SMART SYSTEMS FOR TRUCKS AND TRAILERS

ANNUAL GROUP REPORT 2017

JOST Werke AG

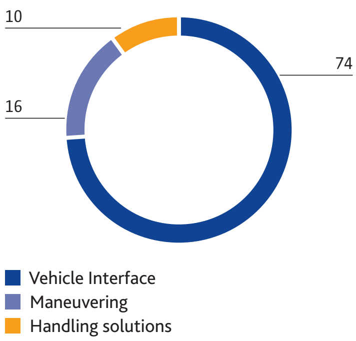
JOST AT A GLANCE

KEY FIGURES

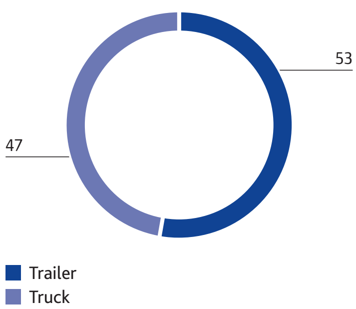
	2017	2016	Change
Sales revenues (in € million)	701.3	633.9	11%
Adjusted EBITDA* (in million €)	94.7	78.0	21%
Adjusted EBITDA margin (%)	13.5	12.3	1.2%-points
Adjusted EBIT* (in million €)	76.4	61.9	23%
Adjusted EBIT margin (%)	10.9	9.8	1.1%-points
Equity ratio (%)	33.7	−22.7	56.4%-points
Net debt** (in € million)	113.3	272.8	−58%
Leverage***	1.20x	3.50x	−66%
Liquid assets (in € million)	66.3	47.2	41%
Capex (in € million)	19.3	18.4	5%
ROCE**** (%)	19.8	18.7	1.1%-points
Cash conversion rate***** (%)	80.1	78.3	1.8%-points
Employees	2,790	2,691	4%
Proposed dividend	0.50	n / a	n / a

* Adjustments for PPA effects and exceptionals
** Interest bearing loans (excl. accrued financing costs) – liquid assets
*** Net debt / adj. EBITDA
**** LTM adj. EBIT / interest-bearing capital employed; interest-bearing capital: shareholders' equity + financial liabilities (except for refinancing costs) – liquid assets + provisions for pensions
***** (Adj. EBITDA – capex) / adj. EBITDA

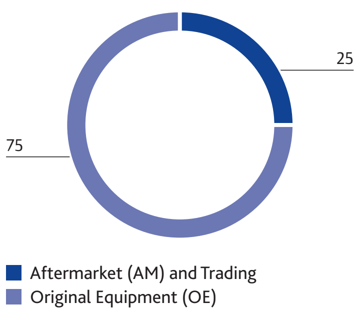
Sales by product system
Total 2017, in %



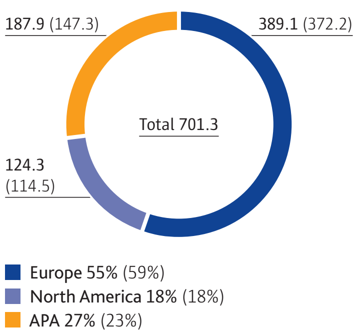
Sales by application
Total 2017, in %



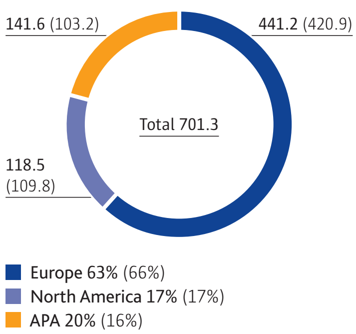
Sales by customer type
Total 2017, in %



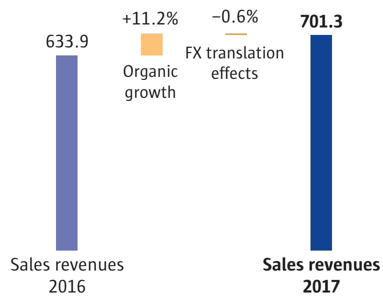
Regional sales by destination
Total 2017 (2016), in EUR million



Regional sales by origin
Total 2017 (2016), in EUR million



Organic sales development
Total 2017, in EUR million



JOST is a leading global producer and supplier of safety-critical systems to the truck and trailer industry.

