Management Board report on agenda item 10 pursuant to Article 9 para. 1 c) ii) of the SE Regulation in conjunction with Section 221 para. 4 sentence 2 and Section 186 para. 4 sentence 2 AktG[1]

Having adequate funding is essential to the Company’s development. One potential tool for financing is the use of bonds with warrants and convertible bonds, through which the Company initially obtains debt financing at favourable interest rates which, circumstances permitting, it can later retain in the form of equity.

Pursuant to agenda item 8, the Annual General Meeting held on 4 May 2018 adopted a resolution authorising the issuance of such instruments, along with Conditional Capital 2018 in the amount of EUR 7,450,000.00 (Conditional Capital 2018, Article 6 of the Articles of Association). The authorisation to issue such instruments expires on 3 May 2023, i.e., it ends before the scheduled date of the 2023 ordinary Annual General Meeting. The authorisation to issue such instruments has not been utilised to date, which is why the Conditional Capital 2018 is no longer needed.

In order to keep all future courses of action open for the Company (including the issuance of profit participation rights or profit participating bonds), the Company still needs to establish a relevant authorisation to issue such instruments and a new tranche of Conditional Capital 2023 which can be used to service the authorisation, where needed.

The proposed authorisation to issue registered bonds with warrants and/or convertible bonds, profit participation rights and/or profit participating bonds (or combinations of such instruments) (hereinafter referred to jointly as “bonds”) for a total nominal amount of up to EUR 650,000,000.00 and the creation of the corresponding conditional capital of up to EUR 7,450,000.00 will further expand the Company’s room for manoeuvre in financing its activities, while management will have more flexibility to respond quickly to favourable conditions on the capital markets. More details can be found in the bond terms and conditions.

The proposed authorisation stipulates that the bonds can be issued in euros or – while being limited to the corresponding equivalent value – in a legal foreign currency, e.g. that of an OECD member state. The bonds may also be issued by companies that are dependent on the Company or in which the Company either directly or indirectly holds a majority interest (hereinafter referred to as “Group companies”) and whose registered office is here or abroad. In this case, the proposed authorisation stipulates that the Management Board is authorised to assume the guarantee for the bonds and to grant to the holders of such bonds option or conversion rights (including with the Company’s option or conversion obligations or tender rights) for no-par-value Company bearer shares. The bonds may have a fixed or variable interest rate.

The proposed authorisation stipulates that bonds may be divided into fractional bonds (with proportional rights). The proportional amount of share capital accounted for by the no-par-

[1] This document represents the English translation of the German “ Bericht des Vorstands zu Tagesordnungspunkt 10 gemäß Art. 9 Abs. 1 lit. c) ii) SE-Verordnung i.V.m. § 221 Absatz 4 Satz 2, § 186 Absatz 4 Satz 2 AktG” which is the sole binding version.

value Company shares issued per fractional bond may not exceed the nominal amount of the fractional bond.

In principle, shareholders have a subscription right in accordance with statutory provisions. This enables them to invest their capital in the Company and, at the same time, to maintain their equity interest. In order to facilitate processing, there is a provision that allows bonds to be issued to one or more banks or companies within the meaning of Section 186 para. 5 sentence 1 AktG, with the obligation to offer shareholders the right to subscribe the bonds in accordance with their subscription rights (also referred to as indirect subscription rights). If bonds are issued by the Company’s group companies, the Company must ensure that subscription rights are granted to the Company's shareholders accordingly. However, in conformity with statutory provisions, the Management Board is to be authorised, with the approval of the Supervisory Board, to exclude the right of shareholders to subscribe to bonds:

First, for issues that generally include shareholder subscription rights, it should be possible to exclude subscription rights for fractional amounts. Such an exclusion of subscription rights is generally customary. It is also justified objectively, as there is no reasonable proportional relationship between the expenses for trading subscription rights that would otherwise be required for fractional amounts and the advantage to shareholders, and in any case, the dilutive effect caused by the fractional amount restriction is minor.

