Annual General Meeting of JOST Werke AG on May 4, 2018

Report of the Management Board on Item 8 of the agenda pursuant to Section 221(4) Sentence 2 and Section 186(4) Sentence 2 AktG

Suitable capital resources provide an essential basis for the development of the Company. One possible financing instrument is represented by option and convertible bonds, through which the company attracts low-interest debt capital that may in certain circumstances remain available to it later in the form of equity. An authorization with a term of five years to issue option and/or convertible bonds and furthermore participation rights and/or participating bonds (or combinations of these instruments) as well as Contingent Capital 2018 that is used to service the authorization is therefore to be created.

The proposed authorization to issue option and/or convertible bonds, participation rights and/or participating bonds (or combinations of these instruments (jointly referred to as “bonds”) in the total nominal amount of up to EUR 350,000,000.00 as well as to create the appropriate contingent capital of up to EUR 7,450,000.00 provides the administration with additional flexibility to respond swiftly to favorable conditions on the capital market. The bond terms and conditions stipulate the more detailed specifications.

In addition to the right provided by the statutory provisions, the shareholders have a subscription right in principle. They are thus given the opportunity to invest their capital in the company and at the same to maintain their share of equity. To facilitate the processing, the possibility is provided for the bonds to be issued to one or more banks or companies within the meaning of Section 186(5) Sentence 1 AktG with the obligation to offer the bonds to the shareholders for subscription in accordance with their subscription right (indirect subscription right). However, in accordance with the statutory provisions, the Management Board should be authorized in specific cases to exclude the subscription right of the shareholders for bonds with the approval of the Supervisory Board:

It should initially be possible to exclude the subscription right for fractional amounts in the case of issues where the shareholders have a subscription right in principle. An exclusion of the subscription right of this kind is generally customary. This exclusion is also justified in objective terms, because the costs of subscription right trading in the case fractional amounts that would otherwise be necessary is not reasonably proportionate to the advantage that the shareholders would enjoy, while the possible dilution effect is low anyway on account of the limitation to fractional amounts.

Furthermore the Management Board should be authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders insofar as the issue of shares is limited to up to 10 per cent of the share capital of the company on account of option and conversion rights or option and conversion obligations or tenders. This possibility of excluding the subscription right gives the company the flexibility to seize favorable market situations at short notice and, by setting conditions close to the market, to obtain better terms and conditions when determining the interest rate and issue price of the bonds. As the issue price of the bonds in these cases is not set at a level significantly lower that its mathematical market value calculated on the basis of recognized methods of financial mathematics, the need to protect the shareholders in relation to an economic dilution of their shareholding is taken into account. When the issue price is set at the market value, the value of the subscription right falls practically to zero. The Management Board will endeavor to obtain as high an issue price as possible and to minimize as far as possible the economic distance from the price at which the previous shareholders are able to purchase additional shares on the market. Shareholders who would like to maintain their proportion in the share capital of the company can achieve this by making an additional purchase on the stock market on approximately the same conditions. A relevant decrease in the share of equity from the perspective of the shareholders is also eliminated. The authorization is restricted to the issue of option and conversion rights (also with option or conversion obligations or options to sell) on shares accounting for a proportion of up to 10 per cent of the share capital of the company. Any other issue of shares or a disposal of treasury shares is to be credited to this 10 per cent limit if this issue or disposal is carried out during the term of the proposed authorization while excluding the subscription right pursuant to or in accordance with Section 186(3) Sentence 4 AktG. Furthermore, shares that have to be issued to service option and/or conversion rights or option and/or conversion obligations that have been established during the term of this authorization as a result of the issue of bonds on account of another authorization while excluding the subscription right in application mutatis mutandis of Section 186(3) Sentence 4 AktG are also to be credited. This more extensive limitation is in the interests of the shareholders who wish to maintain their share in equity as far as possible in the event of corresponding capital measures; their additional investment can be limited in these cases to a maximum of 10 per cent of the shareholding. The Management Board will ensure that the requirements of Section 186(3) Sentence 4 AktG are maintained in respect of the existing authorizations as well as this authorization that is to be newly created.

