

## REPORT OF THE SUPERVISORY BOARD



**DR. KLAUS PROBST**  
Chairman of the Supervisory Board

### DEAR SHAREHOLDERS,

In 2018, the Supervisory Board fulfilled its duties with the utmost care in accordance with the Articles of Association, the rules of procedure and the applicable statutory requirements. It monitored the activities of the Executive Board on an ongoing basis, advising it on all matters of importance for the Company. To this end, the Executive Board and the Supervisory Board worked closely together, maintaining regular contact with each other. The Executive Board briefed the Supervisory Board regularly, immediately and comprehensively both in writing and orally on all relevant matters within the Company as well as on its main business performance indicators. The Supervisory Board and the Executive Board discussed decisions of fundamental importance such as strategic issues concerning corporate planning, business policy, business performance, the risk situation and risk management.

Outside its meetings, the chairman of the Supervisory Board consulted with the Chief Executive Officer several times a month in intensive discussions both in person and over the phone, obtaining information on the Company's business performance and main transactions.

### MAIN MATTERS DEALT WITH AT THE MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held a total of four ordinary meetings and ten extraordinary meetings in 2018. At its ordinary quarterly meetings as well as at its extraordinary meetings, the Supervisory Board dealt in detail with the Company's current business and financial condition. At these regular meetings, the Supervisory Board deliberated on revenue, earnings and capacity utilization as well as on the financial condition and liquidity situation of GRAMMER AG and the GRAMMER Group. In addition, the members of the Supervisory Board discussed and passed resolutions on numerous matters as well as measures requiring their consent.

In addition, the Supervisory Board's activities in the year under review were heavily influenced by the voluntary public takeover bid that had been submitted by Jiye Auto Parts GmbH, a company affiliated with the Chinese Ningbo Jifeng Group.

No member of the Supervisory Board or its committees attended only half or fewer than half of the meetings. No conflicts of interests on the part of any of the members of the Supervisory Board in connection with the exercise of their duties were reported in the period under review.

All members attended the first ordinary meeting of the Supervisory Board on March 20, 2018. The main item on the agenda concerned the audit of the Annual Financial Statements and the consolidated financial statements. In the presence of the statutory auditor, the Supervisory Board adopted the parent-company financial statements of GRAMMER AG for the year ending December 31, 2017 and approved the consolidated financial statements of GRAMMER AG for the year ending December 31, 2017. In addition, the Supervisory Board agreed to the agenda items for GRAMMER AG's Annual General Meeting which was to take place on June 13, 2018. In particular, it accepted the Executive Board's proposal to ask the shareholders to approve a dividend of EUR 1.25 per dividend-entitled share. The Supervisory Board's report and the corporate governance report for 2017 were approved. The separate non-financial report published in GRAMMER AG's 2017 Annual Report for the first time was discussed at length by the Supervisory Board. The

existence of the report was verified and the appropriateness and implementation of the concepts as well as the internal due-diligence processes were reviewed. The Supervisory Board was satisfied that the measures taken and the sustainability concepts applied are appropriate for addressing the risks and opportunities and are in line with the business model. At this meeting, the Supervisory Board discussed the planned construction of the new Headquarters and R&D Center in Ursensollen near Amberg. Funding requirements were outlined and a resolution approved providing for the necessary finance to be raised and the mortgages to be issued up to an amount of EUR 50 million. The Company's current Human Resources development programs were also presented. This entailed the Talent Management@GRAMMER as well as succession planning programs and the career opportunities afforded under the Career@GRAMMER program. The efficiency review questionnaire revamped by a taskforce established by the Supervisory Board was adopted. The Supervisory Board reviewed the Executive Board's performance in 2017 in its absence and passed a resolution approving the payment of a bonus.

