

REPORT OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD  
OF FACC AG

pursuant to Section 159(2) No.3 of the Austrian Stock Corporation Act (AktG)  
on item 8 of the agenda  
of the 5th Annual General Meeting to be held on 9 July 2019  
(creation of Authorized Conditional Capital 2019)

**Agenda item 8**

**Resolution on (i) the creation of new authorized conditional capital against cash contributions, subject to the prior approval of the Supervisory Board; this authorized conditional capital replaces the capital resolved at the Annual General Meeting on 23 June 2014; and (ii) a corresponding amendment of item 4.4 of the Articles of Association**

Under item 8 of the agenda of the Annual General Meeting of FACC AG, the Management Board and the Supervisory Board propose to replace the authorization granted to the Management Board by the Annual General Meeting on 23 June 2014 to create authorized conditional capital in accordance with Section 159(3) of AktG (Authorized Conditional Capital 2014).

At the Annual General Meeting of FACC AG to be held on 9 July 2019, the Management Board shall once again be authorized pursuant to Section 159(3) AktG to increase the share capital of FACC AG, subject to the approval of the Supervisory Board, by an amount of up to EUR 3,000,000 (EUR three million) by issuing up to 3,000,000 (three million) new no-par value bearer shares against cash contributions up to five years after registration of this amendment to the Articles of Association for the purpose of granting stock options to employees, senior executives and members of the Management Board of the Company or of an affiliated company. Share capital may only be increased for specific purposes and to the extent exercised by holders of options from a stock option plan of the Company.

The described priority issuing of shares within the scope of a future stock option plan to members of the Management Board of the Company and other executives of the FACC Group determined by the Management Board of the Company, who receive an offer from the Company to participate in the stock option plan, constitutes a permissible reason for the exclusion of subscription rights of existing shareholders pursuant to Section 153 (5) AktG.

As required by law, the Management Board and the Supervisory Board submit the following Report on the possible exclusion of subscription rights pursuant to Section 153(4) in conjunction with Section 159(2) No. 3 AktG.

### Report:

#### ***Basic principles and performance incentives of stock options offered to employees, senior executives and members of the Management Board of the Company or any of its affiliated companies***

The Authorized Conditional Capital 2019 is intended to afford the Company as much flexibility as possible in implementing the planned employee stock option program.

Stock options are designed according to the principle that employees, senior executives and members of the Management Board of the Company and of its affiliated companies (key employees) make a significant contribution to increasing the value of the Company and should therefore be granted a share in this value increase via a stock option program.

For key employees, the granting of stock options constitutes an incentive system that contributes to the growth in value of the Company. These types of stock option programs are now commonplace and widespread among listed companies. To this end, it is necessary to be able to offer employees and management the opportunity to acquire shares in FACC AG since this is expected from employees and management. The lack of a stock option program would therefore prove to be a disadvantage for the recruitment of new employees and managers.

Moreover, these stock option programs also serve to boost the motivation of existing key employees, to increase the retention periods of these employees and to promote each employee's contribution to sales and profit growth. The Management Board is therefore of the opinion that a future stock option program is also a necessary means to retain employees and to increase the attractiveness of FACC AG and its affiliated companies as an employer. In the absence of stock options, the Company and its Group companies may be obliged to pay senior executives and management a higher variable compensation, thus increasing costs for the companies. Finally, investors acquiring shares in listed companies also expect key employees and management to share in the company's success.

For these reasons, the Management Board is to be authorized, pursuant to Section 159 (3) AktG and subject to the prior consent of the Supervisory Board, to resolve a conditional capital increase of up to a nominal value of EUR 3,000,000 (EUR three million) in one or several installments up to five years after registration of this amendment to the Articles of Association for the purpose of granting stock options to employees, senior executives and members of the Management Board of the Company or one of its affiliated companies.

In view of the fact that this capital increase amounts to only 6.6% of the share capital, the resulting dilutive effect on existing shareholders of the Company is minor and can be considered reasonable with regard to the participation of key employees in the performance of the Company.

The key points of the employee stock option program have not yet been finalized. However, corresponding anticipatory resolutions are common practice both nationally and internationally. The Management Board will inform the subsequent Annual General Meeting of the utilization of the Authorized Conditional Capital 2019.

The Management Board is required to publish a new report pursuant to Section 159 (3) in conjunction with Section 159(2) No. 3 AktG at least two weeks prior to the approval of the Supervisory Board. If shares are also granted to members of the Management Board, the Management Board shall prepare the report jointly with the Supervisory Board.

By way of summary, it can be assumed that all shareholders will benefit from the Company's exercise of the proposed authorization to issue new shares for the purpose of granting stock options to employees, senior executives and members of the Management Board of the Company or one of its affiliated companies.

Ried im Innkreis, June 2019

The Management Board of FACC AG  
The Supervisory Board of FACC AG