



Addition to the Agenda of the Annual General Meeting of GRAMMER AG to be held on 24 May 2017

GRAMMER AG
AMBERG

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The ordinary Annual General Meeting of GRAMMER AG was convened for Wednesday, 24 May 2017 in Amberg with an announcement in the Bundesanzeiger [German Federal Gazette] dated 11 April 2017.

At the request of the shareholder Cascade International Investment GmbH, the following items are added to the agenda of the ordinary Annual General Meeting of 24 May 2017, pursuant to Sections 122 (2) and 124 (1) of the German Companies Act (Aktiengesetz, AktG), and are hereby announced.

6 Recall of Supervisory Board Members

7 Resolution on New Election of Three Supervisory Board Members

“The Supervisory Board of the Company comprises twelve members in accordance with Section 10 (1) of the Company Articles of Association in conjunction with Sections 95 and 96 (1) AktG, specifically six members elected by the Annual General Meeting and six members elected by the employees pursuant to the Co-Determination Act (Mitbestimmungsgesetz) of 1976. The Annual General Meeting is not required to choose from among recommended candidates.

We recommend electing the following persons as members of the Supervisory Board:

- a) Detlef Niefindt, managing director of Cascade International Investment GmbH, a resident of Wolfsburg.
- b) Dr Christian Becker, managing director of Prevent DEV GmbH, a resident of Frankfurt.
- c) Almir Jazvin, managing director of ASA Finance d.d., a resident of Sarajevo, Bosnia and Herzegovina.

The election shall have effect as from the end of the ordinary Annual General Meeting, to be convened, which shall deliberate on the ratification of acts for the financial year ending on 31 December 2019.

Re a) Detlef Niefindt is a member of the supervisory board of ALNO AG, Pfullendorf. Other than that, Mr Niefindt is not a member of any legally mandated supervisory board or comparable domestic oversight board.

Re b) Dr Christian Becker is a member and the chair of the supervisory board of ALNO AG, Pfullendorf. Other than that, Dr Becker is not a member of any legally mandated supervisory board or comparable domestic or foreign oversight board.

Re c) Almir Jazvin is a member of the supervisory board of ALNO AG, Pfullendorf. Other than that, Mr Jazvin is not a member of any legally mandated supervisory board or comparable domestic oversight board. Mr Jazvin is a member of the following comparable foreign oversight board:

- DUF Blago d.o.o., Sarajevo (Bosnia and Herzegovina);
- Saniteks d.d., Velika Kladuša (Bosnia and Herzegovina);
- Prevent FAD DD Jelah Tesanj, Jelah (Bosnia and Herzegovina);
- Prevent BH d.o.o., Sarajevo (Bosnia and Herzegovina).

In view of Section 5.4.1 of the German Corporate Governance Code, we hereby declare that, to our knowledge, none of the recommended candidates stands in a personal or business relationship with the Company or management bodies of the Company.

Re a) Detlef Niefindt is a businessman in wholesale and foreign trade and holds the German equivalent of a master's degree in business administration (specializing in human resources). Since 1999, he has been an employee/manager in finance and

administration at Prevent DEV GmbH in Wolfsburg with various responsibilities. He was the head of finance for Prevent DEV GmbH, the CFO of the Prevent Group, and supervisory board chair of Eybl Austria GmbH. In addition, his previous responsibilities included executive management of various subsidiaries and affiliates of Prevent DEV GmbH, such as Prevent Premium & Interieur (Körmend, Hungary), Bergler GmbH & Co. KG (Oebisfelde), Prevent Anlagen GmbH and Prevent TWB Immobilien GmbH & Co. KG (Hagen).

Mr Niefindt is a proven business leader in the automotive sector. His many years employed as a manager of finance and administration at Prevent DEV GmbH and other companies of the Prevent Group have provided him with in-depth knowledge of the automobile industry. This experience and his expert knowledge in the area of tax law and financial and operational audits make him particularly well-qualified to assume the office of a Supervisory Board member of GRAMMER AG.