The subscription right should also be excluded if it is necessary for the purposes of anti-dilution protection in order to grant to the holders or creditors of bonds with option and/or conversion rights or option and/or conversion obligations or options to sell on the part of the company that have been issued by the company or its group companies in the event that the authorization is issued a subscription right to bonds to the extent to which they would be entitled as shareholders after exercising the option and/or conversion right or after fulfilling an option and/or conversion obligation or after tendering shares. The relevant bond terms and conditions generally contain anti-dilution protection in order to make it easier to place bonds on the capital market. This thus serves the interests of the shareholders in an optimal financing structure of the company. One option for anti-dilution protection consists in granting a subscription right to bonds to the holders or creditors of the bonds in the case of subsequent issues in the same way as shareholders are entitled to, without having to adjust the conversion or option price. They are thus treated as if they were already shareholders. In order to be able to furnish the bonds with dilution protection of this kind, the subscription right of the shareholders to the bonds must be excluded in this respect.

The bonds can also be issued in return for non-cash contributions if this is in the interests of the company. In this event, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the subscription right of the shareholders if the value of the non-cash contribution is in reasonable proportion to the theoretical market value of the bonds to be calculated using recognized principles of financial mathematics. This opens up the possibility that the bonds can also be employed in order to be able to acquire companies, parts of companies, equity interests in companies, or other assets, including loans and other liabilities of the company, for example. Practical experience has shown that it is frequently necessary during negotiations to provide the consideration not in monetary terms, but also exclusively in another form. The option to be able offer bonds as consideration thus creates an advantage in the competition for interesting acquisition targets as well as the necessary room for maneuver to be able to take advantage of the opportunities that present themselves to acquire companies, parts of companies, equity interests in companies, or other assets in a way that preserves liquidity. This can also be sensible from the perspective of an optimal financing structure.

If participating bonds or participation rights should ultimately be issued without option or conversion rights or option or conversion obligations, the Management Board is authorized to exclude the subscription rights of the shareholders with the approval of the Supervisory Board as a whole if these participation rights or participating bonds are structured in a similar way to bonds, i.e. if they do not establish any membership rights in the company, do not grant any share in the liquidation proceeds and if the level of the interest rate is not calculated on the basis of the amount of the net income, the net retained profit, or the dividend. Furthermore, the interest rate and the issue amount of the participating bonds or participation rights must be consistent with the market conditions prevailing at the time of the issue. If these requirements are fulfilled, no disadvantages result for the shareholders from the exclusion of the subscription right, as the participation rights and participating bonds do not establish any membership rights and also do not grant any share in the liquidation proceeds or in the profit of the company.

This authorization is limited to the extent that the shares issued under this authorization after the option and conversion rights and option and conversion obligations have been exercised while excluding the subscription right may not exceed 20 per cent of the share capital existing at the time the authorization comes into effect or at the time the authorization is utilized, whichever is the lower. Shares that are issued from authorized capital during the term of the above authorization while excluding the subscription right and furthermore shares that are issued as a result of the exercising of option and/or conversion rights or option/conversion obligations attached to bonds are to be credited if the related bonds are issued during the term of this authorization subject to the exclusion of the subscription right are also to be credited to this 20 per cent limit. A possible dilution of voting rights of the shareholders for whom the subscription right is excluded will be limited by this offsetting.

The Management Board will carefully review in each individual case whether it will make use of the authorization to issue bonds while excluding the subscription right of the shareholders with the approval of the Supervisory Board. It will do so only if in the opinion of the Management Board and the Supervisory Board it is in the interests of the Company and therefore of its shareholders. The Management Board will report to the subsequent Annual General Meeting each time on the use of the authorization.

Neu-Isenburg, March 2018

JOST Werke AG

The Management Board