head office of an SE are located in different Member States, such SE will be under the obligation to regularise its position, either by re-establishing its head office in the Member State in which its registered office in accordance with its articles of association is situated, or by transferring its registered office in accordance with its articles of association to the Member State in which its head office is located, by means of the procedure laid down in Art. 8 of the SE Regulation (Art. 64 of the SE Regulation). If an SE having its registered office (in accordance with its articles of association) in Germany fails to comply with such obligation within the period specified by the competent commercial register court, such commercial register court will have to establish that there is a defect in that SE's articles of association (section 52 of the German SE Implementation Act). Pursuant to Art. 63 of the SE Regulation in conjunction with section 262(1) no. 5 of the German Stock Corporation Act this will result in the winding up of that SE.

Aside from these special rules applicable to an SE, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes in this connection.

#### **4.11 Affiliated companies/group law**

According to the view held by the vast majority of legal scholars, the group law applicable to a stock corporation also applies to an SE with registered office in Germany. This particularly holds true for a controlled SE. As a result, if a domination and/or profit and loss transfer agreement is entered into, each minority shareholder will have the right to appropriate compensation and consideration to which a shareholder of a stock corporation is entitled by law. The same will apply in the event of a squeeze out against the payment of an appropriate cash consideration (sections 327a et seq. of the German Stock Corporation Act).

Thus, in this regard, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

#### **4.12 Provisions relating to penalties and fines**

In conclusion, as regards an SE with registered office in Germany, the same provisions relating to penalties and fines that apply to a stock corporation (sections 399 et seq. of the German Stock Corporation Act) also apply to such SE. This is provided for in section 53 of the German SE Implementation Act.

Consequently, in this regard, as well, the conversion of NORMA Group AG into NORMA Group SE will not give rise to any changes.

#### **4.13 German Corporate Governance Codex**

The management board and the supervisory board of NORMA Group AG are obliged pursuant to section 161 of the German Stock Corporation Act to issue a compliance statement in respect of the German Corporate Governance Codex. After the conversion, this obligation will also apply to the management board and the supervisory board of NORMA Group SE.

### **5 Implementation of NORMA Group AG's conversion into NORMA Group SE**

The following chapter sets out the essential aspects regarding the implementation of NORMA Group AG's conversion into NORMA Group SE. The conversion requires that NORMA Group AG's general meeting approves the Articles of Association of NORMA Group SE as well as the conversion on the basis of the Terms of Conversion dated 4 April 2013 prepared by NORMA Group AG's management board. In addition, the procedure that has already been commenced to establish rules on employee involvement in NORMA Group SE must be conducted and completed. The conversion will become effective upon its registration in the commercial register of NORMA Group AG.

#### **5.1 Drawing up the Terms of Conversion**

The management board of NORMA Group AG was at first obliged to draw up Terms of Conversion in accordance with Art. 37(4) of the SE Regulation.

Contents and form of such Terms of Conversion are neither specified in the SE Regulation nor in the German SE Implementation Act; the explanations regarding the legal and economic aspects of the conversion required under Art. 37(4) of the SE Regulation refer to the Conversion Report, not to the Terms of Conversion.

When drawing up the Terms of Conversion, the management board of NORMA Group AG initially followed the requirements of Art. 20(1) sentence 2 of the SE Regulation which specify the minimum contents of the terms of merger for cases of a formation of an SE by merger. So the Terms of Conversion contain the information listed therein, to the extent they are not merger-specific and are also appropriate for conversion purposes. In addition, the management board used the information required by section 194(1) of the German Conversion Act for a conversion resolution (resolution on the change of legal form) under the German Conversion Act as a guideline for the contents of the Terms of Conversion.

In line with Art. 20(1) sentence 2 of the SE Regulation and section 194(1) of the German Conversion Act, the Terms of Conversion of NORMA Group AG's management board dated 4 April 2013 therefore include, among other things, information on the legal form, name and registered office of the Company, the ownership structure, shares and share capital of the Company, NORMA Group SE's Articles of Association, holders of shares to which special rights are attached and holders of other securities, special advantages and the procedure establishing rules on employee involvement in NORMA Group SE as well as any other effects of the conversion on the employees. Further details on the provisions of the Terms of Conversions can be taken from no. 6.1 of this Conversion Report.

In its meeting held on 8 March 2013, the management board of NORMA Group AG resolved to adopt the final version of the Terms of Conversion (including NORMA Group SE's Articles of Association annexed thereto). In its meeting held on 26 March 2013, the supervisory board resolved to submit the Terms of Conversion in the version adopted by the management board and the NORMA Group SE's Articles of Association annexed thereto to

NORMA Group AG's general meeting of 22 May 2013 for approval. On 4 April 2013, the Terms of Conversion including the NORMA Group SE's Articles of Association annexed thereto were notarised in the version adopted by the management board and the supervisory board (deed no. 175/2013 of the notary Dr Hans Ulrich Kleim with official seat in Hanau).

As from the date the 2013 General Meeting of NORMA Group AG is convened, the Terms of Conversion and NORMA Group SE's Articles of Association annexed thereto, together with this Conversion Report and the Certificate on Net Assets of the judicially appointed expert (for details on the latter, see no. 5.2 of this Conversion Report), will be available for download on the Company's internet page ([www.normagroup.com](http://www.normagroup.com)) by clicking the "Investor Relations" link and then the "AGM" link.

## 5.2 Issuance of the Certificate on Net Assets

Art. 37 (6) of the SE Regulation provides that before the general meeting that will pass a resolution on the conversion one or more judicially appointed independent experts shall certify *mutatis mutandis* that the company subject to the conversion has net assets at least equivalent to its share capital plus those reserves which must not be distributed under the law or the Articles of Association.

Upon application of NORMA Group AG, the Regional Court (*Landgericht*) of Frankfurt am Main appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Mr G. Zeidler, The Square, Am Flughafen, 60549 Frankfurt am Main, as its expert (hereinafter referred to as the "Expert") by order dated 19 February 2013 (case no.: 3-05 O 50/13). The Expert issued the certificate according to Art. 37(6) of the SE Regulation ("Certificate on Net Assets") on 3 April 2013. The Expert's Certificate on Net Assets concludes as follows:

*"In line with the conclusive results of our due review according to Article 37 (6) SE Regulation we hereby confirm on the basis of the deeds, books, documents and the information and evidence given to us that NORMA Group AG has net assets at least equivalent to its share capital plus those reserves which must not be distributed under the law or the Articles of Association".*

The prevailing view held in legal literature suggests that it is not required to prepare a formation report under stock corporation law (Art. 15(1) of the SE Regulation in conjunction with section 32 of the German Stock Corporation Act) or to perform formation audits in line with stock corporation law and prepare reports on these formation audits (Art. 15(1) of the SE Regulation in conjunction with sections 33 et seq. of the German Stock Corporation Act) in addition to the Certificate on Net Assets. Art. 37(6) of the SE Regulation is conclusive in this respect. In view of the Certificate on Net Assets issued by the independent Expert in accordance with Art. 37(6) of the SE Regulation, the management board of NORMA Group AG considers a formation report, a formation audit and a report on the formation audit to be unnecessary in the present case.

## 5.3 Publication and submission of the Terms of Conversion to the competent works council

According to Art. 37(5) of the SE Regulation, the Terms of Conversion shall be publicised at least one month before the general meeting called upon to decide on the approval of the Terms of Conversion and NORMA Group SE's Articles of Association.

The Terms of Conversion shall be submitted to the competent works council at least one month before the general meeting called upon to decide on the conversion in line with section 194(2) of the German Conversion Act.

The management board of NORMA Group AG will, in due time, file the Terms of Conversion with the commercial register of the Local Court of Hanau for publication purposes and submit the Terms of Conversion to the competent works council.

#### **5.4 General meeting of NORMA Group AG**

According to Art. 37 (7) of the SE Regulation, both the Terms of Conversion and NORMA Group SE's Articles of Association require the approval of the general meeting of NORMA Group AG. The resolution requires a simple majority of all votes cast as well as a majority of at least three quarters of the share capital represented in the voting (Art. 37(7) sentence 2 of the SE Regulation in conjunction with section 65 of the German Conversion Act and section 133(1) German Stock Corporation Act).

In line with the Terms of Conversion, NORMA Group SE's first auditor, Pricewaterhouse-Coopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, shall be appointed as well after conversion has become effective. The members of NORMA Group SE's first supervisory board shall also be appointed after the entry into effect of the conversion according to NORMA Group SE's Articles of Association.

#### **5.5 Conducting the negotiation procedure establishing rules on employee involvement in NORMA Group SE**

The national laws regarding the participation of employees at supervisory board level are not applicable to an SE (cf. section 47(1) no. 1 of the German SE Employee Involvement Act). The provisions of the German European Works Councils Act do principally not apply to an SE either (cf. section 47(1) no. 2 of the German SE Employee Involvement Act). To safeguard the rights acquired by NORMA Group's employees with respect to their involvement in decisions of the Company, a negotiation procedure establishing rules on employee involvement in NORMA Group SE shall be conducted in connection with NORMA Group AG's conversion into NORMA Group SE. The completion of such a procedure establishing rules on employee involvement in the SE is required for the registration of the conversion and NORMA Group SE, respectively, in the commercial register (cf. Art. 12(2) of the SE Regulation).

The negotiating parties will be the management board of NORMA Group AG and the SNB which is composed of employee representatives of the different Member States where NORMA Group employs employees.

The negotiation procedure aims at concluding an agreement on arrangements for the involvement of employees in the SE, in particular for a potential participation of employees in the supervisory board and the procedure for information and consultation of employees (the latter either by establishing an SE works council or otherwise as specified in the relevant agreement). In this context, it has to be ensured – as the SE is formed by way of a conversion – that all aspects of employee involvement at least level with those existing in NORMA Group AG (section 21(6) of the German SE Employee Involvement Act).

If no agreement can be reached, the standard rules on employee involvement shall apply (sections 22 et seq. of the German SE Employee Involvement Act). These provisions provide for the establishment of an SE works council in the context of the information and consultation of employees. The establishment and the legal relations of the SE works

council are regulated in detail in sections 22 to 33 of the German SE Employee Involvement Act.

The details of the procedure establishing rules on employee involvement are specified in section 11 of the Terms of Conversions and are explained in no. 6.1.11 of this Conversion Report as well.

## **5.6 Constituent meeting of the first supervisory board and appointment of the first management board of NORMA Group SE**

As soon as the conversion enters into effect, the terms of office of the current members of NORMA Group AG's management board and supervisory board will expire. The members of NORMA Group SE's management board shall be appointed by its supervisory board (cf. Art. 39(2) sentence 1 of the SE Regulation) already before the conversion becomes effective.

