

**Management Board report on agenda item 9 pursuant to Article 9 para. 1 c) ii) of the SE Regulation in conjunction with Section 203 para. 2 sentence 2 and Section 186 para. 4 sentence 2 AktG<sup>1</sup>**

In order to ensure – in particular in an international, and in some cases very dynamic, market and competitive environment – that the Company has access at all times to adequate and flexible financing options, the proposed resolution relating to agenda item 9 stipulates the creation of a reasonable amount of authorised capital. In excluding subscription rights in exchange for cash contributions, the Company limits itself to up to 10% of share capital and, for all corporate actions taken together; it likewise limits itself to a maximum of 10% of share capital, as described in detail below. As in the past, the Management Board and the Supervisory Board shall very carefully weigh the interests of shareholders and the Company before implementing a corporate action.

Pursuant to agenda item 7, the Annual General Meeting held on 4 May 2018 approved authorised capital in the amount of EUR 7,450,000.00 (Authorised Capital 2018, Article 5 of the Articles of Association). To date, this Authorised Capital 2018 has not yet been utilised; however, it will exist only until 3 May 2023, meaning that it will expire before the scheduled date of the 2023 ordinary Annual General Meeting.

Against this backdrop, and for the reasons enumerated, the Management Board and the Supervisory Board believe it is appropriate to cancel the Authorised Capital 2018 and to immediately create a new tranche of Authorised Capital 2023 in the amount of EUR 7,450,000.00 with the option of excluding subscription rights. The proposed amount of Authorised Capital 2023 is equal to 50% of the share capital on the day on which the ordinary Annual General Meeting 2023 is convened. The option to exclude subscription rights is limited to 10%, subject to mutually offsetting other authorisations to exclude subscription rights. This will also ensure that, even if all subscription rights are maintained, the Authorised Capital 2023 shall be available only to the extent that, even considering any new shares that may be issued from conditional capital, the total authorised capital and conditional capital that may be issued cannot exceed 7,450,000 new shares, or 50% of the Company's current share capital. The proposed authorisation stipulates that new shares may be issued in exchange for a cash contribution and only until 10 May 2026. The proposed authorisation can be utilised once or several times in partial amounts until the entire amount of proposed authorised capital has been utilised.

The purpose of the authorised capital is to allow the Company to quickly adapt to changing markets in the interests of its shareholders. To do so, the Company needs the customary and necessary tools for raising capital.

When utilising the authorised capital, shareholders have a basic subscription right. Instead of issuing the new shares directly to shareholders, the new shares can also be taken up by one or more banks appointed by the Management Board with the obligation to offer them to the

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<sup>1</sup> This document represents the English translation of the German "Bericht des Vorstands zu Tagesordnungspunkt 9 gemäß Art. 9 Abs. 1 lit. c) ii) SE-Verordnung i.V.m. § 203 Absatz 2 Satz 2, § 186 Absatz 4 Satz 2 AktG" which is the sole binding version.

shareholders for subscription (indirect subscription right); the use of banks as intermediaries merely simplifies processing of the share issue from a technical standpoint. However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude shareholder subscription rights in the cases described below.

First, the Management Board must be authorised to exclude fractional amounts from shareholder subscription rights. Regarding the amount of the respective capital increase, the purpose of this authorisation is to make it possible to present a viable subscription ratio. If fractional amounts of subscription rights were not excluded, it would be significantly harder from a technical standpoint, particularly in the event of a capital increase, to implement the capital increase with rounded amounts and to exercise subscription rights. The Company shall monetise the new shares excluded from shareholder subscription rights for being fractional amounts as optimally as possible either through sale on the stock exchange or in some other manner.

