

GRAMMER AG

Virtual Annual General Meeting 2020

Report by the Executive Board on the planned use of Authorized Capital 2020 and, in accordance with section 203 (2) sentence 2 in connection with section 186 (4) sentence 2 AktG, on the exclusion of the shareholders' preemptive subscription rights as provided for in item 6 of the agenda

The Authorized Capital 2011 created at the Annual General Meeting of May 26, 2011 in accordance with article 5 (3) of the Articles of Association expired on May 25, 2016. At the Company's Annual General Meeting on July 12, 2019, a resolution was passed to postpone a resolution authorizing the creation of new authorized capital (item 6 of the agenda (resolution on the creation of new authorized capital – with the possibility for excluding the shareholders' preemptive subscription rights – and corresponding amendments to the Articles of Association).

Against this backdrop and in order to provide the Company with the necessary flexibility in its funding operations, the shareholders will be asked to pass a resolution on the creation of new authorized capital – with the option for excluding the shareholders' preemptive subscription rights – and corresponding amendments to the Articles of Association.

Using the proposed authorization, the Executive Board will be able to adjust the Company's capital resources in the light of business requirements within the scope provided for under Authorized Capital 2020. With the proposed Authorized Capital 2020, the Executive Board will be authorized subject to the Supervisory Board's approval to increase the Company's share capital once or repeatedly by a total of up to EUR 16,137,113.60 by issuing bearer shares on a cash and/or non-cash basis on or before July 7, 2025. Authorized Capital 2020 is capped at just under 50% of the Company's current share capital.

Envisaged use of Authorized Capital 2020

The Executive Board currently plans to use Authorized Capital 2020 to improve the Company's equity resources in the second half of 2020 subject to the Supervisory Board's approval. The Company's principal shareholder, Jive Auto Parts GmbH, a company affiliated with Ningbo Jifeng Auto Parts Co. Ltd. will participate in and support the planned capital increase, which is to generate fresh equity of at least EUR 40 million.

The capital increase from Authorized Capital 2020 is to be carried out as a subscription rights capital increase. By granting them subscription rights, all shareholders would be in a position to secure the preservation of their participation quotas by exercising the subscription rights. With the Supervisory Board's approval, at the time of using Authorized Capital 2020 the Executive Board would in particular define the amount of the capital increase and, therefore, the number of new shares to be issued, the subscription price and ratio as well as further details of the capital increase.

The Executive Board has not yet made any decision on the timing or content of any steps to utilize Authorized Capital 2020.

Possible exclusion of shareholders' preemptive subscription rights

As a general rule, the shareholders will have preemptive subscription rights if Authorized Capital 2020 is utilized. However, it is proposed that the Executive Board should be authorized to exclude the shareholders' statutory subscription rights subject to the approval of the Supervisory Board,

- as far as this is necessary to avoid fractional amounts.

The authorization to exclude the shareholders' preemptive subscription rights for fractional amounts ensures that the amount of the new capital to be issued results in a practical subscription ratio. If the shareholders' preemptive subscription rights are not excluded for fractional amounts, the technical execution of the issue is rendered more difficult particularly in the case of even amounts. The fractional amounts of shares for which

the shareholders' pre-emptive subscription rights are excluded will be eliminated as efficiently as possible for the Company by selling them on the stock market or in some other manner. Accordingly, the Executive Board and the Supervisory Board consider this authorization to exclude the shareholders' preemptive subscription rights to be appropriate.

- if the shares are issued on a non-cash basis for the purpose of acquiring companies, parts of companies or for settling any amounts owed by the Company or its Group companies.