According to NORMA Group SE's Articles of Association, the supervisory board of NORMA Group SE will be composed of six members (section 11(1) of NORMA Group SE's Articles of Association). The six members sitting on the first supervisory board of NORMA Group SE after the conversion's entry into effect will be appointed by NORMA Group SE's Articles of Association (section 11(3) of NORMA Group SE's Articles of Association in conjunction with Art. 40(2) sentence 2 of the SE Regulation).

Prior to any filings regarding the registration of the conversion in the commercial register, the constituent meeting of NORMA Group SE's first supervisory board will be held by the members appointed in connection with the approval of NORMA Group SE's Articles of Association, who will elect the chairman of the supervisory board and appoint the members of NORMA Group SE's first management board. The filings regarding the registration of the management board members in the commercial register shall be made together with the filings regarding the conversion (Art. 15(1) of the SE Regulation in conjunction with section 246(2) of the German Conversion Act). Notwithstanding the supervisory board's responsibilities under Art. 39(2) sentence 1 of the SE Regulation, it is intended to appoint the current members of NORMA Group AG's management board as members of the first management board of NORMA Group SE. These are Mr Werner Deggim, Dr Othmar Belker, Mr Bernd Kleinhens and Mr John Stephenson.

## **5.7 Registration and entry into effect of the conversion**

The conversion of NORMA Group AG into NORMA Group SE will become effective upon its registration in the commercial register of the Local Court of Hanau.

Together with the filings regarding the registration of the conversion in the commercial register – which will be submitted by NORMA Group AG's management board in accordance with Art. 15(1) of the SE Regulation and section 246(1) of the German Conversion Act – NORMA Group AG's management board shall submit a declaration stating that a no lawsuit has been filed against the effectiveness of the conversion resolution or that such a lawsuit has not been filed within the specified time or has been dismissed or withdrawn with legally binding effect ("negative declaration" (*Negativklärung*), cf. Art. 15(1) of the SE Regulation in conjunction with sections 198(3), 16(2) of the German Conversion Act). If this declaration is not given the conversion must not be registered in the commercial register ("ban on registration" (*Registersperre*)).

Lawsuits against the effectiveness of the conversion resolution may be filed by the shareholders of NORMA Group AG within one month after the general meeting has passed the

resolution. Should any such lawsuit be filed, it will principally prevent the registration of the conversion in the commercial register. In this case, however, NORMA Group AG may apply for a court order (order of approval (*Freigabebeschluss*)) by way of approval proceedings (*Freigabeverfahren*) which establishes that the lawsuit filed is not an obstacle to the conversion's registration in the commercial register (Art. 15(1) of the SE Regulation in conjunction with sections 198(3), 16(3) of the German Conversion Act). An order of approval shall be issued if the lawsuit filed is inadmissible or obviously unfounded or the claimant failed to provide written proof within one week after the application has been served that he has held a pro-rate share of no less than €1,000.00 in NORMA Group AG's share capital since the convocation of the general meeting or, if the early entry into effect of the conversion seems to have priority, because the substantial disadvantages for NORMA Group AG and its shareholders specified by the applicant outweigh the opponent's disadvantages at the court's absolute discretion, unless the violation of law is particularly serious (see section 16(3) sentence 3 of the German Conversion Act). Upon such court order of approval becoming legally binding, the ban on registration will be lifted and as a consequence, the lawsuit will no longer be an obstacle to the conversion's being registered in the commercial register.

In addition, the conversion may only be registered in the commercial register once the procedure establishing rules on employee involvement in the SE has been completed (Art. 12(2) of the SE Regulation). This is the case for an SE formed by conversion of a stock corporation if either an agreement on arrangements for the involvement of employees in the SE has been concluded or the period for negotiations has expired without an agreement having been concluded. The period for negotiations shall commence on the day the management board has set forth for the constituent meeting of the SNB in its invitation for such constituent meeting and shall not exceed six months, unless the management board and the SNB decide by common consent to extend the period to a total of one year (section 20 of the German SE Employee Involvement Act). In the present case, the management board of NORMA Group AG invited the members of the SNB to a first meeting on 26/27 February 2013; the constituent meeting of the SNB was scheduled for 26 February 2013 and was also held on that day. Hence, the period for negotiations will expire on 26 August 2013, unless an extension is agreed by common consent.

Another requirement for the registration is that NORMA Group SE's Articles of Association do not conflict at any time with an agreement on arrangements for the involvement of employees which has been so negotiated (Art. 12(4) of the SE Regulation). Where such an agreement conflicts with the Articles of Association, the latter must be amended by way of a resolution passed by NORMA Group AG's general meeting.

If all registration requirements have been met the conversion must be registered in the commercial register of the place where NORMA Group AG's registered office is situated, i.e. in the commercial register of the Local Court of Hanau. The SE shall acquire legal personality on the date of its registration in the commercial register (cf. Art. 16(1) of the SE Regulation). In this context, however, the principle of preserving the legal entity's identity applies, which means that NORMA Group AG will not cease to exist as a company, but will only change its legal form (cf. Art. 37(2) of the SE Regulation).

## **6 Explanation of the Terms of Conversion and NORMA Group SE's Articles of Association, as well as the effects on its shareholders and employees**

### **6.1 Explanation of the Terms of Conversion**

#### **6.1.1 Conversion of NORMA Group AG into NORMA Group SE (no. 1 of the Terms of Conversion)**

The provisions of no. 1 of the Terms of Conversion stipulate that NORMA Group AG shall be converted pursuant to Art. 2(4) in conjunction with Art. 37 of the SE Regulation into a European Company (*Societas Europaea* – SE).

NORMA Group AG is a stock corporation governed by German law, with its registered office in accordance with its Articles of Association and head office in Maintal, Germany. It holds indirect interests, each of which has been held for more than two years, in numerous companies which are each subject to the laws of another Member State. These include, amongst others, the following:

- DNL France S.A.S., with its registered office in Briey, France, registered with the commercial register of Briey under no. 489172122 (2006B135);
- DNL UK Ltd., with its registered office in Newbury, UK, registered with the commercial register of Newbury under no. 05671205;
- DNL Sweden AB, with its registered office in Stockholm, Sweden, registered with the commercial register of Stockholm under no. 556710-7023.

NORMA Group AG holds indirectly, through other subsidiaries, 100% of the shares in each of the above companies. Thus, NORMA Group AG satisfies the requirements for a conversion into an SE pursuant to Art. 2(4) of the SE Regulation.

The conversion will not result in the winding-up of the Company or the creation of a new legal entity. Owing to the unchanged identity of the Company, the interests of the shareholders in the Company will continue to exist unchanged after the conversion has become effective.

#### **6.1.2 Effective date of the conversion (no. 2 of the Terms of Conversion)**

The conversion shall become effective upon being registered with the commercial register of the Company.

Such registration may not be made until the procedure for establishing rules on employee involvement has been completed. In the case at hand, the procedure for establishing rules on employee involvement was initiated by the constituent meeting of the SNB held on 26 February 2013. The negotiations may last for up to six months or, if this negotiation period is extended by mutual agreement, even up to one year (as regards the rules on employee involvement, see no. 11 of the Terms of Conversion and the explanations set out in no. 6.1.11 of this Conversion Report).

#### **6.1.3 Legal form, name and registered office of NORMA Group AG and NORMA Group SE (no. 3 of the Terms of Conversion)**

Provisions relating to the Company's legal form, name and registered office both prior to and after the conversion are contained in no. 3 of the Terms of Conversion.

Following the conversion, the Company will have the legal form of a European Company (SE – *Societas Europaea*) instead of the present legal form of a German stock corporation.

Upon the conversion becoming effective, the Company's name will be "NORMA Group SE" instead of "NORMA Group AG". Such change of name will be required as a result of the conversion because the name of an SE shall be preceded or followed by the abbreviation "SE" (Art. 11(1) of the SE Regulation).

Following the conversion, both the Company's registered office in accordance with its Articles of Association and its head office shall continue to be in Maintal, Germany, unchanged.

**6.1.4 Ownership structure, shares and share capital of NORMA Group SE (no. 4 of the Terms of Conversion)**

Provisions relating to the Company's ownership structure, shares and share capital are contained in no. 4 of the Terms of Conversion.

The provisions of no. 4.1 of the Terms of Conversion stipulate that the shareholders' interests in the Company shall continue to exist unchanged after the conversion. Accordingly, upon the conversion becoming effective, any shareholders who, at the point in time the conversion becomes effective, are shareholders of NORMA Group AG shall become shareholders of NORMA Group SE. They shall have the same shares in the share capital of NORMA Group SE – in terms of amount and in the same class and number of shares – as they have in the share capital of NORMA Group AG immediately before the conversion becomes effective. All shares in NORMA Group SE – just like those in NORMA Group AG – shall be ordinary registered shares. The notional proportionate amount in the share capital represented by each no par value share shall remain unchanged as it is immediately before the conversion becomes effective.

Provisions relating to the Company's share capital are contained in no. 4.2 of the Terms of Conversion. Due to the conversion being one that maintains the identity, NORMA Group AG's share capital in the amount it has at the point in time the conversion becomes effective shall become the share capital of NORMA Group SE; the same shall apply to the notional proportionate amount in the share capital represented by each no par value share. The share capital of NORMA Group AG currently (as at: 4 April 2013) amounts to €31,862,400.00 and is divided into 31,862,400 no par value shares each representing a proportionate amount in the share capital of €1.00. The amount of NORMA Group AG's share capital may change during the period from the date on which this Conversion Report is signed to the date on which the conversion is registered with the commercial register, for example as a consequence of increases in the share capital carried out in the meantime. In such case, there would be a corresponding increase in the amount of NORMA Group SE's share capital.

Finally, provisions relating to the Company's share certificates are contained in no. 4.3 of the Terms of Conversion. As a result of the conversion of NORMA Group AG into NORMA Group SE, the contents of the global securities representing the Company's shares will become incorrect, since such global securities are made out in the name of NORMA Group AG. Therefore, upon the conversion becoming effec-



tive, these global securities shall be replaced by global securities made out in the name of NORMA Group SE.

**6.1.5 NORMA Group SE's Articles of Association and types of capital (no. 5 of the Terms of Conversion)**

The provisions of no. 5.1 of the Terms of Conversion stipulate that NORMA Group SE shall be given the Articles of Association attached to the Terms of Conversion as Annex 1, which are an integral part of the Terms of Conversion. For further explanations with regard to individual provisions of the Articles of Association, see no. 6.2 of this Conversion Report.

It is clarified by the provisions of no. 5.2 of the Terms of Conversion that, upon the conversion becoming effective, each of the types of capital of NORMA Group AG (share capital, as well as authorised capital and conditional capital) in its full amount and with all the specifications existing at the point in time the conversion becomes effective shall be the capital of NORMA Group SE.