Re b) Dr Christian Becker holds a German doctorate of laws as well as a master of laws from Victoria University of Wellington (NZ). After law studies at WWU Münster and the University of Sheffield and a legal clerkship in Berlin, Dr Becker initially served as counsel at the German-Slovenian Chamber of Commerce in Ljubljana (Slovenia). Dr Becker has been employed in the automotive sector since June 2007. He has served as legal counsel at Prevent DEV GmbH since June 2007. He has served since 2008 as managing director of Prevent Austria GmbH and since 2015 as managing director of Prevent DEV GmbH and various other subsidiaries and affiliates of the Prevent Group. From 2009 to 2012, he also served as acting supervisory board chair of Eybl Austria GmbH (Krems, Austria).

This experience in the industry and his many years of work as a jurist, including in M&A transactions and issues of corporate law in Germany and abroad, make Dr Becker well-qualified to assume the office of a Supervisory Board member of GRAMMER AG.

Re c) Almir Jazvin holds a degree in international business management (La Roche College, USA) and a master of banking and international finance (City University Business School, London). He has worked in the field of finance since 1998. From 1998 to 2006, he served, among other things, as a finance manager of the World Bank and International Finance Corporation. From 2006 to 2008, he served as project and structured finance manager at Raiffeisen Bank Bosnia and Herzegovina. From 2010 to 2016, he chaired the supervisory board of Moja Banka d.d. Sarajevo (BiH). He has worked at Prevent Group Bosnia and Herzegovina since 2008 and has served as its CEO since 2011.

The Prevent Group is one of the largest private corporations in Bosnia-Herzegovina. Mr Jazvin is known as an expert in the finance field and has many years of practical professional experience in international banking; this makes him particularly well-qualified to assume the office of a supervisory board member of GRAMMER AG and to serve as an independent expert within the meaning of Section 100 (5) AktG."

8 Withdrawal of confidence from members of the Management Board

9 Audit and assertion of damage claims against the Management Board and Supervisory Board in connection with the issuance of a mandatory convertible bond (MCB) for EUR 60.0 million

In its request for an addition to agenda items 6, 8 and 9, the shareholder Cascade International Investment GmbH merely named the subject matter for deliberation and did not submit any proposed resolutions for these agenda items. For agenda item 7, it submitted three recommended candidates in addition to the subject matter for deliberation.

Joint statement of the Management Board and Supervisory Board of GRAMMER AG concerning the request for an addition pursuant to Sections 122 (2) and 124 (1) AktG made by Cascade International Investment GmbH

The Management Board and Supervisory Board offer the following statement concerning the request for an addition:

On 22 December 2016, Cascade International Investment GmbH ("Cascade") filed a request for convocation of an extraordinary Shareholders' Meeting in accordance with Section 122 (1) AktG. The subject matter of the request for convocation was, among other things, the recall of five of the total of six shareholder representatives on the Supervisory Board and the new election of five recommended candidates, all of whom stand in a close relationship to the corporate group of the Hastor family and thus to the Prevent Group.

The Management Board did not approve the request for convocation because, after a thorough review, it was compelled to deem the request to be an abuse of law for several reasons.

The Local Court of Amberg likewise judged the request for convocation made by Cascade to be an abuse of law, and, consequently, in its decision of 7 March 2017, it dismissed Cascade's motion for authorization to convene a Shareholders' Meeting.

While the request for an addition to the agenda now put forward by Cascade, in terms of a new election of Supervisory Board members (agenda item 6), is limited to the election of three Supervisory Board members, the Management Board and the Supervisory Board cannot rule out that the Hastor family will continue to attempt – perhaps step by step – to gain control of the Supervisory Board of the Company via their subsidiaries Cascade, which holds a stake of more than 10%, and Halog GmbH & Co. KG, which likewise holds a stake of more than 10%. The Management Board and Supervisory Board also consider that the vague wording of the request for an addition, in which only the subject matters are named and not any proposed resolutions, except for agenda item 7, does not inspire confidence. This very opaque method of proceeding and the persistent stance of refusing to talk with the management bodies, customers and remaining shareholders of GRAMMER AG confirm worries about an intended takeover of control by the Hastor family and the associated impairment of the customer relationships and future order situation of the GRAMMER Group.