The Supervisory Board's first extraordinary meeting in 2018 was held on April 27, 2018 and attended by all of its members. The meeting primarily dealt with the notification received by the Executive Board from the later bidder in the (voluntary public) takeover bid, Jiye Auto Parts GmbH (a company affiliated with the principal shareholder of GRAMMER AG, JAP Capital Holding GmbH, and of Ningbo Jifeng) of its intention to increase its share in GRAMMER and to submit a voluntary public takeover bid to the shareholders. The Supervisory Board was apprised of the progress made in talks with the investor and shown a draft version of the business combination agreement. During the extraordinary meeting of the Supervisory Board discussion on the budget for 2018 was also continued. It was planned to review the budget presented in December 2017 at the beginning of 2018 with the aim of finalizing the parameters that were still outstanding in December 2017. The final budget was approved at this meeting.

On May 22, 2018, the Supervisory Board decided to approve an agreement providing for the purchase by GRAMMER AG of all shares in Toledo Molding & Die, Inc., United States. In addition, a loan agreement for up to USD 260 million to finance this acquisition was approved. The resolution was passed by telephone vote. Ten members of the Supervisory Board cast their vote over the telephone and two in a written declaration served by a courier.

The second extraordinary meeting of the Supervisory Board was held on May 25, 2018 and was attended by eleven members. The main item of the agenda was an update on the extraordinary meeting of April 27, 2018 as well as discussion on a further draft of the business combination agreement. The meeting was also attended by consultants from Morgan Stanley who explained to the Supervisory Board the method for assessing a public takeover bid price.

The third and fourth extraordinary meetings of the Supervisory Board were held on May 29, 2018. Eleven members of the Supervisory Board attended the meeting held on the morning of May 29, 2018. In the night prior to the meeting, the public had been informed of Jiye Auto Parts GmbH's intention of submitting a voluntary public takeover bid. At this stage, there was no final agreement on the business combination agreement and the bid price. Consequently, the Supervisory Board merely granted its consent at this meeting subject to the condition that the Executive Board contacts Jiye Auto Parts GmbH to commence talks on the business combination agreement as a basis for signing it. In addition, the Supervisory Board granted its consent in the event that the business combination agreement was signed and agreement was reached on a bid price of EUR 60.00 plus the dividend expected for 2017 of EUR 1.25 (equivalent to total consideration of EUR 61.25 per share). After final negotiations on the bid price, the Supervisory Board met for a further extraordinary meeting on the afternoon of May 29, 2018, at which eleven members of the Supervisory Board were present. At this meeting, the resolution to consent to the signing of the business combination agreement was expressly confirmed.

The second ordinary meeting, which was held on June 12, 2018 and attended by eleven members of the Supervisory Board, primarily dealt with the implementation of the efficiency review and the preparations for the Annual General Meeting taking place on the following day. The efficiency review was performed using a substantially expanded questionnaire for the first time. The Supervisory Board agreed on extensive actions to improve its efficiency which were to be, and were, implemented at its next meetings. In preparation of the Annual General Meeting, the Supervisory Board discussed the question as to whether a resolution to create authorized capital should be placed on the agenda in view of Jiye Auto Parts GmbH's intention of submitting a voluntary public takeover bid to the shareholders of GRAMMER AG. The Supervisory Board concurred with the Executive Board's view that the proposal should be withdrawn as there would likely be substantial changes in the shareholder structure following the execution of the takeover bid (which at that stage had merely been announced). The shareholders in their new structure should then decide on the creation and form of new authorized capital and the arrangements for new authorization by the Annual General Meeting for the issue of new shares. In connection with Executive Board remuneration, the details concerning the calculation of the parameters underlying the remuneration system, the system for determining the long-term incentive (LTI) tranches and the conditions for payment were approved.

