

REPORT OF THE SUPERVISORY BOARD



DR. KLAUS PROBST
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

In 2019, the Supervisory Board fulfilled its duties with the utmost care in accordance with the Articles of Association, the rules of procedure, the German Corporate Governance Code and the applicable statutory requirements. It monitored the activities of the Executive Board on a thorough and ongoing basis, advising it on all matters of importance for the Company.

All important matters were discussed in detail during the meetings of the Supervisory Board on the basis of written reports submitted in advance by the Executive Board. Both the shareholder representatives and the employee representatives met before each ordinary meeting of the Supervisory Board for preliminary discussions. The Supervisory Board's approval was requested in all cases where this was required under the rules of procedure. The individual decisions were preceded by intense discussion normally on the basis of a corresponding submission or presentation by the Executive Board. 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.

The Executive Board and the Supervisory Board worked together constructively, openly and in a spirit of mutual trust. The Executive Board also informed the Supervisory Board outside the meetings of matters of particular significance. In addition, the Chairman of the Supervisory Board discussed current issues directly with the Chief Executive Officer, the Chairman of the Audit Committee and the Chief Financial Officer. The entire Supervisory Board was briefed on the content of these discussions by no later than at the next meeting.

MAIN MATTERS DEALT WITH AT THE MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held a total of five ordinary meetings and five extraordinary meetings in 2019.

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.

At its ordinary quarterly meetings as well as 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 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 its regular reports on the state of the Company, the Executive Board reported during the ordinary meetings on the general situation with regard to the business of the Group and the two Divisions, the financial situation, significant investments and projects as well as new business. It also described any deviations from the planned budget. The Executive Board's reports to the Supervisory Board also described macroeconomic trends in GRAMMER's main markets and the status of the Group's headcount.

In the fourth quarter, the Supervisory Board dealt in detail with the revised corporate budget. In this connection, the Executive Board addressed the volatility of the external environment and described in particular the risks posed by trade policy and the weaker economic forecasts for the individual markets. The possible impact of different risk scenarios was also presented. In view of the muted industry environment and the cautious outlook on the part of leading automobile and commercial OEMs for the coming years, the Executive Board proposed a comprehensive program to optimize operating processes and cost structures in all parts of the GRAMMER Group.

In light of this, the Executive Board presented the annual budget for the 2020 financial year, which the Supervisory Board also discussed in detail with the Executive Board and duly approved.

A further key aspect was the Supervisory Board's efficiency review, which took the form of a questionnaire and a detailed discussion with all members of the Supervisory Board at the meeting in question. Overall, the Supervisory Board's work was considered to be efficient and was rated favorably. Valuable feedback and suggestions for the further development of the Supervisory Board's work were received and will be implemented in the new year. Among other things, these measures include an annual strategy meeting and an executive session of the Supervisory Board in the absence of the Executive Board.

Key partnerships, such as the joint venture with the Changchun FAWSN Group Co., Ltd. for automotive interior components and the joint venture in India with AllyGrow Technologies were also discussed at length by the Supervisory Board.

At the first extraordinary meeting for 2019 held on January 21, 2019, which was attended by all members, the resolution concerning the multi-year budget was prepared. A further important aspect concerned the replacements on the Executive Board for the positions of Chief Executive Officer and Chief Financial Officer. Following a broad-based selection process including internal and external candidates, the Supervisory Board deliberated on the shortlist of candidates at this meeting and agreed to hold a further telephone conference on January 23, 2019.

On January 23, 2019, the second extraordinary meeting of the Supervisory Board was held with the attendance of all members of the Supervisory Board as well as a representative of the personnel consulting company. At this meeting, a decision was made to fill the vacant positions with external candidates. At the same time, a favorite for each of the two positions was determined, with whom final negotiations were to be held promptly by the Chairman of the Supervisory Board on the basis of defined parameters.

The Supervisory Board held its first ordinary meeting for 2019 on January 31, 2019. This meeting was attended by all members of the Supervisory Board. The main item on the agenda for this meeting was the presentation of the corporate strategy for 2019 – 2023 by the Executive Board. After intense discussion, this was approved by the Supervisory Board. The Executive Board provided an update on the material asset restructuring project. In addition, the preliminary drafts of the report of the Supervisory Board for 2018, the corporate governance declaration and the combined separate non-financial were discussed. In addition, it was agreed to approve the budget for 2019 at the meeting of March 15, 2019.

All members attended the second ordinary meeting of the Supervisory Board on March 15, 2019, at which a resolution was passed to appoint Ms. Jurate Keblyte to GRAMMER AG's Executive Board for a period from August 1, 2019 until July 31, 2022. She assumed the position of Chief Financial Officer. In addition, Mr. Pretschner's appointment was extended until August 31, 2019 in the interests of a smooth transition. The final budget for 2019 was also approved at this meeting.

A further 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, 2018 and approved the consolidated financial statements of GRAMMER AG for the year ending December 31, 2018 without any reservations.