First of all, it is stated in no. 5.2.1 of the Terms of Conversion that, upon the conversion becoming effective, the share capital of NORMA Group AG – in the amount and with the division into shares existing at the point in time the conversion becomes effective – shall be the share capital of NORMA Group SE in the same amount and with the same division into shares. The share capital of NORMA Group AG is stated in section 4(1) of its Articles of Association and amounts currently (as at: 4 April 2013) to €31,862,400.00. It is divided into 31,862,400 no par value registered shares. Accordingly, the share capital of NORMA Group SE is stated in section 4 of NORMA Group SE's Articles of Association, which are attached as an Annex to the Terms of Conversion, to amount to €31,862,400.00, divided into 31,862,400 no par value registered shares. These amounts may change during the period from the date on which this Conversion Report is signed to the date on which the conversion is registered with the commercial register, for example as a consequence of increases in the share capital carried out in the meantime. In such case, the share capital of NORMA Group AG actually existing at the time when the conversion is registered with the commercial register shall become the share capital of NORMA Group SE – regardless of the amounts stated in the version of NORMA Group SE's Articles of Association attached as an Annex to the Terms of Conversion. In order to enable any resulting adjustments to the share capital amount stated in NORMA Group SE's Articles of Association, the supervisory board of NORMA Group SE shall be authorised to correct such share capital amount stated prior to the conversion being registered with the commercial register in order to account for such change.

It is clarified by the provisions of no. 5.2.2 of the Terms of Conversion that, upon the conversion becoming effective, any authorised capital of NORMA Group AG in the amount and with the specifications existing at the point in time the conversion becomes effective shall be authorised capital of NORMA Group SE in the same amount and with the same specifications.

NORMA Group AG has currently (as at: 4 April 2013) authorised capital as stated in section 5 of NORMA Group AG's Articles of Association (Authorised Capital 2011/II). Accordingly, authorised capital in a corresponding amount is stated in section 5 of NORMA Group SE's Articles of Association, which are attached to the

Terms of Conversion as Annex 1. To the extent that the actual amount or any other specifications of NORMA Group AG's Authorised Capital 2011/II change prior to the conversion into NORMA Group SE becoming effective, upon the conversion becoming effective, such Authorised Capital 2011/II in the amount and with the specifications existing at the point in time the conversion becomes effective shall be the Authorised Capital of NORMA Group SE in the same amount and with the same specifications.

It is clarified by the provisions of no. 5.2.3 of the Terms of Conversion that, upon the conversion becoming effective, any conditional capital of NORMA Group AG in the amount and with the specifications existing at the point in time the conversion becomes effective shall be conditional capital of NORMA Group SE in the same amount and with the same specifications. NORMA Group AG has currently (as at: 4 April 2013) conditional capital as stated in section 6 of NORMA Group AG's Articles of Association (Conditional Capital 2011). Accordingly, conditional capital in a corresponding amount is stated in section 6 of NORMA Group SE's Articles of Association, which are attached as an Annex to the Terms of Conversion. To the extent that the actual amount or any other specifications of NORMA Group AG's Conditional Capital 2011 change prior to the conversion into NORMA Group SE becoming effective, upon the conversion becoming effective, such Conditional Capital 2011 in the amount and with the specifications existing at the point in time the conversion becomes effective shall be the Conditional Capital of NORMA Group SE in the same amount and with the same specifications.

**6.1.6 No cash buyout offer (no. 6 of the Terms of Conversion)**

Shareholders who object to the conversion shall not be offered payment of cash compensation, as such an offer for cash buyout is not stipulated by law in connection with the conversion of a stock corporation into an SE. This is clarified in no. 6 of the Terms of Conversion.

**6.1.7 Special right holders and holders of other securities (no. 7 of the Terms of Conversion)**

In accordance with the provisions governing the terms of merger drawn up when an SE is formed by means of a merger (cf. Art. 20(1) sentence 2 letter f) of the SE Regulation), information regarding the rights granted to the shareholders of NORMA Group AG who are holders of special rights and to holders of securities other than shares or, as the case may be, any action proposed with regard to such persons, is contained in no. 7 of the Terms of Conversion. Since NORMA Group AG has neither granted any special rights nor issued any securities other than ordinary shares, neither the granting of rights nor any corresponding action is being contemplated in relation to special right holders or holders of other securities.

**6.1.8 Management board (no. 8 of the Terms of Conversion)**

Information regarding the management board of NORMA Group SE is contained in no. 8 of the Terms of Conversion. First of all, it is clarified that the terms of office of all members of NORMA Group AG's management board shall end upon the conversion being registered with the commercial register of the Company.

By way of precaution, in no. 8.2 of the Terms of Conversion it is pointed out in this connection that, without prejudice to the decision-making competence of NORMA

Group SE's supervisory board under corporate law, in accordance with Art. 39(2) sentence 1 of the SE Regulation, the currently acting members of NORMA Group AG's management board are expected to be appointed as members of NORMA Group SE's management board following the conversion. These members are Werner Deggim, Dr Othmar Belker, Bernd Kleinhens and John Stephenson.

#### **6.1.9 Supervisory board (no. 9 of the Terms of Conversion)**

Information regarding the supervisory board of NORMA Group SE is contained in no. 9 of the Terms of Conversion. First of all, it is clarified in no. 9.1 of the Terms of Conversion that the terms of office of the members of NORMA Group AG's supervisory board shall end upon the conversion becoming effective.

The provisions of no. 9.2 of the Terms of Conversion establish that NORMA Group SE – just like NORMA Group AG – shall have a supervisory board consisting of six members pursuant to section 11(1) of NORMA Group SE's Articles of Association. In order to make it clear that, for the purpose of appointing the first supervisory board, the option provided for in Art. 40(2) sentence 2 of the SE Regulation shall be used, it is stated that the first supervisory board of NORMA Group SE after the conversion has become effective shall not be appointed by the general meeting, but by NORMA Group SE's Articles of Association.

The persons who shall be appointed pursuant to section 11(3) of NORMA Group SE's Articles of Association as members of the first supervisory board of NORMA Group SE after the conversion has become effective are listed in no. 9.3 of the Terms of Conversion (in this regard, also see the explanations relating to section 11 of NORMA Group SE's Articles of Association contained in no. 6.2.11 of this Conversion Report). Pursuant to no. 9.3 of the Terms of Conversion (also see section 11(3) of NORMA Group SE's Articles of Association) these persons are as follows:

- Dr Stefan Wolf, Leinfeld-Echterdingen, chairman of the management board (Chief Executive Officer (CEO)) of Elring-Klinger AG;
- Lars M. Berg, Valldemossa (Spain), independent consultant, member of the supervisory boards of four other companies active in telecommunication, media and finance business, former member of the management board of Mannesmann AG responsible for the telecommunication department (until 2000);
- Günter Hauptmann, PhD, Bad Endorf, independent consultant, former member of the management board of Siemens VDO AG (until 2006);
- Knut J. Michelberger, member of the management board of Dematic Group responsible for the finance department (Chief Financial Officer (CFO)) and independent consultant;
- Dr Christoph Schug, Mönchengladbach, entrepreneur and member of the supervisory boards of Tom Tailor AG and Baden-Baden-Cosmetics Group AG as well as of the administrative board of AMEOS Gruppe AG (Zurich, Switzerland), formerly active for many years as board member responsible for the finance department (Chief Financial Officer (CFO)) and chairman of the board (Chief Executive Officer (CEO)), most recently member of the management board of HT Troplast AG responsible for the finance depart-

ment as well as managing director of profine GmbH (until 2008) and spokesman of the management board of Ad Capital AG (until 2002);

- Erika Schulte, Hanau, managing director of Hanau Wirtschaftsförderung GmbH, of Brüder-Grimm-Berufsakademie Hanau GmbH and of Technologie- und Gründerzentrum Hanau GmbH.

Furthermore, it is pointed out that the acting chairman of NORMA Group AG's supervisory board, Dr Stefan Wolf, is expected to be elected as chairman of NORMA Group SE's supervisory board, as well. In this connection, it should be noted, however, that the responsibility for electing the chairman of NORMA Group SE's supervisory board rests solely with the supervisory board; accordingly, no legally binding requirements may or shall be imposed on such election by the Terms of Conversion.

#### **6.1.10 Special benefits (no. 10 of the Terms of Conversion)**

A provision relating to special benefits has been included in no. 10 of the Terms of Conversion in accordance with the requirements regarding the terms of merger in cases where an SE is formed by means of a merger (Art. 20(1) letter g) of the SE Regulation).

A special benefit as defined therein is any advantage granted to an expert who issues a certificate pursuant to Art. 37(6) of the SE Regulation or to members of the administrative, management, supervisory or controlling organs of the converting company – i.e. here: the management board or supervisory board of NORMA Group AG – in connection with the conversion.

By way of precaution, no. 10 of the Terms of Conversion points out in this connection that, without prejudice to the decision-making competence of NORMA Group SE's supervisory board under corporate law, the currently acting members of NORMA Group AG's management board are expected to be appointed as members of NORMA Group SE's management board (in this regard, also see the explanations relating to no. 8 of the Terms of Conversion contained in no. 6.1.8 of this Conversion Report).

Likewise for reasons of legal precaution, no. 10 of the Terms of Conversion points out that, in addition, pursuant to Art. 40(2) sentence 2 of the SE Regulation the current members of NORMA Group AG's supervisory board shall be appointed as members of NORMA Group SE's first supervisory board by section 11(3) of NORMA Group SE's Articles of Association.

#### **6.1.11 Information regarding the procedure for establishing rules on employee involvement in NORMA Group SE (no. 11 of the Terms of Conversion)**

Information regarding the procedure for establishing rules on employee involvement in NORMA Group SE is contained in no. 11 of the Terms of Conversion.

The involvement of employees in an SE is primarily regulated by an agreement in place between its management and its employees, who are represented by the SNB elected by them or their representatives. In the event that no agreement is reached, the involvement of employees in an SE with registered office in Germany will be governed by the statutory standard rules of the German SE Employee Involvement Act.

**(i) Bases for the rules on employee involvement in NORMA Group SE**

First of all, the basic aspects of the procedure for establishing rules on employee involvement and the related key terms are explained in no. 11.1 of the Terms of Conversion.

**(ii) Provision of information to the employees' representatives and request to establish an SNB (no. 11.2 of the Terms of Conversion)**

In no. 11.2 of the Terms of Conversion it is explained how the procedure for establishing rules on employee involvement under the German SE Employee Involvement Act is initiated. What is required for this purpose is the provision of information to employees and the relevant employees' representatives as stipulated by law, which must be accompanied by a request to establish an SNB. The information to be provided in accordance with the provisions governing such procedure are listed in no. 11.2 of the Terms of Conversion.

In cases where an SE is formed by way of conversion, such procedure is initiated pursuant to section 4 of the German SE Employee Involvement Act as a result of the management of the converting company – here: NORMA Group AG's management board – informing the competent employees' representatives and speakers' committees of the converting company, its subsidiaries and establishments located in the Member States of the planned conversion and simultaneously requesting them in writing to establish an SNB. In the absence of any employees' representatives, such information and such request shall be submitted to the employees pursuant to section 4(2) sentence 2 of the German SE Employee Involvement Act.