The fifth extraordinary meeting of the Supervisory Board was held on July 6, 2018 and attended by eleven members. This meeting was convened immediately after the announcement of the voluntary public takeover offer by Jiye Auto Parts GmbH on June 25, 2018. The items on the agenda included the presentation of both fairness opinions prepared by the consultants retained by GRAMMER, the evaluation of the takeover bid by the Supervisory Board and deliberation on and the approval of the joint reasoned opinion of the Executive Board and the Supervisory Board. Both fairness opinions confirmed that the bid price is and was fair. The Supervisory Board examined and evaluated the takeover bid and subsequently approved the reasoned joint opinion published on July 6, 2018. In this opinion, the Supervisory Board and the Executive Board recommended that the shareholders of GRAMMER AG should accept the bid.

The sixth extraordinary meeting of the Supervisory Board was held on July 24, 2018 due to the modification published on July 18, 2018 to the voluntary public takeover bid. The meeting was attended by eleven members, who approved the supplementary joint reasoned opinion of the Executive Board and Supervisory Board, in which acceptance of the offer by the shareholders of GRAMMER AG was again recommended.

The seventh extraordinary meeting of the Supervisory Board was held on August 16, 2018. It took the form of a telephone conference in which ten members of the Supervisory Board participated. During this meeting, the Supervisory Board was briefed in detail on the current status of the voluntary public takeover bid and the commencement of the material asset restructuring project, which was required under Chinese regulatory law to enable the transfer of the share in GRAMMER to Ningbo Jifeng as a listed company.

The eighth extraordinary meeting of the Supervisory Board was held on August 31, 2018. It took the form of a telephone conference in which ten members of the Supervisory Board participated. It dealt with the successful completion of the takeover bid after the expiry of the extended acceptance period, and its legal consequences.

The third ordinary meeting of the Supervisory Board was held on September 26, 2018 and attended by all members. As all the members of the Executive Board had stated on September 24, 2018 that they intended to exercise their change-of-control rights, they were asked to give the Supervisory Board their respective reasons for this decision. The process for the search of replacements was discussed and the ensuing steps approved. Other matters dealt with at the meeting included an update on the progress of the voluntary public takeover bid by Jiye Auto Parts GmbH, which was completed on September 6, 2018. A report was submitted on the current status of the fulfillment of the closing conditions for the acquisition of Toledo Molding & Die, Inc., United States, and the funding of the acquisition. In a follow-up

to the efficiency review, training opportunities for the members of the Supervisory Board were presented and the questionnaire for the 2019 efficiency review adopted. The Ad-hoc Committee was disbanded. The Executive Committee of the Supervisory Board was established for the first time and the rules of procedure duly amended. The remuneration system for the Executive Board was again on the agenda of the Supervisory Board's meeting. AS GRAMMER AG had left the SDAX effective September 24, 2018, discussion concerned the impact that this would have on the long-term incentive as the total shareholder return was a component of the remuneration system and was based on the performance of the GRAMMER share relative to the SDAX. A project for enhancing the compliance and risk management system was presented and an update provided on the construction of the new Headquarters and R&D Center in Ursensollen near Amberg.

The ninth extraordinary meeting of the Supervisory Board was held on October 25, 2018 and attended by eleven members. At this meeting, a report was submitted on the current status of discussion on the search for replacements for the members of the Executive Board as well as the retention of a Human Resources consultant to assist with this process. The profile of requirements for the vacancies on the Executive Board was approved by the Supervisory Board.

The fourth ordinary meeting of the Supervisory Board was held on December 11, 2018 and attended by all members of the Supervisory Board. The main item on the agenda concerned the search for replacement of the members of the Executive Board. The Supervisory Board was informed of the current status of the process as well as the planned future steps. The Supervisory Board advocated offering Mr. Manfred Pretscher an addendum to his employment contract providing for him to act as interim CEO and Human Resources Director until June 30, 2019 and additionally also as interim CFO pending the appointing of a permanent CFO. Thereupon, Mr. Manfred Pretscher was appointed interim CEO and Human Resources Director for the period from January 1, 2019 to June 30, 2019 and also interim CFO. It was also decided to appoint Mr. Jens Öhlenschläger to the position of Chief Operating Officer (COO) with effect from January 1, 2019. His employment contract was approved by

the Supervisory Board. The remuneration system was revised by an external expert following the reallocation of Executive Board responsibilities, upon which the Supervisory Board approved the proposed modifications from January 1, 2019. An update was provided on the vacancies on the Executive Board. The plan for the integration of Toledo Molding & Die, Inc. was presented. An overview was provided on the establishment of a joint venture in India with AllyGrow Technologies. The planned amendments to the German Corporate Governance Code were discussed and the revised version of the declaration of conformity approved.

