Report by the Executive Board, pursuant to Section 203 in connection with Section 186 (4) (ii) AktG, on agenda item 4: "Adoption of resolution on the cancellation of the authorised capital at the Annual General Meeting of 27 June 2014 in accordance with Section 5 subsection 3 of the Articles of Association, on the creation of new authorised capital with the authority to exclude subscription rights and on the corresponding amendment to the Articles of Association."

The Executive Board and Supervisory Board propose to the Annual General Meeting under agenda item 4 to create a new Authorised Capital 2018/I in the amount of 50% of the share capital existing and being registered at the time of this convocation, while cancelling the current Authorised Capital 2014/I. At the time of the sending of this invitation to the Federal Gazette, the share capital of the company is € 12,443,554.00.

The legally permitted maximum amount for authorized capital is 50% of the share capital. This legally permitted maximum amount should be used in order to to allow the company the greatest possible flexibility and to take account of unforeseen developments.

The Authorised Capital 2018/I is available to the management for any lawfully permissible purpose. This should allow the company access to additional equity capital as long-term financing outside of an ordinary capital increase by the Annual General Meeting. The anticipated possibility of non-cash capital increases will allow the Executive Board to react swiftly and flexibly to arising acquisition opportunities on the market. This shall allow the Executive Board to carry out capital increases, including under exclusion of shareholders' subscription rights, in order to strengthen the competitiveness of the company through targeted acquisitions and cooperation, and to increase its earning power and value.

When using the Authorised Capital 2018/I through cash capital increases, the shareholders generally have a subscription right which, in the case of cash capital increases, may be structured as an indirect subscription right within the meaning of Section 186 (5) AktG by placing the new shares through a financial institution.

The Executive Board, however, shall be able to exclude the subscription right with consent of the Supervisory Board in the following cases:

a) The Executive Board shall – with the approval of the Supervisory Board – initially be given the opportunity to use the authorised capital 2018/I for the purpose of non-cash capital increases. This allows the management to offer shares as consideration, particularly in the event of an acquisition of companies, shareholdings, or parts of companies, or as part of company mergers (hereinafter referred to collectively as "**companies**") as well as in the event of an acquisition of other assets. This will allow the company to react swiftly and flexibly to acquisition opportunities, most of which arise at short notice. This – often high – consideration may be provided by granting shares in the company and do not have to be in monetary form, so that an acquisition can be carried out without burdening the company's liquidity situation. The authorisation thus allows for optimal financing of the acquisition in return for the granting of shares with the associated strengthening of the company's equity base.

The acquisition of, for example, e-commerce companies in the sleep segment and other assets in kind is in the interest of the company if it is suitable to strengthen the company's market position or holds another strategic interest. Often, transferring owners of companies or other assets also expect at least a portion of shares in the company as consideration, in order to continue to own an interest in the company, or they agree to a cash payment only at a significantly higher price than the granting of shares. This is also a liquidity-saving option for acquiring companies or other assets. Since the acquisition of such contributions occurs mostly on short notice corresponding to market conditions, it normally cannot be resolved by the Annual General Meeting, which generally is held only once a year, but neither can it be decided at an Extraordinary General Meeting, due to the necessary observation of legal deadlines. It therefore requires authorised capital that the Executive Board can use on short notice with consent of the Supervisory Board, with the exclusion of subscription rights.

The management will then only use the option of capital increase against contributions in kind, excluding subscription rights, if the value of the shares to be granted and value of the consideration, meaning the value of the company or asset to be acquired, are in reasonable proportion to one another. Companies and other assets considered for acquisition shall be valued according to the market, if necessary, on the basis of a valuation report. The Executive Board shall look to its stock market price in the valuation of the company shares to be issued. However, the Executive Board will not make a mechanical link to the stock market price, so as not to call into question the results of existing negotiations.

On the basis of the above considerations, it may be justified and in the interest of the company to exclude shareholders' subscription rights in the event of capital increases in kind for the purpose of acquiring companies or other assets. The Executive Board and the Supervisory Board shall, in each individual case of acquisition, examine and weigh whether the acquisition is, against the issue of shares excluding subscription rights, in the well-understood interests of the company, with the interests of the shareholders taken into account.

The Executive Board may also use treasury shares, acquired on the basis of the authorisation to acquire treasury shares granted by the Annual General Meeting on 17 June 2015 under agenda item 5, to acquire companies or other assets. The type and source of the consideration for the non-cash contribution - use of authorised capital and/or treasury shares - shall be decided by the competent body of the company.

b) Furthermore, pursuant to Section 186 (3) (iv) AktG, the Executive Board shall be able to exclude the subscription right with the approval of the Supervisory Board in the event of cash capital increases, if the issue price of the new shares is not significantly lower than the stock exchange price of the old shares, and the issued shares do not exceed 10% of the total share capital.

This allows the management to cover any capital requirements at short notice in order to strengthen the equity base, and to take advantage of favourable stock market situations in order to achieve the greatest possible capital injection when placing the shares, by fixing the issue price close to the market. Shareholders have the option to acquire the shares necessary to maintain their participation quota on the stock exchange at close to the same conditions due to the volume limit of 10% of the share capital and the near-market issue price.

This authorization to exclude shareholders' subscription rights in the event of cash capital increases allows the company to take advantage of market opportunities swiftly and flexibly in various business areas which require capital. This is in the company's interest and puts it in the position to gain additional strategic or institutional investors from at home and abroad through the issue of shares.