Pursuant to section 4 of the German SE Employee Involvement Act, the information to be provided to the employees' representatives or employees shall include in particular (i) the identity and structure of the company involved in the conversion – here: NORMA Group AG – as well as the identity and structure of the subsidiaries and establishments concerned by the conversion and in what Member States such subsidiaries and establishments are situated, (ii) the employees' representatives existing in such subsidiaries and establishments, (iii) the number of the employees employed in each of these companies and establishments at the point in time the information is provided as well as the total number of employees employed in each of the Member States, as calculated based on the aforementioned number, and (iv) the number of employees who are entitled to rights of participation in the bodies of such companies at the point in time the information is provided.

The management board of NORMA Group AG has already informed the employees' representatives or employees of NORMA Group both in Germany and in the other Member States in which NORMA Group employed employees at the time of providing information (i.e. France, UK, Italy, Poland, Sweden, Spain and the Czech Republic) of the envisaged conversion of NORMA Group AG into the legal form of an SE by way of letters dated 3 and 4 December 2012 and requested them to establish an SNB.

Following the acquisition of the Dutch subsidiary Groen Bevestigingsmaterialen BV, the management board of NORMA Group AG, by way of its letter dated 21 January 2013, informed the employees' representatives/employees including the employees of the Dutch subsidiary thereof and of the envisaged conversion into the legal form of an SE and requested the employees of NORMA Group employed in the Netherlands to elect or appoint one SNB member.

**(iii) Establishment and composition of the SNB (no. 11.3 of the Terms of Conversion)**

Based on the statutory provisions of the German SE Employee Involvement Act applicable to the case at hand, it is explained in no. 11.3 of the Terms of Conversion how the SNB is established and composed.

Section 5(1) of the German SE Employee Involvement Act is applicable to the establishment and composition of the SNB. According to its provisions, members of the SNB are elected or appointed for each Member State to represent the employees of the company involved in the conversion and its subsidiaries and establishments concerned by the conversion. One person from a Member State is to be elected or appointed as a member of the SNB per portion of employees employed in that Member State that equals 10%, or a fraction thereof, of the number of employees employed by the companies involved and their subsidiaries and establishments in all the Member States taken together.

At the point in time of the information of the employees' representatives and employees dated 3 and 4 December 2012 (see no. 6.1.11(ii) of this Conversion Report), 2576 employees were employed in Member States (including Germany) in companies of NORMA Group. Based on these employee figures, the allocation of seats in the SNB is as follows:

| Member State   | Number of employees | Per cent    | Number of SNB members |
|----------------|---------------------|-------------|-----------------------|
| Germany        | 988                 | 38.35       | 4                     |
| France         | 248                 | 9.63        | 1                     |
| UK             | 163                 | 6.33        | 1                     |
| Italy          | 62                  | 2.41        | 1                     |
| Poland         | 568                 | 22.05       | 3                     |
| Sweden         | 112                 | 4.35        | 1                     |
| Spain          | 30                  | 1.16        | 1                     |
| Czech Republic | 405                 | 15.72       | 2                     |
| <b>Total</b>   | <b>2576</b>         | <b>100%</b> | <b>14</b>             |

Following the acquisition of the Dutch subsidiary Groen Bevestigingsmaterialen BV, which employs less than ten employees in the Netherlands, an-

other seat for the Netherlands has been added in addition to the aforementioned 14 seats. Apart from that, the acquisition of the Dutch subsidiary does not have any further impact on the allocation of seats in the SNB. The SNB thus consists of 15 members including the member for the Netherlands.

As explained in no. 11.3 of the Terms of Conversion, the SNB shall be newly composed if, during the duration of the SNB's work, changes in the structure or the number of the employees of NORMA Group employed in Member States occur that would change the specific composition of the SNB.

**(iv) Negotiation procedure and rules on employee involvement in NORMA Group SE and costs of such procedure (no. 11.4 of the Terms of Conversion)**

The provisions of no. 11.4 of the Terms of Conversion refer to the negotiation procedure in place between NORMA Group AG's management board and the SNB, amongst other things.

If all members of the SNB have been determined or ten weeks have passed since the information of the employees and the request to establish an SNB and not all members have been determined due to a fault on the employees' part, the management shall give notice of the constituent meeting of the SNB. In the present case, the management gave notice of a first meeting of the SNB scheduled for 26/27 February 2013, with the constituent meeting of the SNB scheduled for 26 February 2013; it was actually held on that date. The negotiation period will thus end on 26 August 2013, subject to the period being extended as agreed. Subsequent to the constituent meeting of the SNB, negotiations were initiated by the SNB and NORMA Group AG's management board with regard to arrangements for the involvement of employees in NORMA Group SE.

The aim of the negotiations is to conclude an agreement to the effect defined in section 21 of the German SE Employee Involvement Act. Such agreement may not reduce any of the employees' existing rights of participation (section 21(6) of the German SE Employee Involvement Act).

**(v) Content of an agreement on arrangements for the involvement of employees as stipulated by law**

As explained in further detail in no. 11.4.1 of the Terms of Conversion, such agreement pursuant to section 21 of the German SE Employee Involvement Act shall include arrangements for the following points in particular:

- scope of the agreement (including the companies and establishments situated outside the territories of the Member States, if they are to be included in the scope of the agreement);
- if an SE works council is to be established:
  - the composition, number of members and allocation of seats on the SE works council, including the consequences of ma-

- terial changes in the number of employees employed in the SE;
- the functions and the procedures for the information and consultation of the SE works council;
- the frequency of meetings of the SE works council;
- the financial and material resources to be allocated to the SE works council;
- if an SE works council is not to be established: arrangements for implementing the procedure or procedures for the information and consultation of the employees;
- if arrangements for employee participation are established:
  - the number of members in the SE’s supervisory organ which the employees will be entitled to elect, appoint, recommend or oppose;
  - the procedures as to how these members may be elected, appointed, recommended or opposed by the employees;
  - the rights of such members;
- the date of entry into force of the agreement and its duration; cases where the agreement should be renegotiated and the procedure for its renegotiation;
- Apart from the foregoing, the agreement may contain additional provisions.

**(vi) Description of the statutory standard rules**

A description of the statutory standard rules on employee involvement that shall apply if no agreement is entered into within the applicable negotiation period is contained in no. 11.4.2 of the Terms of Conversion.

In the management board’s opinion, NORMA Group AG is currently not subject to any employee participation at board level. Therefore, it is clarified in the Terms of Conversion that the employees shall not obtain any rights to elect or appoint members of the supervisory board of NORMA Group SE or to recommend or oppose their appointment following the conversion of NORMA Group AG into a European Company (SE); this means that no changes will result in this respect compared to the appointment of members of NORMA Group AG’s supervisory board.

As described in further detail in no. 11.4.2 of the Terms of Conversion, the statutory standard rules set forth in sections 22 et seqq. of the German SE Employee Involvement Act stipulate that an SE works council shall be established. Pursuant to these provisions, the SE works council’s responsibility would be to ensure the information and consultation of the employees in NORMA Group SE. It would be responsible for all questions that concern the SE itself or any of its subsidiaries or establishments situated in another Member State, or which exceed the powers of the competent bodies in a



single Member State. The SE works council would have to be informed and consulted once a year on the progress of the business of the SE and its prospects. In addition, it would have to be informed and consulted on exceptional circumstances. The SE works council, in turn, would have to inform the representatives of the employees or – where there are no employees' representatives – the employees of the SE and its subsidiaries and establishments of the content and outcome of the information and consultation procedures. The costs incurred in connection with the establishment and work of the SE works council would have to be borne by the SE.

Furthermore, the composition of the SE works council is detailed in no. 11.4.2 of the Terms of Conversion. The rules on the composition of the SE works council and the appointment of its members would be generally in accordance with the rules on the appointment of the SNB members, i.e. it would have to consist of representatives of the employees from the Member States in which NORMA Group employs employees, with the allocation of seats to be determined based on the number of employees in each Member State.

If the SE works council were established pursuant to section 22(1) no. 2 of the German SE Employee Involvement Act because no agreement has been reached by the end of the negotiation period, the relevant date for determining the number of employees employed would be the end of the negotiation period, see section 23(1) sentence 4 of the German SE Employee Involvement Act. The procedure for appointing an individual member is governed by the law of the Member State for which such member is to be appointed. In Germany, the relevant provisions of the German SE Employee Involvement Act apply.

Moreover, the provisions of no. 11.4.2 of the Terms of Conversion describe the extent to which the composition of the SE works council must be reviewed during the existence of the SE. If the statutory standard rules applied, the management of the SE – here: the management board of NORMA Group SE – would have to review pursuant to section 25 of the German SE Employee Involvement Act every two years during the existence of the SE whether changes in the SE, its subsidiaries and establishments, in particular in the employee figures, require a change in the composition of the SE works council. Four years after its establishment, the SE works council would have to resolve by a majority vote pursuant to section 26(1) of the German SE Employee Involvement Act whether it should enter into negotiations regarding arrangements for the involvement of employees in the SE or whether the rules applying so far should continue to apply. If the SE works council resolved to enter into negotiations, the SE works council would replace the SNB for the purposes of such negotiations.

As described in further detail in no. 11.4.2 of the Terms of Conversion, the SE works council would replace the European works council established at NORMA Group. The national bodies of employee representation, however, would remain unaffected by the establishment of an SE works council.

The provisions of no. 11.4.3 of the Terms of Conversion regulate the costs of the procedure for establishing rules on employee involvement to be

borne. According to these provisions, the costs incurred in connection with the establishment and work of the SNB shall be borne by the Company. The costs to be borne include the material and personal costs incurred in connection with the work of the SNB including the negotiations, in particular costs for rooms and material resources (e.g. telephone, fax, literature), interpreters and office staff in connection with the negotiations and the necessary travel and accommodation expenses for the members of the SNB.

#### **6.1.12 Other effects of the conversion on the employees and their representatives**

The other effects of the conversion on the employees and their representatives are described in no. 12 of the Terms of Conversion.

Due to the identity of the legal entities, the rights and duties of NORMA Group's employees under their existing work and employment contracts shall continue to exist unchanged; this applies also to NORMA Group AG's own employees. In addition, section 613a of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*) does not apply to the conversion because a transfer of undertaking (*Betriebsübergang*) will not occur. Therefore, the shop agreements, collective bargaining agreements and other collective employment arrangements concluded in respect of employees of NORMA Group shall continue to apply unchanged to such employees as provided for in such agreements.

The existing employee representation in the subsidiaries and establishments of NORMA Group, as well, will not be affected by any changes resulting from the conversion. In principle, the existing bodies of employee representation shall be maintained; only the European works council established at the European level shall not be maintained pursuant to section 47(1) no. 2 of the German SE Employee Involvement Act and be replaced by the SE works council, if established.

