

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

Report of the Management Board on Item 6 of the agenda pursuant to Section 71(1) No. 8 Sentence 5 and Section 186(3) Sentence 4, (4) Sentence 2 AktG

The company has to date not had any authorization to acquire and to use treasury shares as provided in Section 71(1) No. 8 AktG. In order to keep all courses of action open to the company as required in the future, authorization of this kind is now to be created.

The resolution proposed on Item 6 of the agenda intends to authorize the company pursuant to Section 71(1) No. 8 AktG to acquire treasury shares of the company in the scope of up to 10 per cent in total of the share capital existing at the time the resolution is adopted or at the time the authorization is exercised, whichever is the lower, up to May 3, 2023. No more than 10 per cent of the share capital may be allotted at any time to the shares acquired in accordance with the proposed authorization together with other treasury shares that have to be attributed to it pursuant to Sections 71a et seq. AktG. The proposed authorization can here be exercised in whole or in part, on one or more occasions, in pursuit of one or more purposes directly by the company or also by companies controlled by the company or in which the company directly or indirectly holds a majority share or by third parties engaged by the company or by companies controlled by the company or in which the company directly or indirectly holds a majority share. The acquisition can be carried out at the discretion of the Management Board (1) on the stock exchange or (2) through a public purchase offer addressed to all shareholders or through a public invitation to submit an offer of this kind.

If the acquisition of the shares is carried out in accordance with the proposed resolution on the stock exchange, the equivalent value per share of the company (excluding incidental acquisition costs) paid by the company may be no more than 10 per cent higher and no more than 20 per cent lower than the average closing price of a share in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the obligation to acquire the shares.

If the acquisition is made through a public purchase offer or through a public invitation to submit a purchase offer, the company can stipulate a purchase price or a purchase price range at which it is prepared to acquire the shares. The authorization stipulates specific requirements for defining the purchase price or the purchase price range. The purchase price offered or the threshold value of the purchase price range per share of the company (excluding incidental acquisition costs) may be no more than 10 per cent higher and no more than 20 per cent lower than the average of the closing prices in the XETRA trading system (or a comparable successor system) on the Frankfurt Stock Exchange on the last three trading days before the day that the offer or the public invitation to submit an offer is published. If there are substantial deviations in the price from the purchase price offered or the purchase price range defined after a purchase offer or the public invitation to submit a purchase offer has been published, the offer or the invitation to submit an offer of this kind can be adjusted. In this event, the average price on the last three trading days before any adjustment is published shall be taken as the basis in accordance with the proposed authorization. The purchase offer or the invitation to submit an offer of this kind can stipulate further terms and conditions.

(Convenience translation)

In the case of a public purchase offer or a public invitation to submit purchase offers, the situation can arise where the volume of shares in the company offered by the shareholders exceeds in quantity the volume of shares requested by the company. In this event, an allocation must be carried out on a quota basis in order to facilitate the processing. Preferential acceptance of smaller offers or smaller parts of offers up to a maximum of 100 shares can be stipulated in order to limit the administrative expenses in the processing of this kind of public purchase offer or public invitation to submit purchase offers or to exclude mathematical fractions. It should also be possible to stipulate commercial rounding to this end.

In accordance with the proposed resolution, the Management Board can sell the acquired treasury shares of the company on the stock exchange or through an offer to all shareholders in proportion to their equity interest with the consent of the Supervisory Board. Furthermore, treasury shares of the company that are acquired may be used for all other purposes permitted by law, especially also for the following purposes:

It should also be possible to sell the treasury shares that have been acquired to third parties through off-market trading in exchange for cash contributions while excluding the subscription right. This is in the interests of the company so that it can react quickly and flexibly and cover short-term capital requirements. This enables the Management Board to take advantage of the opportunities presented by favorable stock market conditions and to achieve as high a resale price as possible by setting a price that is close to the market, thus achieving the greatest possible strengthening of the equity and tapping into new groups of investors. The shares that are acquired can be sold here only at a price that is not significantly lower than the stock market price of shares of the company with the same structure at the time of the sale. In this respect, the authorization in particular allows the shares to be placed more quickly and more cost-effectively than when they are sold while a subscription right is granted to the shareholders. The interests of the shareholders with regard to assets as well as voting rights will be suitably protected here in line with Section 186(3) No. 4 AktG. The final determination of the sales price for the treasury shares is made shortly before they are sold. The Management Board will strive here to minimize any discount on the stock exchange price as far as possible, while taking the current market conditions into consideration. Interested shareholders can maintain the proportion of their equity interest on essentially the same conditions by making additional purchases on the market. This authorization is additionally limited to a total of no more than 10 per cent of the share capital existing at the time the resolution is adopted by the Annual General Meeting or at the time the shares of the company are sold, whichever is the lower. Shares that are issued or sold during the term of this authorization in direct application or application mutatis mutandis of Section 186(3) Sentence 4 AktG, e.g. while utilizing an authorization to issue new shares from authorized capital while excluding the subscription right, are to be credited to this limit of 10 per cent of the share capital. Furthermore, shares that are issued or have to be issued to serve bonds with option and/or conversion rights or option/conversion obligations if the bonds are issued during the term of this authorization in application mutatis mutandis of Section 186(3) Sentence 4 AktG while excluding the subscription right are to be credited to this limit of 10 per cent of the share capital.