At the tenth extraordinary meeting of the Supervisory Board on December 20, 2018, which was attended by all members, votes were taken on a proposal submitted by the Personnel and Mediation Committee nominating Mr. Jens Öhlenschläger as COO. The Supervisory Board decided to appoint Mr. Jens Öhlenschläger to the Executive Board for a period from January 1, 2019 until December 31, 2021. In addition, an update was provided on the search for candidates for the vacancies on the Executive Board.

#### **PARTICIPATION IN THE MEETINGS OF THE SUPERVISORY BOARD**

A member-by-member breakdown of participation in the meetings of the Supervisory Board and its committees can be found in the Corporate Governance Report (page 28 of this report). Apologies were duly received from members unable to attend the meetings of the Supervisory Board or its committees, who generally cast their votes in writing.

#### **CIRCULATORY RESOLUTIONS OF THE SUPERVISORY BOARD**

In 2018, the Supervisory Board of GRAMMER AG passed two circulatory resolutions in writing. On May 25, 2018, it approved an agreement providing for the purchase by GRAMMER AG of all shares in Toledo Molding & Die, Inc., United States, as well as the funding of this transaction. The temporary addition of a further two members to the Personnel and Mediation Committee with effect from October 15 and the corresponding amendments to the rules of procedure of the Supervisory Board were approved in a circulatory resolution dated October 9, 2018.



The Corporate Governance Report can be found on page 28 of this report.

### SUPERVISORY BOARD COMMITTEES

To facilitate the efficient discharge of its duties, the Supervisory Board established the following five committees in the year under review, to which a sixth one was added on September 26, 2018. These committees had the following composition as of the reporting date (December 31, 2018):

<b>Strategy Committee</b>
Horst Ott
Dr. Klaus Probst (Chairman)
Lars Roder
Dr. Bernhard Wankerl
<b>Personnel and Mediation Committee</b>
Andrea Elsner (from October 15, 2018)
Dr. Peter Merten (from October 15, 2018)
Horst Ott
Dr. Klaus Probst (Chairman)
Lars Roder
Dr. Bernhard Wankerl
<b>Audit Committee</b>
Andrea Elsner
Wolfram Hatz (Chairman)
Martin Heiß
Dr. Klaus Probst
<b>Nominating Committee</b>
Wolfram Hatz
Dr. Klaus Probst (Chairman)
Dr. Bernhard Wankerl
<b>Ad-hoc Committee (until September 26, 2018)</b>
Andrea Elsner
Wolfram Hatz
Martin Heiß
Ingrid Hunger
Harald Jung
Dr. Peter Merten
Horst Ott
Dr. Klaus Probst (Chairman)
Lars Roder
Dr. Bernhard Wankerl
Prof. Dr. Birgit Vogel-Heuser
<b>Präsidium (from September 26, 2018)</b>
Horst Ott
Dr. Klaus Probst

The individual committees held a total of 18 meetings in 2018. Details of the deliberations at the meetings of the permanent committees were reported at the following meeting of the Supervisory Board.