It is furthermore stated in no. 12 of the Terms of Conversion that there is no action envisaged or planned in connection with the conversion that would have any impact on the situation of the employees.

#### **6.1.13 Auditor (no. 13 of the Terms of Conversion)**

The provisions of no. 13 of the Terms of Conversion stipulate that PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, shall be appointed as auditor and group auditor of NORMA Group SE for its first financial year following the effective date of the conversion.

## **6.2 Explanation of NORMA Group SE's Articles of Association**

With the entry into effect of the conversion, NORMA Group AG's Articles of Association will be replaced by NORMA Group SE's Articles of Association. A draft of NORMA Group SE's Articles of Association is, as Annex 1 to the Terms of Conversion, part of the Terms of Conversion. Pursuant to Art. 37(7) of the SE Regulation, NORMA Group SE's Articles of Association need to be approved by the general meeting of NORMA Group AG that resolves on the conversion.

The draft of NORMA Group SE's Articles of Association that has been attached to the Terms of Conversion as an annex is based on the Articles of Association of NORMA Group AG that were in force at the point in time when the Terms of Conversion were drawn up (4 April 2013). To a large extent, the provisions of NORMA Group AG's Articles of Associa-

tion have been transferred to the draft of NORMA Group SE's Articles of Association. Amendments were made where required or appropriate due to SE-specific law. Further amendments of NORMA Group SE's Articles of Association in comparison to NORMA Group AG's Articles of Association resulted from editorial and clarifying adjustments and corrections that – irrespective of the conversion – appeared to be appropriate.

In the following, the draft of the Articles of Association for NORMA Group SE is explained, the main focus of the explanation being on amendments in comparison to NORMA Group AG's Articles of Association that are currently (as at 4 April 2013) in force.

#### **6.2.1 Name, registered office and duration (section 1)**

The name of the Company will be "NORMA Group SE". Apart from the change of the abbreviation indicating the Company's legal form from "AG" to "SE", no change will be made to the name due to the conversion. The change of the abbreviation indicating the legal form is mandatory pursuant to Art. 11(1) of the SE Regulation.

Like NORMA Group AG, NORMA Group SE will have its registered office in Maintal, Germany. Like section 1(3) of NORMA Group AG's Articles of Association did, section 1(3) of NORMA Group SE's Articles of Association provides that the Company is established for an indefinite period of time.

#### **6.2.2 Object of the Company (section 2)**

The object of NORMA Group SE as set out in section 2 of its Articles of Association corresponds to the object of NORMA Group AG as set out in section 2 of NORMA Group AG's Articles of Association (see also no. 2.1 of this Conversion Report).

#### **6.2.3 Notices and transmission of information (section 3)**

Like NORMA Group AG, NORMA Group SE will, pursuant to section 3(1) of its Articles of Association, publish notices of the Company in the (electronic) Federal Gazette (*Bundesanzeiger*).

Section 3(2) of NORMA Group SE's Articles of Association was simplified in comparison to the corresponding provision of NORMA Group AG's Articles of Association; it provides that the Company may, under the conditions provided for by law, electronically transmit information to the shareholders.

#### **6.2.4 Amount and division of the share capital (section 4)**

Section 4 of NORMA Group SE's Articles of Association contains provisions on the share capital and its division into shares of NORMA Group SE.

These provisions were taken from section 4 of NORMA Group AG's Articles of Association, particularly the amounts of capital and numbers of shares. As is clarified in no. 5.2 of the Terms of Conversion, the types of capital of NORMA Group AG will be NORMA Group SE's types of capital, in the amount and with the specifications applying to NORMA Group AG at the point in time the conversion is registered with the commercial register – irrespective of the types of capital stated in the version of NORMA Group SE's Articles of Association that is attached to the Terms of Conversion as an Annex. Therefore, should there be any changes in the types of capital between the date this Conversion Report is signed and the date the conversion is registered (e.g. due to conditional or authorised capital being used in the mean-

time), the modified types of capital of NORMA Group AG will be the types of capital of NORMA Group SE.

Section 4(1) of NORMA Group SE's Articles of Association contains provisions on the Company's share capital that correspond to section 4(1) of NORMA Group AG's Articles of Association. In section 4(1) sentence 1 and section 4(2) of NORMA Group's Articles of Association, the share capital of NORMA Group SE and its division into no par value registered shares is stated.

Section 4(1) sentence 2 and sentence 3 of NORMA Group SE's Articles of Association further provide in accordance with the provisions on formation of stock corporation law that initially the share capital of NORMA Group AG was contributed by NORMA Group GmbH, Maintal, being converted while maintaining its identity, and that now the share capital of NORMA Group SE is contributed by NORMA Group AG being converted while maintaining its identity.

#### **6.2.5 Authorised capital (section 5)**

Section 5 of NORMA Group SE's Articles of Association adopts the provisions of section 5 of NORMA Group AG's Articles of Association on the Authorised Capital 2011/II of the Company. In comparison to NORMA Group AG's Articles of Association, the only new provision is the clarification that the Authorised Capital 2011/II only exists at NORMA Group SE in the amount that is still available, i.e. to the extent it has not been used, at the point in time the conversion becomes effective.

Accordingly, in the period ending on 5 April 2016 the management board of the Company is authorised, subject to the consent of the supervisory board, to increase the share capital in one or more tranches by up to €15,931,200.00 in aggregate by issuing up to 15,931,200 new no par value registered shares against cash contribution or contributions in kind; however, the amount and the number of shares available for the increase of the share capital are limited to the amount of Authorised Capital 2011/II within the meaning of section 5 of NORMA Group AG's Articles of Association that still exists at the point in time the conversion of NORMA Group AG into a European Company (SE) pursuant to the Terms of Conversion of 4 April 2013 becomes effective.

Pursuant to section 5(2) of NORMA Group SE's Articles of Association, the shareholders are in principle entitled by law to be granted a subscription right when the authorisation regarding the Authorised Capital 2011/II is employed; such subscription right may also be granted in such a way that the new shares are taken over by a bank or a financial institution acting pursuant to section 53(1) sentence 1 or section 53b(1) sentence 1 or (7) of the German Banking Code (*Gesetz über das Kreditwesen – KWG*) with the obligation to offer them indirectly to the shareholders for subscription within the meaning of section 186(5) of the German Stock Corporation Act.

However, the management board is authorised, subject to the consent of the supervisory board, to exclude the statutory subscription right

- (i) to exclude fractional amounts resulting from the subscription ratio from the statutory subscription right of the shareholders;

- (ii) in the case of increases of the share capital against contributions in kind in particular – but without limitation – to acquire companies, divisions of companies or interests in companies;
- (iii) in the case that the increase of the share capital is against contribution in cash and provided that the issue price of the new shares is not substantially lower (within the meaning of sections 203(1) and (2), 186(3) sentence 4 of the German Stock Corporation Act (*Aktiengesetz – AktG*)) than the stock exchange price for shares in the Company of the same class and having the same conditions already listed at the time of the final determination of the issue price and provided that the amount of the share capital represented by the shares issued pursuant to this lit (iii) under the exclusion of the statutory subscription right as set forth in section 186(3) sentence 4 of the German Stock Corporation Act does not exceed 10% of the share capital at the time of this authorisation coming into effect or being exercised. Such amount of the share capital shall include shares which have been or are to be issued to fulfil conversion or option rights granted during the term of this Authorised Capital 2011/II in connection with convertible bonds or warrant-linked bonds or profit participation rights with conversion or option rights to the extent that such bonds were issued under the exclusion of the statutory subscription right by applying section 186(3) sentence 4 of the German Stock Corporation Act *mutatis mutandis*. The said threshold of 10% shall also include new or treasury shares of the Company which are issued or transferred during the term of this Authorised Capital 2011/II on another legal basis while excluding the subscription right pursuant to section 186(3) sentence 4 of the German Stock Corporation Act; or
- (iv) to fulfil obligations of the Company from convertible or warrant-linked bonds or profit participation rights or profit participating bonds (or combinations of these instruments), which have been issued by the Company or by companies which are controlled by it or in which the Company holds a majority holding and which provide for a conversion or option right or an obligation to convert.

Pursuant to section 5(3) of NORMA Group SE's Articles of Association, the management board is authorised to determine, subject to the consent of the supervisory board, the further details regarding the rights attached to the shares and the conditions of the share issue.

Pursuant to section 5(4) of NORMA Group SE's Articles of Association, the supervisory board is authorised to amend accordingly the wording of the Articles of Association of the Company following the increase of the share capital or following the expiry of the period for which the authorisation regarding the Authorised Capital 2011/II has been granted and in which the authorisation has not been employed.

#### 6.2.6 Conditional capital (section 6)

Section 6 of NORMA Group SE's Articles of Association adopts the Conditional Capital 2011 from section 6 of NORMA Group AG's Articles of Association and further clarifies that the Conditional Capital 2011 exists only in the amount that is still available at the point in time the conversion becomes effective, i.e. to the extent the

capital increase within the meaning of section 6 of NORMA Group AG's Articles of Association has not yet been implemented.

Pursuant to section 6(1) of NORMA Group SE's Articles of Association, the share capital of NORMA Group SE has been conditionally increased by up to €12,505,000.00 through the issuance of up to 12,505,000 new no par value registered shares with profit participation rights from the beginning of the financial year in which they are issued (Conditional Capital 2011). However, this conditional capital increase only applies up to the amount and the number of shares that have not yet been used by the implementation of the conditional capital increase at the point in time the conversion of NORMA Group AG into a European Company (SE) pursuant to the Terms of Conversion of 4 April 2013 becomes effective.

Pursuant to section 6(2) of NORMA Group SE's Articles of Association, the Conditional Capital 2011 serves to issue shares to the holders or creditors of convertible or warrant-linked bonds as well as profit participation rights with option or conversion rights, which are issued until the end of 5 April 2016, based on the authorisation approved by the Company's general meeting of 6 April 2011, by the Company or companies which are controlled by it or in which the Company holds a majority holding. It may only be implemented to the extent that option or conversion rights under warrant-linked bonds or convertible bonds or profit participation rights with option or conversion rights have been exercised or conversion obligations under such bonds have to be fulfilled and to the extent that neither treasury shares nor new shares from the authorised capital are being used to fulfil such claims.

Pursuant to section 6(3) of NORMA Group SE's Articles of Association, the management board is authorised to set forth the additional details of the capital increase.

#### **6.2.7 Registered shares, share certificates (section 7)**

Section 7 of NORMA Group SE's Articles of Association fully corresponds to section 7 of NORMA Group AG's Articles of Association, with the wording of these sections being identical.

