

POLYTEC Holding AG
Report of the Board of Directors
on item 7 of the agenda (Authorised Capital)
of the 19th Ordinary Annual General Meeting

Report of the Board of Directors on item 7 of the agenda of the 19th Ordinary Annual General Meeting to be held on 10 May 2019 pursuant § 170 in conjunction with § 153 (4) of the Austrian Stock Corporation Act (AktG):

The Board of Directors of POLYTEC Holding AG (the “company”) domiciled in A-4063 Hörsching, Polytec-Straße 1, Austria, Commercial Register FN 197646 g, Commercial Court Linz, moves a resolution to the company’s Annual General Meeting that following the entry of the corresponding amendment to the Articles of Association in the company register and subject to the approval of the Supervisory Board, it be authorised to increase the share capital of the company to EUR 29,028,460.00 (twenty nine million, twenty eight thousand, four hundred and sixty), at best in several tranches, within a maximum period of 3 (three) years against cash or a non-cash contribution of up to a nominal value of EUR 6,698,875.00 (six million, six hundred and ninety eight thousand, eight hundred and seventy five) through the issue of a maximum of 6,698,875 (six million, six hundred and ninety eight thousand, eight hundred and seventy five) new bearer shares with a nominal value of EUR 1.00 (one euro) at a minimum issuing price of EUR 1.00 (one euro) each, and to determine the issuing price and the issuing conditions in agreement with the Supervisory Board (authorised capital).

In addition, subject to the consent of the Supervisory Board, the Board of Directors will also be authorised to exclude the subscription rights of shareholders if share capital is increased against a contribution in kind consisting of companies, operations, part-operations, or shares in one or several enterprises either in Austria or other countries.

The Supervisory Board shall be empowered

- to carry out an amendment to the company Articles of Association, which is necessary owing to the issue of shares from authorised capital and
- to amend clause 4.4. of the company Articles of Association through the raising of the existing authorised capital and the introduction of the new authorised capital, whereby following the entry of the corresponding amendment to the Articles of Association in the company register, subject to the approval of the Supervisory Board, the Board of Directors will be empowered to increase the share capital of the company to EUR 29,028,460.00 (twenty nine million, twenty eight thousand, four hundred and sixty), at best in several tranches, within a maximum period of 3 (three) years against cash or a non-cash contribution of up to a nominal value of EUR 6,698,875.00 (six million, six hundred and ninety eight thousand, eight hundred and seventy five) through the issue of a maximum of 6,698,875 (six million, six hundred and ninety eight thousand, eight hundred and seventy five) new bearer shares with a nominal value of EUR 1.00 (one euro) at a minimum issuing price of EUR 1.00 (one euro) each, and to determine the issuing price and the issuing conditions in agreement with the Supervisory Board (authorised capital).

Pursuant to § 170 in conjunction with and § 153 (4) of the Austrian Stock Corporation Act (AktG) the Board of Directors reports on the option to exclude the subscription rights of shareholders as follows:

REPORT:

Subject to the consent of the Supervisory Board, the Board of Directors should be authorised to exclude the subscription rights of shareholders entirely or partially if share capital is increased against a contribution in kind.

In the course of the continual negotiations held by the Board of Directors regarding the acquisition of strategic participations, contractual partners express an interest in the bringing in of participations as a contribution in kind through the provision of shares in the company. From the company's point of view, it may also make sense for strategic

or organisational reasons to involve the contracting party as a shareholder in the POLYTEC GROUP. In suitable, individual cases, the company so should be provided with the option to purchase assets in kind and in particular companies, parts of companies or participations through the transfer of shares. This is only possible subject to the exclusion of the subscription rights of shareholders.

As a result of the possibility of purchasing a corresponding participation in individual cases, either entirely or partially, through the issue of company shares to the seller, the company is in a position to complete the expansion and/or supplementation of the area of its articulated activities without any negative impact upon its liquidity. The company thus possesses an instrument for the realisation in its own interests of possible acquisition possibilities with the aid of flexible financing possibilities. The authorisation covers both the purchase of participations within the framework of so-called share deals, i.e. the purchase of company shares, and purchases in the course of so-called asset deals, i.e. the takeover of a company, or part of a company through the purchase of determining assets, rights, contractual positions, etc. In such cases, the granting of a possibility through the creation of authorised capital subject to the exclusion of the subscription rights of shareholders is necessary. The Board of Directors must be able to react flexibly and quickly in order to exploit to the greatest possible extent the favourable market situations with which it is presented. Decision-making speed and security of implementation are also key factors for the success of a M&A transaction. Ensuring financing is crucial during the first negotiations. The authorised capital can secure such financing and thus lead to higher chances of completion and success in company acquisitions.

Prior to obtaining the consent of the Supervisory Board to a capital increase, the Board of Directors will examine each individual case carefully in order to ascertain whether the use of this instrument is necessary and if the value of the new shares is in a reasonable relationship to that of the asset to be purchased. The exclusion of subscription rights is proportionate because there is regularly a particular interest of the company in the acquisition of the relevant asset. The Board of Directors will only employ the empowerment for the use of authorised capital subject to the exclusion of option rights, when the described and legal preconditions are fulfilled. The resolution regarding the use of authorised capital and the exclusion of the subscription rights require the approval of the Supervisory Board.

If all the circumstances cited are considered, the requested authorisation to exclude the subscription right in the case of a capital increase against contribution in kind is necessary, suitable, appropriate and objectively justified in the overriding interest of the company.

In closing, it should be mentioned that the allocation of an authorisation to the Board of Directors to increase the company's share capital with the approval of the Supervisory Board and where applicable subject to the exclusion of the subscription rights through the issue of new shares from authorised capital, constitutes a procedure that is both standard and generally recognised amongst many listed Austrian companies. The POLYTEC Holding AG has also been authorised this way since May 2008. The authorised capital, which was approved for the first time by the resolution of the Annual General Meeting on 21 May 2008, was approved again at the Annual General Meetings on 7 August 2013 and on 19 May 2016. It will expire in September 2019.

Hörsching, April 2019

The Board of Directors