This authorization to exclude shareholders' preemptive subscription rights allows the Company to acquire other companies, parts of other companies or investments in other companies by providing consideration in the form of the Company's own shares or to merge with other companies. This gives the Company a means of executing possible acquisitions with the assistance of a flexible funding instrument while preserving its liquidity. The possibility of reacting swiftly and successfully to advantageous offers or opportunities also preserves and enhances the Company's competitiveness. The authorization particularly covers the acquisition of investments in the form of "share deals", i.e. the acquisition of shares in another entity, or "asset deals", i.e. the acquisition of another entity or part of another entity by acquiring its core assets, rights, contracts and the like. The possibility of settling amounts owed by the Company or its Group companies by issuing shares in individual cases has a further advantage in that it preserves the Company's liquidity. As in such cases fresh equity must be issued at short notice, it is generally not practicable for a resolution to be passed to this effect at the Annual General Meeting, which takes place only once a year. It is not practical to convene an extraordinary shareholder meeting for each individual transaction in such cases due to cost and time reasons. In order to ensure swift action, it is in the Company's interests to be able to issue new shares on a cash basis subject to the exclusion of shareholders' preemptive subscription rights.

- as far as this is necessary to grant bearers or creditors of bonds to which option or conversion rights or obligations are attached which are issued by the Company or any subordinate Group companies a right to subscribe to new shares in a quantity to which they are entitled after the exercise of the option or conversion rights or after the settlement of the option or conversion obligations.

The purpose of the authorization to exclude the shareholders' preemptive subscription rights in favor of the holders of bonds issued by the Company or its Group members with option or conversion rights or obligations is to avoid the need to reduce the option or conversion price in accordance with the dilution protection clauses included in the option or conversion conditions if this authorization is exercised. Instead, the holders of the bonds with option or conversion rights or obligations are also to be offered subscription rights to the extent to which they are entitled to these after the exercise of the option or conversion rights or settlement of the option or conversion obligations. With this authorization, the Executive Board will be able to select from these two alternatives subject to careful consideration of the respective interests when it utilizes Authorized Capital 2020.

- in the event of cash capital issues provided that the issue amount of the new shares is not materially less than the market price of the equivalent listed shares in the Company on the date on which the issue amount is determined.

Finally, the authorization provides for the shareholders' preemptive subscription rights be excluded subject to the Supervisory Board's approval in cases in which the issue amount of the new shares is not materially less than the market price of equivalent already listed shares. This will permit the Executive Board to make use of favorable conditions in the equity market at short notice and to achieve the highest possible issue amount close to the market price in order to collect the greatest possible amount of equity. The authorization to exclude the shareholders' preemptive subscription rights is capped at 10% of the Company's share capital. This is determined on the basis of the Company's share capital as of the date on which the authorization takes effect or – if lower – on the date on which the authorization is exercised. Shares which are sold during the term of this authorization under authorization to sell treasury stock in accordance with section 71 (1) number 8, sentence 5 and section 186 (3) sentence 4 AktG subject to the exclusion of the shareholders' preemptive subscription rights will count towards this cap. Moreover, shares which must be issued to settle option or convertible bonds with an option or conversion right or an option or conversion obligation will also count towards this cap provided that the bonds are issued during the term of this authorization subject to the shareholders' preemptive subscription rights in accordance with section 186 (3) sentence 4 AktG with the necessary modifications. If the Executive Board makes use of this possibility for issuing capital, it will limit any discount on the issue price over the market price to an expected 3%, however no more than 5%. Shareholders wishing to maintain their relative share can buy further shares in the stock exchange on conditions that do not materially differ from those on which the new shares are issued. For this reason, the utilization of the proposed authorization to exclude the shareholders' preemptive subscription rights in accordance with section 186 (3) sentence 4 AktG will not result in a dilution of the shareholders' shares in the Company either in absolute or relative terms.

The Executive Board will consider the individual circumstances carefully in each case before deciding whether to make use of this authorization to issue new capital subject to the exclusion of the shareholders' preemptive subscription rights. It will only do this and the Supervisory Board will only grant its approval if after due consideration the Executive Board and the Supervisory Board are satisfied that this is in the best interests of the Company and its shareholders.

The Executive Board will report to the next Annual General Meeting on the utilization of Authorized Capital 2020.