Section 7(1) of NORMA Group SE's Articles of Association provides that the shares of the Company are issued as registered shares. Section 7(2) of NORMA Group SE's Articles of Association regulates the form and content of share certificates and any dividend warrants or renewal coupons as well as the signing of share certificates, bonds and interest coupons. Pursuant to this paragraph, the provision that the form and content of share certificates and any dividend warrants or renewal coupons shall be determined by the management board with the consent of the supervisory board applies to NORMA Group SE as well. Share certificates, bonds and interest coupons shall be signed solely by the management board of NORMA Group SE.

Pursuant to section 7(3) of NORMA Group SE's Articles of Association, any right of the shareholders to the securitisation of shares is excluded, to the extent permitted by law and provided that the securitisation is not required under the rules of the stock exchange on which the shares are admitted to trading. Section 7(3) sentence 2 provides that the Company is entitled to issue share certificates that represent individual shares (single shares) or several shares (global shares).

#### 6.2.8 Organisation (section 8)

In comparison to NORMA Group AG's Articles of Association, a new provision on the constitution of organisation has been introduced in section 8 of NORMA Group SE's Articles of Association. It provides that the constitution of organisation of NORMA Group SE shall conform to the so-called two-tier system and that, accordingly, the corporate bodies of the Company shall be the management organ (denominated as "management board" in the case of NORMA Group SE), the supervisory organ (denominated as "supervisory board" in the case of NORMA Group SE) and the general meeting (see also no. 4.5 of this Conversion Report). In terms of substance, this constitution of organisation corresponds to the structure of NORMA Group AG.

It was necessary to expressly determine the constitution of organisation in NORMA Group SE's Articles of Association as Art. 38 letter b) of the SE Regulation provides that the body adopting the SE's articles of association has the choice between the two-tier system (with a management organ and a supervisory organ) and the one-tier system (with an administrative organ) and that one of the two systems has to be adopted in the articles of association of the SE.

#### 6.2.9 Composition, transactions which require the consent of the supervisory board, rules of procedure and term of office of the management board (section 9)

Section 9(1) of NORMA Group SE's Articles of Association provides – corresponding to section 8(1) of NORMA Group AG's Articles of Association– that the management board of NORMA Group SE shall consist of one or more members and that the exact number of members shall be determined by the supervisory board. The supervisory board may appoint one of the members of the management board as chairman of the management board and another of the members of the management board as deputy chairman of the management board. Alternatively, it can appoint one of the members as spokesman of the management board and another of the members as deputy spokesman of the management board.

Section 9(2) of NORMA Group SE's Articles of Association contains requirements for the adoption of resolutions by the management board. These requirements are, to a large extent, identical to the requirements for the adoption of resolutions set out in section 8(2) of NORMA Group AG's Articles of Association. However, when determining the majority required for a resolution, it was clarified in section 9(2) of NORMA Group SE's Articles of Association that the majority of the votes *cast* is decisive. Another adjustment was made in order to comply with the requirements of Art. 50(1) of the SE Regulation: pursuant to Art. 50(1) letter b) of the SE Regulation, the basic rule for the adoption of resolutions by SE organs is that resolutions are passed by the majority of the members present or represented. Pursuant to Art. 50(1) of the SE Regulation, deviations from these requirements may be provided for in the SE Regulation itself or in the articles of association of an SE. The SE Regulation does not provide for an option to determine divergent majorities required for resolutions in the rules of procedure of the management board as set out in section 8(2) of NORMA Group AG's Articles of Association and therefore, such provision is not contained in section 9(2) of NORMA Group SE's Articles of Association. The provision of section 8(2) of NORMA Group AG's Articles of Association that in the event of a tie the chairman of the management board shall have a cast-

ing vote was preserved; this complies with Art. 50(2) sentence 1 of the SE Regulation. Section 9(2) provides that, if no one has been appointed as chairman of the management board or if the chairman of the management board does not participate in the vote, a proposal for a resolution shall be deemed to be rejected in the event of a tie.

Section 9(3) of NORMA Group SE's Articles of Association provides for certain transactions which require the consent of the supervisory board. This provision was necessary as Art. 48 of the SE Regulation requires that the articles of association of an SE contain a – non-definitive – list of transactions which require the consent of the supervisory board. Amendments to this provision require the general meeting of NORMA Group SE to pass a resolution amending the Articles of Association. The transactions listed in section 9(3) of NORMA Group SE's Articles of Association already required the consent of the supervisory board in the case of NORMA Group AG, although not pursuant to a provision contained in the Articles of Association but pursuant to the rules of procedure of the management board of NORMA Group AG, which were issued by the supervisory board.

Pursuant to section 9(4) of NORMA Group SE's Articles of Association, the supervisory board issues rules of procedure for the management board. The provision clarifies that it is at the discretion of the supervisory board to determine further transactions which require its consent in the rules of procedure. This provision corresponds, in terms of substance, to section 8(3) of NORMA Group AG's Articles of Association.

In comparison to NORMA Group AG's Articles of Association, NORMA Group SE's Articles of Association contain a new provision on the management board's term of office in section 9(4). Pursuant to this provision, members of the management board of NORMA Group SE shall be appointed for a maximum term of office of five years; they may be re-appointed once or several times. Under German stock corporation law, the members of the management board of NORMA Group AG may be appointed for a period not exceeding five years (section 84(1) sentence 1 of the German Stock Corporation Act). In the case of an SE, however, organ members may be appointed for a period not exceeding six years (Art. 46(1) of the SE Regulation); within these limits, the maximum period for which organ members may be appointed has to be determined in the articles of association of an SE. However, the provision that has now been proposed for NORMA Group SE stipulates that the term of office shall not exceed five years; consequently, there is no change compared to the legal situation of NORMA Group AG. A provision on the period for which the management board is appointed had to be included in NORMA Group SE's Articles of Association as Art. 46(1) of the SE Regulation provides that the period for which organ members are appointed has to be laid down in the articles of association.

#### **6.2.10 Representation of the Company (section 10)**

Section 10 of NORMA Group SE's Articles of Association regulates the representation of the Company and is identical to section 9 of NORMA Group AG's Articles of Association in terms of substance and wording. Pursuant to this section, the Company is jointly represented by two members of the management board or by one member of the management board together with an authorised signatory (*Prokurist*). In case the management board consists of only one person, this person is



authorised to represent the Company alone. Section 10(2) of NORMA Group SE's Articles of Association regulates the supervisory board's authorisation to grant sole power of attorney (*Einzelvertretungsbefugnis*) and/or give exemption from the prohibition of multiple representation (*Mehrvertretung*) as stipulated in section 181 2<sup>nd</sup> alternative of the German Civil Code.

**6.2.11 Composition, term of office and resignation from office of the supervisory board (section 11)**

Section 11 of NORMA Group SE's Articles of Association contains provisions on the composition and the term of office of the supervisory board as well as on the resignation from office and the appointment of replacement members. Special provisions applicable to SEs result in a few small deviations from the corresponding provisions set out in section 10 of NORMA Group AG's Articles of Association; such deviations are explained in the following.

Pursuant to section 11(1) of NORMA Group SE's Articles of Association, the supervisory board of NORMA Group SE consists of six members. This corresponds to section 10(1) of NORMA Group AG's Articles of Association, the wording of which is identical.

Pursuant to section 11(2) of NORMA Group SE's Articles of Association, the members of the supervisory board shall be appointed for a period ending with the termination of the general meeting that decides on the approval of the supervisory board's actions for the fourth financial year after the commencement of the term of office; this period, however, shall not exceed six years. The financial year in which the term of office commences shall not be taken into account for the calculation of the term of office. With regard to its effect, this provision corresponds to the provision applicable to NORMA Group AG pursuant to section 10(2) of NORMA Group AG's Articles of Association and section 102(1) of the German Stock Corporation Act. However, the limit of six years has been added in NORMA Group SE's Articles of Association. Since the end of the term of office is contingent upon the approval of the supervisory board's actions for a certain financial year, the term of office might, without such a limit, exceed six years – and therefore be longer than the maximum period of office of the organ members of an SE pursuant to Art. 46(1) of the SE Regulation – if no resolution on the approval of the supervisory board's actions for the financial year in question is passed. The purpose of this provision therefore is to ensure that the maximum period of office of six years pursuant to Art. 46(1) of the SE Regulation cannot be exceeded in any circumstances, even if no resolution on the approval of the supervisory board's actions was passed. Pursuant to section 11(2) of NORMA Group SE's Articles of Association, the general meeting may – as was already the case pursuant to section 10(2) of NORMA Group AG's Articles of Association – determine a shorter term of office on the occasion of the election. In order to clarify that this only applies to the extent that it is not at the discretion of other bodies to determine the term of office (e.g. in the case of a right to nominate members of the supervisory board, which, however, is currently not provided for), section 11(2) of NORMA Group SE's Articles of Association expressly provides that this right is subject to legal permissibility.

In terms of substance, section 11(2) of NORMA Group SE's Articles of Association adopts the provision of section 10(2) of NORMA Group AG's Articles of Association, which stipulates that members may be re-elected once or several times. The

change of the wording “may be re-elected” in section 10(2) of NORMA Group AG’s Articles of Association to the wording “may be re-elected once or several times” in section 11(2) of NORMA Group SE’s Articles of Association is merely an editorial change, but not a change of the substance of the provision: Since Art. 46(2) of the SE Regulation provides that members may be re-appointed “once or more than once”, the wording was adjusted accordingly in order to clarify – and thus avoid any misinterpretation – that, in terms of substance, NORMA Group SE’s Articles of Association were to adopt the provisions of NORMA Group AG’s Articles of Association, pursuant to which re-election was possible once or several times.

As soon as the conversion enters into effect, the terms of office of the current members of NORMA Group AG’s supervisory board will expire. For this reason, the members of NORMA Group SE’s supervisory board are appointed in NORMA Group SE’s Articles of Association for their first term of office. In deviation from the basic rule set out in section 11(1) of NORMA Group SE’s Articles of Association, the members of the supervisory board are appointed by the Articles of Association themselves (section 11(3) of NORMA Group SE’s Articles of Association). The appointment of members by the Articles of Association is possible pursuant to Art. 40(2) sentence 2 of the SE Regulation. Ms Erika Schulte, Dr Stefan Wolf, Mr Lars M. Berg, Mr Günter Hauptmann, Mr Knut J. Michelberger and Dr Christoph Schug are each appointed with effect from the registration of NORMA Group SE in the commercial register of the Local Court of Hanau for the period of time ending with the termination of the general meeting that decides upon the approval of the supervisory board’s actions for the fourth financial year after the commencement of the term of office. The financial year in which the term of office commences will not be taken into account for this calculation. With regard to these appointments, too, it has been expressly stipulated in accordance with Art. 46(1) of the SE Regulation that they shall terminate after a period of six years at the latest.

Like section 10(3) of NORMA Group AG’s Articles of Association did, section 11(4) of NORMA Group SE’s Articles of Association provides that, when a member of the supervisory board is elected, a replacement member may be appointed at the same time. For the avoidance of doubt, this provision is subject to legal permissibility as well.

