

**GRAMMER AG**  
**Annual General Meeting 2021**

**Report of the Executive Board pursuant to section 203 (1), (2) AktG in connection with section 186 (4) sentence 2 AktG on Item 5 of the agenda (resolution to cancel Authorized Capital 2020 and to create new authorized capital – with the option for excluding the shareholders' pre-emptive subscription rights – and corresponding amendments to the Articles of Association):**

Under Item 5 of the agenda of the Company's Annual General Meeting on June 23, 2021, the Executive Board and the Supervisory Board propose to cancel the unused Authorized Capital 2020 of EUR 9,402,263.04 and to have a resolution passed to create new authorized capital with the option to exclude shareholders' pre-emptive subscription rights (Authorized Capital 2021).

The Executive Board utilized part of the authorization provided for in Article 5 (3) of the Articles of Association to increase the Company's share capital, with the approval of the Supervisory Board, on or before July 7, 2025 by issuing new no-par value bearer shares once or repeatedly on a cash or non-cash basis in a total of up to EUR 16,137,113.60 (Authorized Capital 2020), in the amount of EUR 6,734,850.56 for the cash capital increase with pre-emptive shareholder subscription rights completed in November 2020. The unused authorized capital currently amounts to EUR 9,402,263.04.

The purpose of the new authorized capital proposed under Item 5 of the agenda (Authorized Capital 2021) is to authorize the Executive Board, with the approval of the Supervisory Board, to increase the Company's share capital by issuing new no-par value bearer shares on a cash or non-cash basis once or repeatedly by a maximum amount of up to EUR 19,504,537.60 on or before June 22, 2026 (Authorized Capital 2021). The volume of Authorized Capital 2021 is capped at 50% of the Company's current share capital.

The purpose of Authorized Capital 2021 is to enable the Company to continue tapping the capital markets to raise the capital which it requires for its further development at short notice by issuing new shares and to take advantage of a favorable market environment quickly and flexibly to cover future financing requirements. Since decisions on covering future capital requirements generally have to be made at short notice, it is important that the Company is not dependent

in this respect on the sequence of the Annual General Meetings or on the notice period required for convening an extraordinary general meeting. The applicable legislation takes account of these circumstances by permitting the use of “authorized capital”.

As a general rule, the shareholders will have pre-emptive subscription rights if Authorized Capital 2021 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’ pre-emptive 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’ pre-emptive 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’ pre-emptive 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’ pre-emptive 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' pre-emptive 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' pre-emptive 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 2021.

- 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' pre-emptive 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' pre-emptive 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' pre-emptive 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' pre-emptive 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' pre-emptive 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' pre-emptive 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 2021.

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