In addition, the Supervisory Board dealt with the annual report for 2018 including the report of the Supervisory Board, the corporate governance report and the remuneration report as well as the dividend proposal and the agenda for GRAMMER AG's annual general meeting on July 12, 2019. In particular, it accepted the Executive Board's proposal to ask the shareholders to approve a dividend of EUR 0.75 per dividend-entitled share. The separate non-financial report published in GRAMMER AG's 2018 annual report was discussed at length by the Supervisory Board. The report was checked for its appropriateness, the implementation of the concepts and the internal due-diligence processes. 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. 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 December 31, 2018 was audited by the independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who issued 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. The independent auditor was available at both meetings 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 appended to the dependent company report.

In addition, the Supervisory Board approved the GRAMMER Group's multi-year budget and discussed the risk report. A report was heard on the planned funding projects as well as the progress of construction in Ursensollen near Amberg.

The third extraordinary meeting of the Supervisory Board was held on April 25, 2019 and attended by 11 members. At this meeting, the Supervisory Board passed a resolution to appoint Mr. Thorsten Seehars as Chief Executive Officer of GRAMMER AG for a period from August 1, 2019 until July 31, 2022 and to additionally assign him the position of Human Resources Director. His service contract was discussed and duly approved.

The fourth extraordinary meeting of the Supervisory Board was held on July 1, 2019 and attended by 11 members. At this meeting, the Supervisory Board heard status reports on key projects as well as on the progress made in filling vacant top-management positions reporting directly to the Executive Board. An update was also provided on post-acquisition integration of the TMD Group, the new joint venture with Allygrow in India as well as the progress of construction of the new campus with the technology center and corporate headquarters in Ursensollen. At this meeting, the Supervisory Board also dealt in detail with the emerging downturn in the economic forecasts for the individual markets as well as the bridge finance for the TMD acquisition and the refinancing of the bonded loan issued in 2013.

The third ordinary meeting, which was held on July 11, 2019 and attended by all members of the Supervisory Board, primarily dealt with the execution of the efficiency review including the definition of appropriate measures and preparations for the annual general meeting taking place on the following day. The Supervisory Board

also approved an amendment to Annex 1 of the Executive Board's rules of procedure. Accordingly, the allocation of responsibilities was approved upon the commencement by the new CEO and the new CFO of their duties.

The fourth ordinary meeting of the Supervisory Board was held on September 26, 2019 and attended by all members. Ms. Antje Wagner took part in a meeting of the Supervisory Board for the first time. The main topics of the meeting were updates on the status of the bridge finance for the TMD acquisition, the funding of the Campus project and the refinancing of the bonded loan which had been issued in 2013. The progress made in integrating Toledo Molding & Die, Inc. was also discussed at this meeting on the basis of a detailed report of visits by members of the Supervisory Board and the Executive Board.

The fifth extraordinary Supervisory Board meeting on November 26, 2019 was attended by 10 members. At this meeting, the Supervisory Board approved a new syndicated loan required to fund the Group on a long-term basis.

Waiving requirements with respect to deadlines and form, the Supervisory Board approved a syndicated loan contract comprising an A tranche for increased euro-denominated funding and a B tranche for USD-denominated funding.

The fifth ordinary meeting of the Supervisory Board was held on December 11, 2019 and attended by all members of the Supervisory Board. The main items on the agenda for this meeting were the budget for 2020, the medium-term budget for 2021 and the following years and the corporate strategy for the period 2020 – 2024. The budget for 2020 was discussed in detail, with the Supervisory Board granting its approval. After detailed and constructive discussion, the Executive Board and the Supervisory Board unanimously decided to revise the medium-term budget by the January meeting so as to take into account the latest market data and performance indicators. Similarly, approval of the corporate strategy for the period 2020–2024 was postponed until 2020 to allow the new Executive Board to rebalance the priorities of the revised corporate strategy towards securing the Company's long-term and sustained success

in its various sell-side markets. At this meeting, the Supervisory Board also dealt in detail with the application of the recommendations of the German Corporate Governance Code. The Executive Board and the Supervisory Board submitted their declaration of conformity with the German Corporate Governance Code on December 11, 2019. The wording of the declaration of conformity can be found in the corporate governance declaration.

ATTENDANCE AT 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 44 of the annual 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 2019, the Supervisory Board of GRAMMER AG passed three circulatory resolutions in writing. On January 28, 2019, the Supervisory Board approved the service contracts with Ms. Keblyte and Mr. Seehars. The service contracts were subject to the condition precedent of the two persons notifying the Supervisory Board by no later than March 13, 2019 that they were able to commence their duties with GRAMMER AG on the agreed date. If such notification had not been received by that date or the commencement date for their duties had not been confirmed with binding effect, the service contract would have been void.

In a circular resolution dated May 10, 2019, the Supervisory Board passed a resolution to alter the structure of the USD-denominated finance for the acquisition of Toledo Molding & Die, Inc.

On May 17, 2019, the Supervisory Board approved a guarantee contract for the euro-denominated finance.