The **Strategy Committee** advises the Executive Board on the development and implementation of the corporate strategy. It monitors the progress being made, prepares the consultations and resolutions of the Supervisory Board in connection with strategy-related matters and submits recommendations to it. It met twice in 2018. All members of the Supervisory Board attended the first meeting on March 20, 2018, which deliberated on the strategic partnership with Ningbo Jifeng. The main focus of the meeting of October 26, 2018 was to prepare the meeting of the Supervisory Board of December 11, 2018 at which the GRAMMER Group's strategy for 2018–2023 was on the agenda. The division managers were given the opportunity of presenting their strategy to the Strategy Committee and of answering any questions.

In addition to its duties under the German Codetermination Act, the **Personnel and Mediation Committee** performs tasks relating to Executive Board matters. It prepares personnel decisions to be made by the Supervisory Board as a whole. It met nine times in the year under review. All members attended these meetings. At the meeting on March 19, 2018, the Executive Board's target achievement in 2017 was reviewed, the application of the bonus/penalty system discussed and a proposal for submission to the plenary meeting of the Supervisory Board worded. At the meeting of June 7, 2018, individual aspects of the calculation of the parameters underlying the remuneration system and the system for determining the long-term incentive (LTI) tranches were discussed. The meeting of September 26, 2018 was primarily concerned with the announcement that all the members of the Executive Board intended to resign as well as the process for finding suitable replacements. In addition, there was preliminary discussion on those items of the agenda for the meeting of the Supervisory Board on September 26, 2018 falling within the responsibility of the Personnel and Mediation Committee. As well as this, corresponding proposals for submission to the plenary meeting of the Supervisory Board were adopted. In a circulatory resolution passed by the Supervisory Board on October 9, 2018, a decision was made to expand the Personnel and Mediation Committee pending the appointment of replacement members of the Executive Board by adding two members, Ms. Andrea Elsner and Dr. Peter Merten, on a parity basis.

At the first meeting of the Committee in its enlarged form on October 15, 2018, a resolution was passed to retain an external Human Resources consultant. In addition, fundamental questions concerning the search for replacements for the members of the Executive Board were addressed.

On November 9, 2018, the first status report by the external Human Resources consultant on the identification of external candidates was submitted and the timeline for new appointments discussed. A further update was given in a telephone conference held on November 20, 2018, while the meetings held on November 22 and 28, 2018 provided a detailed overview of the evaluation of internal candidates as well as attempts to address external ones.

In a telephone conference held on December 10, 2018, there was an update on the process, accompanied by preparatory discussion on the proposal to be submitted to the plenary meeting of the Supervisory Board concerning the appointment of a Chief Operating Officer (COO). At the meetings held on December 17 and 19, interviews were held with the candidates for the position of CEO and CFO on the Executive Board. In a further telephone conference held on December 20, 2018, it was decided to propose that the Supervisory Board should appoint Mr. Jens Öhlenschläger the position of COO for a period from January 1, 2019 until December 31, 2021. The future allocation of duties was discussed. However, it was decided not to make any changes for the time being.

The **Audit Committee** prepares the resolutions of the Supervisory Board on accounting matters and monitors the accounts, the accounting system, the efficacy of the internal control system, the risk management system and the internal auditing system as well as compliance. It submits to the Supervisory Board a reasoned recommendation for the selection of the statutory auditor, which must include at least two candidates in cases in which proposals are requested for the audit engagement. It monitors the independence of the statutory auditor and also deals with additional services provided by the statutory auditor, the grant of the audit engagement to the statutory auditor, the determination of the key audit issues and the agreement of the fees.

The Audit Committee met six times in 2018 and all members attended these meetings. The main item on the agenda for the first meeting held on March 20, 2018 concerned the Annual Financial Statements and the Consolidated Financial Statements for 2017. Representatives from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, which had been elected as statutory auditors for 2017 at the Annual General Meeting, were also present. The risk and internal auditing report