The authorisation to exclude subscription rights shall apply provided that the issue price of the new shares is not significantly lower than the stock exchange price for the already listed shares at the time when the Management Board makes its final determination of the issue price, which should be as close as possible to the date of the share placement. In the event the authorisation is utilised, the Management Board shall set the deviation from the stock exchange price as low as possible based on the market conditions prevailing at the time of the placement. The number of shares issued with subscription rights being barred pursuant to Section 186 para. 3 sentence 4 AktG may not in aggregate exceed 10% of the share capital; this applies both to the date on which this authorisation goes into effect and to the exercise date. Counted in this number are shares that are being issued or will be issued on the basis of bonds with option and/or conversion rights or option and/or conversion obligations, to the extent that the bonds are issued during the term of this authorisation and are subject to Section 186 para. 3 sentence 4 AktG (*mutatis mutandis*), with subscription rights being barred; also counted in this number are shares that are being issued or sold during the term of this authorisation, through direct application of Section 186 para. 3 sentence 4 AktG or *mutatis mutandis* – e.g. based on an authorisation to use treasury shares in accordance with Section 71 para. 1 no. 8 and Section 186 para. 3 sentence 4 AktG, with subscription rights being barred. In line with statutory provisions, these requirements take into account shareholders' interest in protecting their shareholdings from dilution. As the issue price of the new shares is close to the stock exchange price, and given the limitation on the amount of the capital increase in which subscription rights are barred, every shareholder generally has the option of acquiring via the stock exchange the shares needed to maintain its percentage shareholding under approximately the same terms and conditions. The purpose of this authorisation is to make it easier for the Company to finance its business by raising equity. This enables the Company to cover any capital requirements that may arise on short notice. Such requirements may, for example, arise when market opportunities suddenly appear or when the Company attracts new groups of shareholders. The authorisation enables the Company to quickly and flexibly seize these opportunities; further, simplified processing means that higher proceeds can be expected from the newly issued shares.

In addition, it should be possible to exclude subscription rights to the extent that it is necessary in order to grant to holders or creditors of bonds with option and/or conversion rights or option and/or conversion obligations that are issued by the Company and/or by companies that are dependent on the Company or in which the Company either directly or indirectly holds a majority interest the subscription rights to which they would be entitled upon exercising their option and/or conversion rights or upon satisfying the option and/or conversion obligations. In order to facilitate placement of bonds on the capital markets, the relevant bond terms and conditions generally include protection against dilution. One option for protecting against dilution involves granting the bondholders or bond creditors the subscription right to which shareholders are entitled without any need to adjust the option or conversion 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 new shares must be barred in this regard. The market would consider bonds lacking protection against dilution to be significantly less attractive. In this respect, the option of excluding subscription rights during future capital increases will serve to facilitate bond placements, thereby promoting shareholders' interest in ensuring that the Company has an optimal financing structure.

The proposed authorisation to exclude subscription rights is also intended to apply if new shares are issued up to a pro-rata amount of the share capital totalling EUR 447,000.00 as employee shares for employees of the Company or affiliated companies. This is intended to enable the Company, even in the future, to integrate flexible remuneration models without great administrative expense and, therefore, to respond successfully to market needs. In any case, the authority of the management bodies responsible for granting remuneration will be preserved.

Finally, the Management Board should be authorised, with the Supervisory Board's approval, to determine the additional provisions of the share rights and conditions for the share issue. The Supervisory Board should be authorised to amend the wording of the Articles of Association to reflect the respective utilisation of the Authorised Capital 2023, or to do so after the authorisation period ends.

This authorisation is limited to the extent that, after exercising the authorisation, the total shares issued under this authorised capital 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. Treasury shares sold during the term of the above authorisation, with subscription rights being barred, as well as 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 that are to be issued as a result of exercising option and/or conversion rights or satisfying option/conversion obligations attached to bonds shall count, to the extent the associated bonds are issued on the basis of another authorisation during the term of this authorisation, with subscription rights being barred. This requirement limits the total extent of any share issue lacking subscription rights, thereby further hedging shareholders against any excessive dilution of their equity interest.

In addition, issuing new shares based on this authorisation should be allowed only provided that – even taking into account the new shares that are or will be issued from conditional capital and may be used to service conversion or subscription rights, conversion obligations or tender rights, insofar as the conversion or subscription rights, conversion obligations or tender rights are created previously, during the term of this authorisation – the number of new shares does not exceed a total of 7,450,000 (which is equal to a EUR 7,450,000.00 interest in the share capital).

In each case, the Management Board shall carefully review whether to utilise the authorisation to increase capital while barring subscription rights. It will exercise this option 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. The Management Board will report on utilisation of the Authorised Capital 2023, with subscription rights being barred, at the next Annual General Meeting.

JOST Werke SE

Neu-Isenburg, April 2023



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