

NORMA Group SE

Annual General Meeting on 30 June 2020

Report of the Management Board on agenda item 10

Apart from the possibilities provided for in agenda item 9 for a conventional acquisition of own shares, a limited use of derivatives for the acquisition of own shares shall be permitted. Such an option has meanwhile become widespread in practice. The possible use of derivatives for the acquisition of own shares expands the Company's ability to structure the acquisition of own shares in an optimal manner. Under certain circumstances it can be advantageous for the Company to sell put options or acquire call options instead of directly acquiring own shares in the Company. Moreover, it can be beneficial to acquire shares by way of forward purchases. The Management Board intends to use put and call options, as well as forward purchases (hereinafter collectively also "**Derivatives**") only as a supplement to conventional share buybacks. The acquisition of shares with the use of Derivatives must be carried out through a credit institution or another company meeting the requirements set out in section 186(5), sentence 1 German Stock Corporation Act. This authorisation may be utilised by the Company, by companies dependent on it or in which the Company holds a majority of the shares, or by way of third parties acting for the account of the Company or for a company dependent on it or in which the Company holds a majority of the shares.

The term of each of the individual Derivatives may not exceed 18 months, must end by 29 June 2025 at the latest and be selected such that the acquisition of the shares in NORMA Group SE in the course of exercising or fulfilling the Derivatives cannot be carried out after 29 June 2025. Thus, in principle the authorisation is to utilise the five-year framework which is legally possible, but with the restriction that the term of each of the individual Derivatives may not exceed 18 months. This ensures that obligations under the individual Derivatives will be limited to a reasonable period of time. Moreover, the total volume of acquisitions of Derivatives is limited to 5% of the share capital existing at the time of the adoption of the resolution.

In selling put options, the Company grants the acquirer the right to sell shares in NORMA Group SE to the Company at an exercise price which is set in the put option. As consideration, the Company will receive an option premium which, taking into account the exercise price, the term of the option and the volatility of the share in NORMA Group SE, corresponds to the value of the right to sell. If the put option is exercised, the option premium paid by the acquirer of the put option will reduce the total equivalent value paid by the Company for the acquisition of the share. As a rule, it makes economic sense for the option holder to exercise the put option if the price of the share in NORMA Group SE at the time of the exercise is below the exercise price, because it would then be possible to sell the shares at the higher exercise price. From the Company's point of view, the buyback of the shares with the use of put options would, for example, have the advantage that the exercise price would already be set at the conclusion of the option transaction, while the liquidity would not flow until the date on which it is exercised. Moreover, due to the option premium it received, for the Company the purchase price of the shares would lie below the share price upon conclusion of the option transaction. The use of put options in buying back shares may make sense if the Company intends to buy back own shares when the prices are lower but is not certain about the optimal time for the buyback. If the option holder does not exercise the option because the share price is higher than the exercise price during the period of the exercise, the Company will not be able to acquire own shares in this way, but will still be able to keep the option premium it received.

When acquiring a call option, the Company receives the right, against payment of an option premium, to purchase a predetermined number of shares in NORMA Group SE at a predetermined exercise price from the seller of the option. It would make economic sense for the Company to exercise the call option if the price of the share in NORMA Group SE is higher than the exercise price because it would then be possible to purchase the shares at the lower exercise price from the seller of the option. In this way the Company can protect itself against rising share prices. Additionally, the liquidity of the Company will be burdened with the agreed upon exercise price only when, upon exercise of the call options, the acquisition price set for the shares has to be paid.

For forward purchases, the Company agrees with the forward seller to acquire the shares at a certain date in the future at a forward price that is set upon conclusion of the forward purchase. Once that date arrives, the Company will pay the forward price to the forward seller, and in return the seller will deliver the shares. It can make sense for the Company to enter into forward purchases if it would like to secure a demand for own shares at a certain price level on the date. Unlike an option transaction, a forward purchase creates obligations for both sides already at the time of its conclusion, the fulfilment of which is merely delayed in time.

The exercise price for a share in NORMA Group SE which is to be paid upon the exercise of put or call options, or the forward price to be paid for a share in NORMA Group SE upon fulfilment of the forward purchase can be higher or lower than the listed price of the share upon sale of the put option, or acquisition of the call option or conclusion of the forward purchase, as the case may be. The exercise price, or the forward price, as the case may be (without ancillary acquisition costs) may, however, not exceed the price of the share in NORMA Group SE in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange, as determined on the day of the conclusion of the derivative transaction by the opening auction, by more than 10% and not fall below it by more than 10%. The option premium agreed upon by the Company for put options may not fall substantially under, and for call options may not fall substantially over, the theoretical market value of the respective option on the date of conclusion as determined according to recognised methods of financial mathematics in particular, whereby among other things, the agreed exercise price must be taken into account. Likewise, the forward price agreed by the Company for forward purchases may not lie substantially over the theoretical forward price determined according to recognised methods of financial mathematics in particular, whereby among other things, the current exchange price and the term of the forward purchase must be taken into account.

It must be contractually agreed in the terms of the Derivatives that the shares which are to be delivered to the Company upon exercising or fulfilling the Derivatives must previously be acquired on the stock exchange in accordance with the equal treatment principle at the current price at the time of the acquisition of the share in NORMA Group SE in the Xetra trading system (or a comparable successor system).

Due to the aforementioned setting of the option premium and exercise price or forward price, as the case may be, as well as the obligation to satisfy options and forward purchases by utilising only shares which were acquired on the stock exchange in accordance with the equal treatment principle, the possibility is excluded that shareholders will be economically disadvantaged when acquiring own shares with the use of Derivatives. Since the Company receives or pays a fair market price, the shareholders who do not participate in the Derivatives will not suffer any financial disadvantage. This is in accordance with the position of the shareholders for buybacks over the stock exchange where not all of the shareholders can sell shares to the Company. The standards for designing the options and forward pur-

chases and the requirements for the shares which are to be delivered ensure that the principle of equal treatment of the shareholders is respected with this method of acquisition as well.

For this reason it is justified to exclude the shareholders' right to conclude the aforementioned derivatives transactions with the Company in analogous application of section 186(3), sentence 4 German Stock Corporation Act. In this way, as well as due to the fact that the Company can conclude the derivatives transactions solely with a financial institution, the Company will – in contrast to an offer to all shareholders to conclude derivatives transactions – be put in a position to conclude derivatives transactions on a short term basis as well, and thus be able to react to favourable market situations.

When acquiring own shares with the use of Derivatives, shareholders should only be entitled to sell their shares to the extent the Company is obliged to purchase them under the Derivatives. Otherwise the use of Derivatives in connection with buybacks of own shares would not be possible and the advantages associated with this for the company would not be achievable. After weighing the interests of the shareholders and those of the Company, the Management Board considers it to be justified not to grant, or to restrict, the right to sell due to the advantages for the Company resulting from the use of Derivatives.

The Management Board will report to the next Annual General Meeting about each utilisation of the authorisation.