was also dealt with. The second ordinary meeting held on April 27, 2018 discussed the Interim Report for the first quarter ending March 31, 2018. At its third meeting on July 26, 2018, the Audit Committee deliberated on the GRAMMER Group's preliminary figures for the first half of the year ending June 30, 2018 and the engagement of the statutory auditor. In addition, there was discussion on the opportunity/risk report. The Audit Committee held an extraordinary meeting on September 19, 2018 at which it was informed of the upcoming activities in connection with the acquisition of Toledo Molding & Die, Inc., United States, particularly conversion/initial valuation in accordance with IFRS, the funding for the transaction and the impact this would have on the bank covenants. Information was also provided on the material asset restructuring process required for transferring the GRAMMER shares to the listed company Ningbo Jifeng. In a further extraordinary meeting of October 17, 2018, the Audit Committee deliberated on the reasons behind and the impact of the ad-hoc bulletin of October 15, 2018. At its fourth meeting held on October 26, 2018, the Committee discussed the preliminary Interim Financial Statements as of September 30, 2018. The main purpose of the extraordinary meeting held on November 26, 2018 was to receive an update on the project for enhancing the risk management system and the compliance management system.

The **Nominating Committee** is responsible for submitting the names of suitable nominees for the Supervisory Board to the Annual General Meeting as well as for defining in advance the requirements for the specific position to be filled. All members of the Nominating Committee attended the first meeting on March 20, 2018. Prof. Dr. Birgit Vogel-Heuser, who had already been appointed to the Supervisory Board by the court, was proposed as a candidate for election at the Annual General Meeting.

The **Ad-hoc Committee** is responsible for ensuring regular close consultation with the Executive Board and for advising it on recent developments and events; these were particularly related to the significant changes in the shareholder structure. In the year under review, one meeting was held on February 15, 2018, attended by six of its members. The customer situation in connection with the shareholder structure was discussed and an outlook provided of the matters to be discussed at the 2018 Annual General Meeting. On September 26, 2018,

the Supervisory Board passed a resolution to disband the Ad-hoc Committee as its activities had very largely been rendered superfluous following the acceptance of the voluntary public takeover bid submitted by Jiye Auto Parts GmbH.

A resolution was passed on September 26, 2018 to establish the **Executive Committee**. Its task is to support the Chairman of the Supervisory Board in the performance of his duties, particularly the preparation of the meetings and the coordination of the Supervisory Board's activities as well as the preparation of the resolutions to be passed by the Supervisory Board. The Executive Committee is composed of the Chairman of the Supervisory Board and his deputy. It met for the first time on November 15, 2018 to prepare the Supervisory Board meeting of December 11, 2018.

#### ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At the Annual General Meeting held on June 13, 2018, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Nuremberg, was appointed as statutory auditor of the Annual Financial Statements and the Consolidated Financial Statements for the reporting year. At its meeting of July 26, 2018, the Audit Committee engaged the auditor for the 2018 Annual Financial Statements and the Consolidated Financial Statements. The auditor submitted the Statement of Auditor's Independence as required by the German Corporate Governance Code and disclosed the auditing and consulting fees charged during the fiscal year. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited GRAMMER AG's Annual Financial Statements prepared in accordance with the German Commercial Code (HGB) and the Consolidated Financial Statements of GRAMMER Group prepared in accordance with IFRS as well as the Management Report for GRAMMER AG and the GRAMMER Group. The auditor issued an unqualified opinion for the parent-company financial statements and the Consolidated Financial Statements as of December 31, 2018. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft determined that the management report of GRAMMER AG and the GRAMMER Group provides a true and fair view of the Company and of the Group, as well as the opportunities and risks with regard to future development.

The auditor was satisfied in accordance with section 317 (4) HGB that the Executive Board had instituted a suitable monitoring system that meets the statutory requirements for an early warning system to identify

risks threatening the existence of the Company and that the Executive Board had implemented appropriate measures for early detection of developments and for averting risks.

The reports and financial statement documents were submitted to the members of Supervisory Board by the auditor in a timely manner and examined thoroughly. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft reported on the key results of the audit during the meeting of the Audit Committee held on March 1, 2019 dealing with the Annual and Consolidated Financial Statements and also at the Supervisory Board meeting held on March 15, 2019 to review the financial statements.