The proposed authorization additionally provides that the shares that are acquired can also be used to fulfill obligations arising from bonds with conversion and/or option rights or conversion and/or option obligations that are issued by the company and/or by companies controlled by the company or in which the company directly or indirectly holds a majority share. It can be advisable to employ treasury shares instead of new shares from a capital increase in full or in part to fulfill the option and/or conversion rights or option and/or conversion obligations, as, in contrast to when contingent capital is utilized, no new shares have to be created. The Management Board will carefully weigh up the interests of the company and of the shareholders when making the decision on whether treasury shares are delivered or the contingent capital is utilized.

It should also be possible to issue treasury shares in return for assets, including claims against the company, especially in the context of business combinations or in connection with the acquisition of companies, parts of companies, or equity interests in companies. This will enable the company to offer treasury shares as consideration – also in combination with other forms of consideration – and in particular to settle claims against the company using treasury shares. Expansions of business generally require swift decisions. It should be possible for the Management Board to react quickly and flexibly to opportunities that arise and to take advantage of possibilities for expanding the business. The price at which treasury shares are used in this event depends on the respective circumstances of the individual case and on the respective time. When determining the valuation ratios, the Management Board will ensure that the interests of the shareholders are adequately safeguarded. It will generally take as a basis the stock market price of the company's shares when measuring the value of the shares offered as consideration. However, a mechanical coupling of the valuation to a stock market price is not provided for here, in particular so as to prevent fluctuations in the stock market price from jeopardizing negotiation outcomes once they have been achieved.

It should also be possible to use treasury shares that are acquired in connection with share-based remuneration or employee share programs of the company or of companies affiliated with it. Furthermore, it should be possible to issue treasury shares of this kind to persons who have or have had an employment relationship with the company or a company affiliated with it as well as to members of executive bodies of companies affiliated with the company. The issuing of treasury shares to employees, generally subject to the condition of an appropriate lock-up period of several years, is in the interests of the company and its shareholders, as this promotes the identification of the employees with their company and thus the increase in the enterprise value. The use of existing treasury shares as remuneration elements based on the share price and value instead of a capital increase or a cash contribution can additionally make economic sense for the company. A reasonable benefit that is customary in the case of employee shares and that is based on the company's performance can be granted when measuring the purchase price to be paid by employees. Shares can be offered, promised, and transferred free of charge to the above-mentioned persons also in connection with relevant programs. It is necessary to exclude the subscription right of the shareholders in order to achieve the above objectives.

Furthermore, it should be possible to use treasury shares to issue them to members of the Management Board as an element of the variable compensation. An exclusion of the subscription right of the shareholders is also necessary in this respect.

The current Management Board contracts do not provide for any corresponding variable, share-based compensation elements that require shares of the company to be transferred. However, the company should be given the possibility of providing compensation elements of this kind in the future. This is consistent with current market practice and enables the variable compensation to be linked back to the increase in value of the company. Within the framework of variable compensation in the form of shares in the company, the members of the Management Board take part both in positive and in negative trends in the share price. This or comparable structures can be used in particular to create a genuine penalty effect in the event of negative trends in addition to the bonus effect.

In accordance with its statutory duty arising from Section 87 AktG, the Supervisory Board ensures here that the total remuneration (including the components granted in shares) is in reasonable proportion to the duties and services of the member of the Management Board as well as to the situation of the company and is not greater than the customary remuneration without special reasons for that.

Furthermore, the Management Board should have the option of excluding the subscription right of the shareholders in the event of a sale of acquired treasury shares by an offer to the shareholders with the approval of the Supervisory Board in favor of the holders or creditors of bonds with option and/or conversion rights or option and/or conversion obligations that are issued by the company or by companies controlled by the company or in which the company directly or indirectly holds a majority share. As a result, a subscription right for shares can be granted to the extent to which the holders or creditors would be entitled after exercising the option and/or conversion right or after fulfilling the option and/or conversion obligation. As a result, it can be prevented that their value is diluted and that other measures to protect against any dilution of value have to be instituted.

Finally the authorization to acquire and to use treasury shares should include reciprocal offsetting with a ceiling of 20 per cent in relation to the exclusion of the subscription rights. This authorization is therefore limited to the extent that after the authorization is exercised the sum of the shares sold subject to the exclusion of 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 are also to be credited to this 20 per cent limit; 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 on the basis of another authorization subject to the exclusion of the subscription right. The total scope of an issue of shares when the subscription right is excluded is limited by this requirement, and the shareholders are therefore additionally safeguarded against excessive dilution of their equity interest.

The company is additionally authorized to redeem treasury shares without a further resolution of the Annual General Meeting. This kind of authorization is also customary and is consistent with the market standard. It allows the company to react appropriately and flexibly

to the relevant situation on the capital market. The Management Board will be authorized in this respect to amend the Articles of Association as far as the amended number of no-par shares is concerned. The proposed authorization further provides in accordance with Section 237(3) No. 3 AktG that the Management Board can also redeem the shares without reducing the capital. By redeeming the shares without reducing the capital, the proportion of the other no-par shares in the share capital of the company increases.

The Management Board will carefully review in each individual case whether it will make use of the authorization to acquire treasury shares while excluding an option to sell as well as to use treasury shares while excluding the subscription right of the shareholders. This possibility will be utilized 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 and is proportionate.

The Management Board will report on each and any utilization of this authorization to acquire as well as to use treasury shares to the subsequent Annual General Meeting.

Neu-Isenburg, March 2018

JOST Werke AG
The Management Board