The Management Board and the Supervisory Board of GRAMMER AG have reviewed the request for an addition and have come to the

conclusion that, first, there are doubts about the legal admissibility of the request for an addition because of the lack of any proposed resolutions, for the most part, or of any justifications for the agenda items, and, second, in the interest of the Company, there is no objective legitimacy to these agenda items. Rather, with the request for an addition, Cascade and the Hastor family behind it are exclusively pursuing their own objectives, the background and intentions of which have still not been communicated and therefore cannot be judged and evaluated. Thus, it is to be feared that the implementation of these objectives could mean substantial prejudice to all the other shareholders, employees and other stakeholders.

Specifically:

Agenda Item 6 – Recall of Supervisory Board Members

The term of office of the current shareholder representatives on the Company's Supervisory Board expires at the end of the Annual General Meeting that resolves on the ratification of the acts of the Supervisory Board members for the fiscal year ending 31 December 2019.

The current composition of the Supervisory Board ensures well-qualified and efficient supervision of and advising for the Management Board of GRAMMER AG. All shareholder representatives on the Supervisory Board are very well suited by their career experience, professional expertise, commitment, integrity and personal qualities to fulfil the responsibilities of supervisory board members in an internationally active corporate group.

Moreover, all the shareholder representatives are independent, as defined by Section 5.4.2 of the German Corporate Governance Code (DCGK). They do not stand in any business or personal relationship to GRAMMER AG or its management bodies, to a controlling shareholder or to any company affiliated with such, which might establish a significant and not merely passing conflict of interest. Furthermore, the shareholder representatives do not exercise any management functions or consulting responsibilities at significant competitors of the GRAMMER Group. Against this background, all the shareholder representatives on the Supervisory Board are to be classified as independent, which guarantees oversight and advising by the Supervisory Board solely in the interest of the Company and free of conflicts of interest.

The currently appointed Supervisory Board is an independent and well-qualified body that has demonstrated its good work in the Company's interest throughout the recent years. Against this background, there is no apparent reason in the interest of the Company that would demand a recall of any of the Supervisory Board members representing shareholders prior to the end of their term of office. On the contrary, key customers of GRAMMER have repeatedly stressed that the independence of the existing management bodies of GRAMMER AG and the successful continuation of the operational and strategic business policy are seen as absolutely essential to the continuation of the business relationship.

Therefore, the Supervisory Board recommends voting against the recall of Supervisory Board members (agenda item 6).

Additional information about the Company's incumbent Supervisory Board members can be found on the internet under www.grammer.com, in the section on Investor Relations and the Annual General Meeting.

Agenda Item 7 – New Election of Three Supervisory Board Members

The new election of the three proposed Supervisory Board members would constitute a rupture of the well-established and proper corporate governance of the Company and would conflict with the German Corporate Governance Code.

The three candidates recommended by Cascade, Detlef Niefindt, Dr Christian Becker and Almir Jazvin, have all maintained very close business relationships for many years with the Hastor family, which is behind Cascade. These relationships are not limited to the functions mentioned in the descriptions of supervisory board positions, but go far beyond them in terms of the activities performed by these persons. All three proposed candidates are head managers or managing directors of subsidiaries of the Prevent Group, which is likewise majority-owned by the Hastor family. If these three candidates were elected, the Supervisory Board's independence and broad diversification would be significantly impaired.