The corporate governance report can be found on page 44 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, which had the following composition as of the reporting date (December 31, 2019):

Strategy Committee
Horst Ott
Dr. Klaus Probst (Chairman)
Lars Roder
Dr. Bernhard Wankerl
Personnel and Mediation Committee
Horst Ott
Dr. Klaus Probst (Chairman)
Lars Roder
Dr. Bernhard Wankerl
Dr. Peter Merten (until May 10, 2019)
Andrea Elsner (until May 10, 2019)
Audit Committee
Andrea Elsner
Wolfram Hatz (Chairman)
Martin Heiß
Dr. Klaus Probst
Nominating Committee
Wolfram Hatz
Dr. Klaus Probst (Chairman)
Dr. Bernhard Wankerl
Executive Committee (from September 26, 2018)
Horst Ott
Dr. Klaus Probst

The Supervisory Board of GRAMMER AG has a Strategy Committee, a Personnel and Mediation Committee, an Audit Committee, a Nomination Committee and an Executive Committee. 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. The Committee met once in 2019.

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 four times in the year under review.

It primarily dealt with the appointment of the new Chief Executive Officer and the new Chief Financial Officer. The Personnel and Mediation Committee had six members in the period from October 12, 2018 until April 25, 2019. This temporary increase in the number of Committee members was due to a resolution that had been passed by the Supervisory Board on October 9, 2018 to appoint Ms. Andrea Elsner and Dr. Peter Merten to the Committee pending the filling of the vacant positions on the Executive Board. Upon Mr. Seehars' appointment on April 25, 2019, this addition to the number of members of the Personnel and Mediation Committee was reversed. In addition, Ms. Keblyte's ancillary activities on the advisory board of Baltic Yachts OY Ab Ltd. and on the supervisory board of HAWE Hydraulik SE were approved.

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.

In addition, the risk report was discussed and the Supervisory Board informed of the progress of the project for enhancing the risk management system. The Group Risk Manager also participated in the meeting for deliberations on this item of the agenda. In addition, the head of Internal Auditing presented the audit report for 2018. Furthermore, the Committee was informed by the Executive Board of the current funding projects as well as the material asset restructuring project. The Audit Committee met five times in 2019.

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. It did not meet in the year under review.

The task of the **Executive Committee** 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. The Executive Committee met before the ordinary meetings of the Supervisory Board to prepare these.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At the annual general meeting held on July 12, 2019, 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 30, 2019, the Audit Committee engaged the auditor for the 2019 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 annual financial statements and the consolidated financial statements for the period ending December 31, 2019. 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 Company's going-concern status 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 27, 2020 dealing with the annual financial statements and the consolidated financial statements and at the Supervisory Board meeting also held on March 27, 2020 to review the financial statements.

After thorough examination of the annual financial statements and the consolidated financial statements for 2019 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 2019. GRAMMER AG's annual financial statements were therefore duly approved. The Supervisory Board agreed with the Executive Board proposal for appropriation of net retained profits.

COMBINED SEPARATE NON-FINANCIAL REPORT

At its balance-sheet meeting of March 27, 2020, the Supervisory Board considered the Company's non-financial report. The combined separate non-financial report submitted by the Executive Board describes the Company's policies in respect of economic, social, ethical and environmental matters. The current separate non-financial report for the 2019 annual report can be found on page 26. The Supervisory Board satisfied itself that the report had been prepared and reviewed the appropriateness and implementation of its contents 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 GRAMMER Group's separate non-financial 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 January 1 to December 31, 2019 was audited by the independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who issued an unqualified audit opinion:

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

3. the factual statements made in the report are correct,
4. 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 27, 2020 and at the meeting of the Supervisory Board on March 27, 2020. The independent auditor was available at both meetings 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 appended to the dependent company report.

COMPOSITION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The Supervisory Board appointed Mr. Thorsten Seehars to the position of Chief Executive Officer and Human Resources Director of the Company at its meeting of April 25, 2019. Mr. Seehars was appointed for the period from August 1, 2019 until July 31, 2022. In addition, the Supervisory Board decided at its meeting of March 15, 2019 to appoint Ms. Jurate Keblyte to the Executive Board

for a period from August 1, 2019 until July 31, 2022. She assumed the position of Chief Financial Officer (CFO). In the interests of a smooth transition, Mr. Manfred Pretscher agreed to a further extension of his appointment until August 31, 2019. In August 2019, he remained an ordinary member of the Executive Board without any departmental responsibility of his own.

With the appointment of Mr. Thorsten Seehars as the new Chief Executive Officer as well as the appointments of Ms. Jurate Keblyte and Mr. Jens Öhlenschläger, we made crucial decisions concerning the Company's management in 2019. With these new appointments, all positions on GRAMMER AG's Executive Board have been filled on a long-term basis. We are delighted that we now have three experienced managers to continue and shape the Company's sustained successful development.

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 would not have been possible. The Supervisory Board is also particularly grateful to Mr. Pretscher, who agreed to remain available to the Company during the transition period. Finally, 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 2020

On behalf of the Supervisory Board



Dr. Klaus Probst
Chairman