Further, the Management Board is to be authorised, with the approval of the Supervisory Board, to exclude shareholder subscription rights to the extent that the issue of shares on the basis of bonds with option or conversion rights or option or conversion obligations or tenders issued in exchange for a cash payment is limited to 10% of the Company's share capital. The ability to exclude the subscription right will give the Company flexibility in taking advantage of favourable capital market situations on short notice and, through the specification of terms in line with the market, in obtaining better terms in connection with setting the interest rate and the issue price of the bond. In such cases, the shareholders’ need for protection against an economic dilution of their shareholdings will be taken into account by setting the issue price of the bonds at an amount that is not substantially lower than their market value, as calculated using recognised financial calculation methods. Where the issue price is equal to the market value, the value of the subscription right essentially drops to zero. The Management Board will make every effort to achieve an issue price that is as high as possible and to keep the disparity as small as possible between the issue price and the price at which existing shareholders can purchase shares on the market. Shareholders who wish to preserve their stake in the Company's share capital can do so by purchasing shares on the market under approximately the same terms and conditions. Also, from the standpoint of shareholders, there will be no relevant detriment to their equity interest. The authorisation is limited to the issuing of option or conversion rights (including with option or conversion obligations or tender rights) to shares with a stake of up to 10% of the Company's share capital in exchange for a cash payment. Any further issue of shares or sale of treasury shares, insofar as this takes place while barring subscription rights pursuant to or in accordance with Section 186 para. 3 sentence 4 AktG during the term of the proposed authorisation, shall count towards this 10% share capital limit. Also to be counted are shares that are to be issued to service option and/or conversion rights or option and/or conversion obligations that were established through the issue of bonds on the basis of a different authorisation excluding subscription rights subject to Section 186 para. 3 sentence 4 AktG (*mutatis mutandis*) during the term of this authorisation. This farther-reaching limitation is for the benefit of shareholders who wish to preserve as far as possible their equity interests in the event of corresponding corporate actions. In such cases, their additional investment can be limited to at most 10% of their shareholding. The Management Board shall ensure that the preconditions stipulated in Section 186 para. 3 sentence 4 AktG regarding existing authorisations, as well as this newly created authorisation, continue to be met.

The subscription right should also be barred to the extent necessary to protect against dilution in order to grant to holders or creditors of Company bonds with option and/or conversion rights or option and/or conversion obligations or tender rights issued upon utilisation of the authorisation by the Company or its group companies a subscription right to bonds to the extent to which they would be entitled as shareholders following exercise of the option or conversion rights or after satisfaction of option or conversion obligations or after the tendering of shares. In order to facilitate placement of bonds on the capital markets, the relevant bond terms and conditions generally include protection against dilution. This promotes the shareholders' interest in ensuring that the Company has an optimal financing structure. In the case of the following issues, one option for protecting against dilution involves granting the bondholders or bond creditors the same right to subscribe bonds to which shareholders are entitled, without any need to adjust the conversion or option price; i.e., treating them as though they were already shareholders. To provide the bonds with such protection against dilution, shareholder subscription rights to the bonds must be barred in this regard.

Insofar as profit participating bonds and/or profit participation rights without option or conversion rights or option or conversion obligations are to be issued, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription rights of shareholders in their entirety if such profit participation rights or profit participation bonds have bond-like features, i.e. if they do not establish any membership rights in the Company or grant any equity interest in liquidation proceeds and if the amount of interest payable is not calculated on the basis of the amount of annual net profit, retained earnings, or dividends. In addition, both the amount of interest payable on and the issue price of the profit participating bonds and/or profit participation rights must reflect the current market conditions at the time of issue. If these requirements are met, the exclusion of subscription rights will not result in any detriments for the shareholders, since the profit participation rights or profit participation bonds do not establish any membership rights and also do not grant any share in liquidation proceeds or in the Company's profit.

The Management Board is authorised, with the consent of the Supervisory Board, to determine the further details regarding implementation of the conditional capital increase. The Supervisory Board is to be authorised to adjust the wording of the Articles of Association in accordance with the respective utilisation of the Conditional Capital 2023 or in the event of non-utilisation of the authorisation to issue bonds after the end of the authorisation period and in the event of non-utilisation of the Conditional Capital 2023 after the end of the periods for exercising option or conversion rights and the periods for satisfying option or conversion obligations.

This authorisation is limited to the extent that, after exercising the option or conversion rights and option or conversion obligations, the shares issued under this authorisation while barring subscription rights may not exceed 10% of the existing share capital on the day on which the authorisation goes into effect or 10% of the existing share capital on the day when the authorisation is utilised – whichever is lower. Shares issued from authorised capital during the term of the above authorisation, with subscription rights being barred, shall count against this 10% limit; further, shares issued as a result of exercising option and/or conversion rights or option/conversion obligations attached to bonds shall count, to the extent the associated bonds are issued during the term of this authorisation, with subscription rights being barred. By taking these items into account, any potential dilution of the voting rights of shareholders excluded from subscription rights is limited.

In addition, issuing bonds on the basis of the proposed authorisation is permitted only if the number of shares for which the issue of bonds creates an option or conversion right or a conversion obligation (likewise taking into account new shares which may have been issued previously from authorised capital during the term of this authorisation) does not exceed a total number of 7,450,000 shares (equal to a EUR 7,450,000.00 stake in the share capital).

The Management Board shall in each case carefully consider whether to utilise, with the approval of the Supervisory Board, the authorisation to issue bonds while barring shareholder subscription rights. It will do so only if, in the estimation of the Management Board and the Supervisory Board, this is in the interest of the Company and thus of its shareholders. In each case, the Management Board shall report to the next Annual General Meeting on utilisation of the authorisation.

The above reports on agenda items 8, 9 and 10 will be available on the Company's website at ir.jost-world.com/agm from the day on which the Annual General Meeting is convened. They will also be on display during the Annual General Meeting.

JOST Werke SE

Neu-Isenburg, April 2023

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