A capital increase with exclusion of subscription rights allows for a determination of subscription price that is close to the market, and, from experience, with it a higher inflow of funds than an issue of subscription rights. It is therefore done in the well-understood interests of the company and its shareholders. The issuance of rights, in contrast, is more costly and time-consuming.

The shareholders’ interests are sufficiently taken into consideration in this authorisation. The shareholders’ need for protection against stock dilution is initially met in that the shares issued under exclusion of subscription rights may not exceed 10% of the share capital. This limit shall take into account the pro rata amount of the share capital that is allocated to shares that were issued or disposed of during the authorised capital 2018/I term up to the time of its use, on the basis of another authorisation with exclusion of subscription rights in direct or corresponding application of Section 186 (3) (iv) AktG, insofar as this is required by law.

Furthermore, the issue price of the new shares may not be significantly lower than that of the company’s shares already being traded on the stock exchange at the time of determination of the issue price. The Executive Board shall, when determining the issue price, take pains to keep any necessary discount on the stock exchange, in accordance with Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange, as low as possible according to prevailing market conditions at the time of the final determination of the issue price; the discount shall presumably amount to 3% at the most, but in no case more than 5% of the stock exchange price. Every shareholder shall therefore have the option to acquire shares on the stock exchange, at approximately the same conditions as the subscriber shares issued by the company, in order to retain his participation quota and his relative voting rights. Protection against stock dilution shall be taken into consideration.

The Executive Board may also employ treasury shares, acquired on the basis of the authorisation to acquire treasury shares from the Annual General Meeting of 17 June 2015, agenda item 5, for the issue of shares to investors in return for cash contributions with the exclusion of subscription rights of the shareholders. As far as such crediting is legally required, a total maximum of shares with a nominal value of 10% of the share capital may be issued or sold in commensurate application of Section 186 (3) (iv) AktG excluding shareholders' subscription rights, be it through the use of treasury shares or new shares from the Authorised Capital 2018/I.

c) Furthermore, it shall be possible to exclude subscription rights, insofar it is necessary, in order to grant subscription rights to the holders or creditors of option bonds or convertible bonds to be issued in the future, if these stipulate the conditions of the respective option bonds or convertible bonds.

Options bonds or convertible bonds are regularly provided with a protection against dilution to facilitate their placement on the capital market, meaning that the holders or creditors of the option bonds or convertible bonds can be granted subscription rights to new shares in subsequent share issuances with subscription rights for shareholders in place of a reduction of the option or conversion price, to which shareholders are also entitled. They shall thus be placed as if their option or conversion rights had already been applied or their option or conversion obligations had been fulfilled. This would have the advantage in that the company – in contrast to a protection against dilution through reduction of the option or conversion price – can achieve a higher issue price for the shares issued for conversion or option. A partial exclusion of subscription rights is required in order to achieve this. It has, however, a quite limited scope.

a) Through the additional possibility of excluding the subscription rights of shareholders for the issue of shares to strategic partners, in fitting cases the company shall be placed in the position to acquire companies, parts of companies or holdings of companies against granting of shares of the company, or to gain for itself new and strategically important investors. It is not uncommon that, in the course of acquisition negotiations, the necessity arises to offer the seller not money, but company shares. The company's strategic partners also make their support or joint projects partly dependent on a participation in the company. The company should therefore possess an instrument allowing it to react flexibly to beneficial offers and other opportunities for the acquisition of strategically meaningful assets or for the use of strategic options, and to be able to implement these with the aid of liquidity-saving financing opportunities. The capacity to react swiftly and successfully to corresponding advantageous offers and arising opportunities thus also serves to maintain and increase the company's competitiveness. This authorisation extends in particular to the acquisition of participations as part of share deals, i.e. through the acquisition of company shares, and to acquisitions as part of asset deals, i.e. the takeover of a company or part of a company through the acquisition of its assets, rights, contract items, or similar. It also includes cases where the company seeks to enter into a cooperation with a strategic partner and the strategic partner makes this dependent on a participation in the company, or such a participation appears expedient. Since, in the aforementioned cases, a capital increase must often be carried out at short notice, this as a rule cannot be resolved by the Annual General Meeting, which meets only once a year. However, the convocation of an Extraordinary General Meeting for every single acquisition would not be practical due to issues of time and expense. In order to therefore be capable of acting on short notice in such cases, it is in the interest of the company to be able to increase the share capital through the issuance of new shares with the exclusion of subscription rights in return for cash and non-cash contributions.

e) The exclusion of subscription rights for the compensation of residual amounts is necessary so that, with regard to the amount of the respective capital increase, a practical subscription ratio is represented. Without the exclusion of subscription rights for residual amounts, the technical implementation of the capital increase and the exercising of subscription rights would made significantly more difficult. The value of the respective residual amount per shareholder is normally minimal, the expense for the issuance of shares without such exclusion of subscription rights is significantly higher; this is offset by only a slight dilution effect with the exclusion of subscription rights for residual amounts. The shares excluded from the shareholders' subscription rights as free residual amounts are to be disposed either through sale on the stock exchange or in another manner to the company's advantage. The exclusion facilitates the practicality and easier execution of a capital increase, and can therefore be demonstrated as appropriate.

With the use of an authorisation prescribed for the exclusion of subscription rights, the issue price shall be determined in such a way that the interests of the shareholders and the interests of the company continue to be appropriately accorded in consideration of respective capital market conditions.

The Executive Board shall report on each use of the authorised capital at the subsequent Annual General Meeting.

Berlin, May 2018

Oliver Borrmann
- Executive Board -