Pursuant to section 11(5) of NORMA Group SE’s Articles of Association, a member of the supervisory board or a replacement member may resign from office by giving notice to the chairman of the supervisory board or, in case the chairman resigns, his deputy. For this, a notice period of one month has to be observed, unless the person entitled to receive the notice approves to a shorter notice period or waives adherence to the notice period. The notice has to be given in text form (section 126b of the German Civil Code). The right to resign from office for good cause, however, remains unaffected by this. The wording of this provision is identical to section 10(4) of NORMA Group AG’s Articles of Association.

#### **6.2.12 Chairman and deputy chairman (section 12)**

Section 12 of NORMA Group SE’s Articles of Association contains provisions on the chairman and deputy chairman of the supervisory board. Apart from a few clarifying amendments, these provisions correspond to section 11 of NORMA Group AG’s Articles of Association.

Therefore, pursuant to section 12(1) of NORMA Group SE's Articles of Association, the supervisory board shall elect a chairman and a deputy chairman from its midst. The election shall take place subsequent to the general meeting which elects the members of the supervisory board. Section 12(2) of NORMA Group SE's Articles of Association provides that in the event that the chairman or the deputy chairman leaves office prematurely, the supervisory board shall elect a new chairman or deputy chairman for the remaining period of office of the chairman or deputy chairman who has left office. The wording of these provisions is identical to section 11(1) and (2) of NORMA Group AG's Articles of Association.

In the event that the chairman and the deputy chairman are unable to carry out their responsibilities, the oldest member of the supervisory board shall, pursuant to section 12(3) of NORMA Group SE's Articles of Association, act as the chairman of the supervisory board for as long as the chairman and the deputy chairman are unable to carry out their responsibilities. In contrast to section 11(3) of NORMA Group AG's Articles of Association, section 12(3) of NORMA Group SE's Articles of Association clarifies that the oldest member of the supervisory board shall also act as the chairman in the event that no chairman and no deputy chairman have been appointed, which will generally be the case on the occasion of the election of the chairman. Furthermore, it has been expressly stipulated that the member temporarily carrying out the responsibilities of the chairman shall not have the casting vote of the chairman in the event of a tie (see section 13(4) of NORMA Group SE's Articles of Association and Art. 50(2) sentence 1 of the SE Regulation).

#### **6.2.13 Convening of meetings and adoption of resolutions (section 13)**

Section 13 of NORMA Group SE's Articles of Association contains provisions on the convening of meetings of the supervisory board and on the adoption of resolutions by the supervisory board. Except for expressly excluding the casting vote of the deputy chairman of the supervisory board in section 13(4), this section fully corresponds to section 12 of NORMA Group AG's Articles of Association.

Pursuant to section 13(1) of NORMA Group SE's Articles of Association, meetings of NORMA Group SE's supervisory board shall be convened by the chairman of the supervisory board, who shall also determine the venue of the meeting. If the chairman of the supervisory board is unavailable, his deputy shall be responsible for convening the meeting. In principle, the meeting shall be convened by sending an invitation in text form to the last address given to the management board. In urgent cases, the meeting may be convened by phone. Pursuant to section 13(2) of NORMA Group SE's Articles of Association, notice of the convening of a meeting shall, in principle, be given 14 days before the meeting (the relevant date for the determination of such notice period is the date when the convening notice is sent); in urgent cases, the notice period may be reduced. The items of the agenda shall be stipulated in the convening notice. The working documents for the meeting shall be sent to the members of the supervisory board in due time, if possible together with the convening notice.

Section 13(3) and section 13(4) of NORMA Group SE's Articles of Association regulate the quorum and the adoption of resolutions. Pursuant to these paragraphs, the supervisory board has a quorum when at least three members – i.e. half of the number of members of which the supervisory board shall consist pursuant to section 11(1) of NORMA Group SE's Articles of Association – participate in

the adoption of a resolution; members who withhold their vote shall be deemed to have participated in the adoption of the resolution. Resolutions of the supervisory board shall be passed by a simple majority of the votes cast unless otherwise provided by law. In the event of a tie, the chairman of the supervisory board shall have the decisive vote (the so-called casting vote), which is in accordance with the provision of Art. 50(2) of the SE Regulation, but had also already been stipulated in section 12(4) of NORMA Group AG's Articles of Association. If no chairman has been appointed or the chairman does not participate in the voting, an application shall be considered rejected in the event of a tie. This, too, had already been stipulated in section 12(4) of NORMA Group AG's Articles of Association. A new provision has been included in section 13(4) of NORMA Group SE's Articles of Association; it expressly stipulates that the deputy chairman of the supervisory board shall not have a casting vote.

Section 13(5) and section 13(6) of NORMA Group SE's Articles of Association contain provisions on the adoption of resolutions outside of meetings and the casting of votes by members of the supervisory board in their absence. Pursuant to these paragraphs, resolutions may also be passed orally, by telephone, in writing, by fax, by e-mail or by other common means of communication, e.g. via video conferencing, if all members of the supervisory board agree to it or if the chairman decides that votes shall be cast in such a way and no member board objects to it within a reasonable period determined by the chairman. Pursuant to section 13(6) of the Articles of Association, members of the supervisory board may participate in the adoption of resolutions in their absence by having other members of the supervisory board hand in their vote in writing. As long as none of the members present at the meeting of the supervisory board objects to it, members of the supervisory board not present at the meeting may also cast their vote by telephone, fax, e-mail or by other common means of communication such as video conferencing. They may also cast their vote by these means of communication subsequent to the meeting, within a period determined by the chairman of the supervisory board, provided that none of the members of the supervisory board present at the meeting objects to this.

Pursuant to section 13(7) of NORMA Group SE's Articles of Association, the chairman of the supervisory board and, in case he is prevented from doing so, the deputy chairman are authorised to submit any declarations of intent on behalf of the supervisory board which are necessary to execute the resolutions of the supervisory board and to accept declarations on behalf of the supervisory board.

Section 13(8) of NORMA Group SE's Articles of Association regulates the taking of minutes during meetings of the supervisory board; it provides that minutes shall be prepared for each meeting of the supervisory board and that these shall be signed by the chairman. The date of the meeting, the participants, the items on the agenda, the main contents of the meeting and the resolutions passed by the supervisory board shall be included in the minutes. Resolutions passed outside of meetings shall be documented in writing by the chairman of the supervisory board and such documentation shall be distributed to all members of the supervisory board without undue delay.

**6.2.14 Rules of procedure of the supervisory board; amendments to the Articles of Association (section 14)**

Section 14 of NORMA Group SE's Articles of Association concerns the rules of procedure of the supervisory board and the authorisation to make amendments to the wording of the Articles of Association. These provisions were taken from section 13 of NORMA Group AG's Articles of Association without changing them.

Pursuant to section 14(1) of NORMA Group SE's Articles of Association, the supervisory board shall adopt rules of procedure that are in accordance with statutory provisions and the Articles of Association. Section 14(2) of NORMA Group SE's Articles of Association provides for the authorisation of the supervisory board to resolve on amendments to the Articles of Association that relate solely to their wording.

**6.2.15 Remuneration (section 15)**

Section 15 of NORMA Group SE's Articles of Association regulates the remuneration of the supervisory board as of the entry into effect of the conversion. This provision corresponds to section 14 of NORMA Group AG's Articles of Association; it stipulates, in accordance with section 113(1) of the German Stock Corporation Act, that the remuneration of the members of the supervisory board shall be approved by the general meeting.

**6.2.16 Venue and convening of the general meeting (section 16)**

Section 16 of NORMA Group SE's Articles of Association fully corresponds to section 15 of NORMA Group AG's Articles of Association.

The provision stipulates that the general meeting shall be convened by the management board or, in the cases provided for by law, by the supervisory board. It further stipulates that the general meeting shall be held at the place where the Company has its registered office, at the place where a German stock exchange has its registered office or in a German city with more than 100,000 residents, the choice of the venue being at the discretion of the body convening the general meeting. Pursuant to section 16(2) of NORMA Group SE's Articles of Association, the general meeting shall be convened at least 36 days before the day of the general meeting. The period of 36 days follows from section 123(1) and (2) sentence 5 of the German Stock Corporation Act, pursuant to which the notice period of, in principle, 30 days shall be prolonged by the notice period for giving notice of participation of, as set out in section 17(1) of NORMA Group SE's Articles of Association, six days. In accordance with sections 121(7) sentence 1, 123(1) sentence 2 of the German Stock Corporation Act, section 16(2) sentence 2 of the Articles of Association provides that the day of the general meeting as well as the day on which the convening notice is given shall not be included in the calculation of the notice period.

**6.2.17 Participation in and transmission of the general meeting (section 17)**

Section 17 of NORMA Group SE's Articles of Association contains provisions on the participation in the general meeting as well as on the audio-visual transmission of the meeting. This provision fully corresponds to section 16 of NORMA Group AG's Articles of Association.

Pursuant to section 17(1) of NORMA Group SE's Articles of Association, shareholders are entitled to participate in the general meeting and to exercise their voting right if they are registered with the share register and if they have given proper notice of their participation. Notice of participation shall be given in text form (section 126b of the German Civil Code), in German or English, to the Company or another addressee specified in the convening notice at least six days before the general meeting. The day of the general meeting and the day on which the notice of participation is received shall not be included in the calculation of the notice period.

On the basis of section 118(4) of the German Stock Corporation Act, section 17(2) of NORMA Group SE's Articles of Association provides that the chairman of the general meeting is authorised to allow the audio-visual transmission of the general meeting via electronic media in a manner to be further specified by him, provided that this has been announced in the convening notice.

#### **6.2.18 Voting right (section 18)**

Section 18 of NORMA Group SE's Articles of Association contains provisions on the shareholders' voting rights; it adopts, without change, the wording of the corresponding provisions of section 17 of NORMA Group AG's Articles of Association.

Pursuant to section 18(1) of NORMA Group SE's Articles of Association, each share grants one vote at the general meeting. Section 18(2) regulates the appointment of proxies and provides that the voting right may be exercised by a proxy appointed by the Company. The authority to vote shall, in principle, be given in text form (section 126b of the German Civil Code), unless the law or the convening notice provides for a form requirement that is less strict.

On the basis of section 118(2) of the German Stock Corporation Act, section 18(3) of NORMA Group SE's Articles of Association provides that the management board is authorised to stipulate in the convening notice that the shareholders may also submit their votes in writing or by means of electronic communication without participating in the meeting (so-called voting by mail).

#### **6.2.19 Chair of the general meeting (section 19)**

Section 19 of NORMA Group SE's Articles of Association contains provisions on the chair of the general meeting and on the powers of the chairman. The wording of the provisions is identical to section 18 of NORMA Group AG's Articles of Association.