After thorough examination of the Annual Financial Statements and Consolidated Financial Statements as well as the Management Report of GRAMMER AG and the GRAMMER Group, the Supervisory Board raised no objections in this regard. The Supervisory Board thus endorsed the audit results established by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and approved the Annual Financial Statements for GRAMMER AG and the Group for 2018. GRAMMER AG's Annual Financial Statements have therefore been duly approved. The Supervisory Board agreed with the Executive Board's proposal for appropriation of net retained profits.

#### COMBINED SEPARATE NON-FINANCIAL REPORT

At its balance-sheet meeting of March 15, 2019, the Supervisory Board considered the combined separate non-financial report. The combined separate non-financial report submitted by the Executive Board describes the Company's approach to economic, social, ethical and environmental matters. It was published for the first time together with the Annual Financial Statements for 2017. The current combined separate non-financial report for the 2018 Annual Report can be found on page 12. The Supervisory Board satisfied itself that the report had been prepared and reviewed the appropriateness and implementation of its concepts and the internal due diligence processes and determined that the measures taken and the concepts applied for sustainability are appropriate for addressing the risks and opportunities and are consistent with the business model. After careful examination, the Supervisory Board approved the combined separate non-financial report of GRAMMER AG and the GRAMMER Group.



The current combined separate non-financial report can be found on page 12 of this report.

#### DEPENDENT COMPANY REPORT

The report prepared by the Executive Board on the Company's relationships with affiliated companies (dependent company report) for the period from September 6 to 31 December 31, 2018 was audited by the independent auditors – Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft – and issued with an unqualified audit opinion:

“Based on our audit and opinion as required by law, we confirm that

1. the factual statements made in the report are correct,
2. the consideration paid by the Company for the transactions listed in the report was not unreasonably high or disadvantages were compensated.”

The dependent company report and the auditor's report were submitted to all members of the Supervisory Board in good time and discussed in detail at the meeting of the Audit Committee on March 1, 2019 and at the meeting of the Supervisory Board on March 15, 2019. At both meetings, the auditor was available to answer questions and provide information on the dependent company report and the main findings of his audit.

Following its own detailed review and discussion of the dependent company report, the Supervisory Board approved the results of the audit and determined that it had no objections to the declaration of the Executive Board at the end of the dependent company report.

#### COMPOSITION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

All members of the Executive Board informed the Chairman of the Supervisory Board, Dr.-Ing. Klaus Probst, on September 24, 2018 that they planned to utilize their contractual change-of-control rights and to stand down from the Executive Board. Mr. Hartmut Müller and Mr. Gérard Cordonnier served notice of termination effective December 31, 2018 and left the Executive Board on this date. Mr. Manfred Pretscher served notice of termination effective February 28, 2019 but came to an agreement with the Supervisory Board providing for his contract to be renewed until June 30, 2019. At the same time, he declared his willingness to act as interim Chief Executive Officer, Human Resources Director and Chief Financial Officer from January 1, 2019.

There were no changes in the composition of the Supervisory Board in the year under review. Prof. Dr.-Ing. Birgit Vogel-Heuser, who had been appointed to GRAMMER AG's Supervisory Board by order of the court effective July 26, 2017, was duly elected to the Supervisory Board at the Annual General Meeting on June 13, 2018.

The Supervisory Board would like to express its thanks to the Executive Board, the employees and the employee representatives of GRAMMER AG for their great personal commitment and hard work, without which the favorable business performance achieved in the turbulent year of 2018 with its difficult underlying conditions would not have been possible. The Supervisory Board would also like to convey its gratitude to the shareholders who placed their trust in GRAMMER AG's Executive Board and Supervisory Board last year.

Amberg, March 2019

On behalf of the Supervisory Board



Dr. Klaus Probst  
Chairman