In addition, following the introduction of the gender quota under Section 96 (2) AktG, the Supervisory Board of GRAMMER AG, in any Supervisory Board election, must have a second female member on the shareholder side as well. The shareholder side currently has only one woman because the terms of office of the Supervisory Board members elected prior to the gender quota taking effect have not expired. Under Section 96 (2) AktG, at least 30% of the Supervisory Board members must be women, and at least 30% must be men. Since the fulfilment in toto was disputed in accordance with Section 96 (2) sentence 3 AktG, the minimum quota must be fulfilled separately by the shareholder side and the employee side. Therefore, out of the six shareholder seats on the Supervisory Board, at least two must be occupied by women. Currently, Ingrid Hunger is a member of the shareholder side on the Supervisory Board. The election recommendations put forward by Cascade only provide for male candidates, and, therefore, if they were put forward by Cascade in the Annual General Meeting with no changes, this would constitute a violation of Section 96 (2) AktG.

The Supervisory Board therefore recommends voting against the new election of three Supervisory Board members and, in particular, against the candidates recommended by Cascade under agenda item 7.

Agenda Item 8 – Withdrawal of Confidence from Members of the Management Board

The Supervisory Board has reviewed the accusations made against the members of the Management Board and could not find any base for a claim that there might be evidence justifying a withdrawal of confidence from members of the Management Board. Nor is there any reasonable ground for expanding the request for a withdrawal of confidence, which originally applied to Management Board chair Hartmut Müller alone, so that it would now apply to an unspecified number of members of the Management Board. The request by Cascade is completely vague and lacks any solid substantiation.

On the contrary, thanks to the successful work of the Management Board of GRAMMER AG, the Company has, in recent years, grown into an innovative global player. The fact that the Company has grown into a leading international supplier in recent years and can boast of excellent results and significant increases in profitability shows that the Supervisory Board and the Management Board are working in a

very committed and successful manner for the long-term growth of the Company. The Supervisory Board and the Management Board can only account for the request as part of Cascade's attempt to end the successful corporate management of the Company and take over control of GRAMMER AG.

The Supervisory Board and the Management Board therefore recommend voting against a withdrawal of confidence from members of the Management Board (agenda item 8).

Agenda Item 9 – Audit and assertion of damage claims against the Management Board and Supervisory Board in connection with the issuance of a mandatory convertible bond (MCB) for EUR 60.0 million

The mandatory convertible bonds were issued to an affiliate of Ningbo Jifeng by GRAMMER AG within the framework of the relevant legal provisions, in particular the corresponding authorization by the Shareholders' Meeting, and in the interest of the Company. In the issuance of the MCB, the Management Board and the Supervisory Board acted in compliance with their duties, so that there are no grounds for an assertion of damage claims against the Management Board and the Supervisory Board. The specific details regarding the issuance of the MCB with exclusion of subscription rights and the objective justification thereof are explained thoroughly in the report of the Management Board on the exclusion of subscription rights included in the invitation to the Annual General Meeting to be held on 24 May 2017.

Here, we would merely point out the following by way of example: the MCB opened up the opportunity for GRAMMER AG to forge an important strategic partnership in the automotive sector in the world's fastest growing sales market in China. The planned strategic alliance will improve the competitive position of GRAMMER and ensure its future growth in the world's largest passenger car market, thus also ensuring the Company's further increase in value. Incidentally, the equity value of GRAMMER AG increased further with the issuance of the MCB on 14 February 2017.

From the standpoint of the Management Board and the Supervisory Board, there are no recognisable bases for any claim of behaviour contrary to duty on the part of the Management Board or the Supervisory Board. The request therefore appears to be an attempt by Cascade to put pressure on the administration of GRAMMER AG in order to generate a feeling of insecurity in the management bodies.

The Management Board and Supervisory Board therefore recommend voting against the audit and assertion of damage claims against the Management Board and Supervisory Board in connection with the issuance of a mandatory convertible bond (MCB) for EUR 60.0 million (agenda item 9).

Amberg, April 2017

GRAMMER Aktiengesellschaft
The Management Board

GRAMMER Aktiengesellschaft

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Chair of Supervisory Board: Dr.-Ing. Klaus Probst

Management Board: Hartmut Müller (Chair)

Gérard Cordonnier

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Registered office of the Company: Amberg

Register Court: Amberg Local Court, Comm. Reg. B 1182