Pursuant to section 19(1) of NORMA Group SE's Articles of Association, the chairman of the supervisory board or another member of the supervisory board appointed by him shall chair the general meeting. In the event that the chairman of the supervisory board or the supervisory board member appointed by him to chair the general meeting is unavailable, the chairman of the general meeting shall be elected by the members of the supervisory board attending the general meeting. Section 19(2) of NORMA Group SE's Articles of Association provides that the chairman of the general meeting is authorised to chair the proceedings and to determine the order of the items to be dealt with as well as the type and form of the voting. Pursuant to section 19(3) of NORMA Group SE's Articles of Association, the chairman of the general meeting may impose a reasonable time limit with regard to

the shareholders' right to speak and submit questions and stipulate further rules in this regard.

**6.2.20 Adoption of resolutions (section 20)**

Section 20 of NORMA Group SE's Articles of Association contains stipulations on the adoption of resolutions by the general meeting. This provision largely corresponds to section 19 of NORMA Group AG's Articles of Association; a few modifications, however, were made in order to adapt it to provisions on the majorities required for resolutions applicable specifically to SEs.

Section 19 sentence 1 and sentence 2 of NORMA Group AG's Articles of Association were, with only a few modifications, transferred to section 20 sentence 1 and sentence 2 of NORMA Group SE's Articles of Association. Pursuant to these provisions, resolutions by the general meeting shall be adopted by a simple majority of the votes cast, unless otherwise provided by mandatory law or the Articles of Association. In cases where the law additionally requires the majority of the share capital represented for the adoption of a resolution, the simple majority of the share capital represented shall be sufficient pursuant to section 20 sentence 2 of NORMA Group SE's Articles of Association. In contrast, the reduction to a simple majority in section 19 sentence 1 and sentence 2 of NORMA Group AG's Articles of Association is subject to mandatory provisions of the "German Stock Corporation Act". The use of the more general wording "mandatory law" or "law" clarifies that stricter requirements for majorities may also arise from other laws (particularly the SE Regulation).

Section 20 sentence 3 of NORMA Group SE's Articles of Association contains an SE-specific provision on amendments to the Articles of Association that was not contained in NORMA Group AG's Articles of Association. Pursuant to this provision, a simple majority of the votes cast shall be sufficient for the adoption of a resolution on amendments to the Articles of Association, provided that at least half of the share capital is represented and mandatory law does not require a different majority. This provision is based on Art. 59 of the SE Regulation and section 51 of the German SE Implementation Act. Pursuant to these provisions, a majority of at least two thirds of the votes cast is required for an amendment to the articles of association of an SE; if, however, half of its share capital is represented when the resolution is adopted, a simple majority of the votes cast is sufficient, provided that this is stipulated in the Articles of Association. Pursuant to section 51 sentence 2 of the German SE Implementation Act, this does not apply to resolutions on the change of the object of the company, resolutions on the cross-border transfer of the registered office of the company pursuant to Art. 8(6) of the SE Regulation or resolutions for which a larger capital majority is required by mandatory law.

**6.2.21 Financial year, accounting (section 21)**

Section 21 of NORMA Group SE's Articles of Association contains provisions on the financial year and the Company's accounting, which were adopted from section 20 of NORMA Group AG's Articles of Association without change.

Pursuant to section 21(1) of NORMA Group SE's Articles of Association, the financial year of the Company is the calendar year. Pursuant to section 21 (2) of NORMA Group SE's Articles of Association, the management board shall prepare within the first three months of a financial year the annual financial statements for

the past financial year (i.e. the balance sheet in addition to the income statement and the notes) and the management report as well as the group financial statements and the group management report, and submit these to the supervisory board and the auditor instructed by the supervisory board without undue delay. At the same time, the management board shall submit to the supervisory board the proposal for the appropriation of the balance sheet profit which the management board wishes to present to the general meeting. Section 21(3) of NORMA Group SE's Articles of Association provides that the supervisory board shall review the accounting documents submitted by the management board and the proposal on the appropriation of profits and that it shall report in writing to the general meeting on the results of its review. The supervisory board shall conclude its report with a declaration as to whether it approves the annual financial statements and the group financial statements prepared by the management board. The report shall be submitted to the management board within a month after receipt of the documents submitted. If the supervisory board approves the annual financial statements following its review, the annual financial statements are adopted.

#### **6.2.22 Appropriation of annual profit (section 22)**

Section 22 of NORMA Group SE's Articles of Association contains provisions on the appropriation of the annual profit; it fully corresponds to section 21 of NORMA Group AG's Articles of Association.

Pursuant to section 22(1) of NORMA Group SE's Articles of Association, the management board and the supervisory board may, when they approve the annual financial statements, transfer up to half of the annual profit to other retained earnings. Furthermore, they are entitled to transfer further amounts of up to 100% of the annual profit in aggregate to other retained earnings, provided that and to the extent that other retained earnings do not exceed half of the share capital and will not exceed it after the transfer. Pursuant to section 22(2) of NORMA Group SE's Articles of Association, allocations to statutory reserves and losses carried forward must be deducted in advance when calculating the portion of the annual profit to be transferred to other retained earnings in accordance with section 22(1) of NORMA Group SE's Articles of Association.

#### **6.2.23 Appropriation of profits and basis for the shareholders' profit participation (section 23)**

Section 23 of NORMA Group SE's Articles of Association fully corresponds to section 22 of NORMA Group AG's Articles of Association; it contains provisions on the appropriation of profits and on the basis for the shareholders' profit participation.

Pursuant to section 23(1) of NORMA Group SE's Articles of Association, the general meeting resolves on the appropriation of the balance sheet profit that is determined on the basis of the approved annual financial statements. On the basis of section 58(5) of the German Stock Corporation Act, section 23(2) of NORMA Group SE's Articles of Association provides that the general meeting may decide that a distribution in kind shall be made instead of a cash distribution, provided that the non-cash assets to be distributed are traded on a market within the meaning of section 3(2) of the German Stock Corporation Act.

Pursuant to section 23(3) of NORMA Group SE's Articles of Association, the shareholders' share in the profit shall be determined on the basis of the proportion of the



share capital they are holding. Pursuant to section 23(4) of NORMA Group SE's Articles of Association, it is possible in the event of a capital increase to determine a profit participation that deviates from section 60(2) of the German Stock Corporation Act. Pursuant to section 23(5) of NORMA Group SE's Articles of Association, the management board may, with the consent of the supervisory board, distribute – within the scope of section 59 of the German Stock Corporation Act – interim dividends after the end of a financial year.

#### **6.2.24 Formation costs/conversion costs (section 24)**

Section 24(1) and section 24(2) of NORMA Group SE's Articles of Association adopt the provisions on the formation costs that were contained in section 23(1) and (2) of NORMA Group AG's Articles of Association.

Section 24(1) of NORMA Group SE's Articles of Association adopts the provisions on the bearing of the costs for the formation of the Company in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung – GmbH*), with the name "DNL 1. Beteiligungsgesellschaft mbH"; section 24(2) of NORMA Group SE's Articles of Association adopts the provisions on the bearing of the costs for the conversion of the Company into the legal form of a German stock corporation (*Aktiengesellschaft – AG*).

Section 24(3) of NORMA Group SE's Articles of Association contains a new provision on the costs for the conversion of NORMA Group AG into NORMA Group SE. It stipulates in accordance with the provisions on formation of stock corporation law that the conversion costs, in particular notary fees and court fees, costs for publications, taxes, costs of auditing and consulting and costs for the negotiations on employee involvement in the amount of up to €1m shall be borne by the Company.

#### **6.2.25 Prevailing language (section 25)**

Section 25 of NORMA Group SE's Articles of Association corresponds to section 24 of NORMA Group AG's Articles of Association; it provides that the German version of the Articles of Association, which were drafted both in German and English, shall prevail.

## **7 Balance-sheet and tax consequences of the conversion**

The conversion of NORMA Group AG into NORMA Group SE will not result in the winding up of the Company or in the creation of a new legal entity (cf. Art. 37(2) of the SE Regulation). The Company's legal and commercial identity will be maintained. The preparation and other provisions concerning the annual financial statements and the management report and the group financial statements and the group management report will be subject to the provisions applying to a German stock corporation. Hence, the conversion will not have any consequences in the balance sheet.

NORMA Group AG expects that the conversion of NORMA Group AG into NORMA Group SE while maintaining the identity and with registered office in Germany will be tax neutral under German tax law. Any future distributions of dividends by the Company and sales of shares in the Company will, as a general rule, have the same tax consequences for shareholders in the Company for the purposes of German income tax (*Ertragsteuer*) after the conversion as distributions of dividends and sales had before the conversion, unless the relevant applicable law or the underlying facts change. The conversion of NORMA Group

AG into NORMA Group SE should not be subject to any capital transfer tax, sales tax or stamp tax in Germany.

It is recommended that the Company's shareholders consult their tax advisers with respect to any specific particularities that may exist and be relevant to them in terms of tax.

After conversion into an SE, the Company will be subject to the same tax regime as a German stock corporation.

## **8 Securities and stock exchange trading**

The conversion of NORMA Group AG into NORMA Group SE will not have any material effects on the Company's shares and its stock exchange listing.

Upon the conversion taking effect, the shareholders in NORMA Group AG will become shareholders in NORMA Group SE, with their shareholding ratio remaining unchanged. As with NORMA Group AG before the conversion, the shares in NORMA Group SE will be no par value registered shares. The share certificates for NORMA Group AG will be replaced by share certificates for NORMA Group SE once the conversion has taken effect. The shares of NORMA Group SE will be represented by global securities as were the shares of NORMA Group AG.

NORMA Group AG's shares have been admitted to trading on the regulated market with additional post-admission obligations on the Frankfurt Stock Exchange (Prime Standard) since April 2011. In addition, NORMA Group AG's shares are traded in the regulated unofficial market (*Freiverkehr*) of the Berlin, Düsseldorf, Munich and Stuttgart stock exchanges. Since mid-March 2013, the NORMA Group share has been listed in the MDAX Index of Deutsche Börse.

The conversion will not affect the stock exchange trading of the shares. As a consequence, the Company's shareholders may, after the conversion of NORMA Group AG into NORMA Group SE, continue to trade their (then) NORMA Group SE shares on any stock exchange on which the NORMA Group AG shares are listed. In addition, the conversion will not affect the inclusion of the Company's shares in stock exchange indices. In particular, no new admission to the stock exchange of NORMA Group SE's shares will be necessary because the conversion will not result in the winding up of the Company or in the creation of a new legal entity (cf. Art. 37(2) of the SE Regulation). However, since the Company will change its name, the listing will have to be changed. In accordance with section 30c of the German Securities Trading Act, the Company will inform the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*) and the relevant admission offices (*Zulassungsstellen*) of the changes and amendments associated with the conversion, in particular the amendments to the Articles of Association.

Maintal, 4 April 2013

**NORMA Group AG**

**The management board**