JOST's global leadership position is driven by the strength of its brands, by its long-standing client relationships serviced through its global distribution network as well as by its efficient and asset-light business model.

JOST's core brands "JOST," "ROCKINGER," "TRIDEC" and "Edbro" are well recognized in the industry and highly regarded for their quality and continuous innovation. With its global distribution network and production facilities in thirteen countries across five continents, JOST has direct access to all major truck and trailer manufacturers and relevant end customers.

JOST currently employs about 2,790 staff worldwide.

STRONG BRANDS UNDER ONE ROOF

JOST

1

Fifth wheel couplings and systems
2" and 3 ½" fifth wheel couplings in a variety of construction heights, bearing types and versions, mounting plates, sliders and dual-height fifth wheel systems; sensor-controlled systems for the coupling procedure between truck and trailer

2

King pins
2" and 3 ½" king pins with a conical or plate-shaped flange

3

Landing gears
Landing gears with variable bolting heights, crank handles, connection shaft-lengths and foot types, special landing gears for special applications

4

Axle systems
Wide range of weight-saving trailer axles with additional special equipment

5

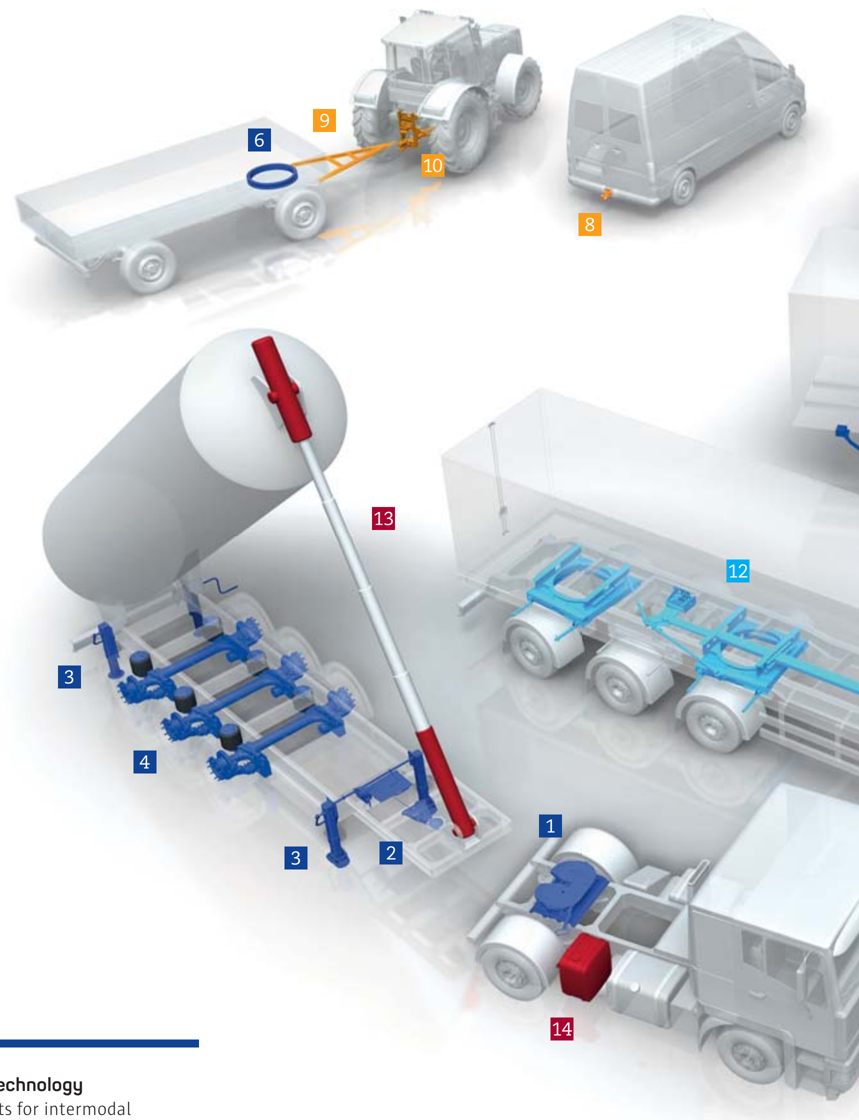
Hubodometers
Used to calculate distance driven, independent of the truck

6

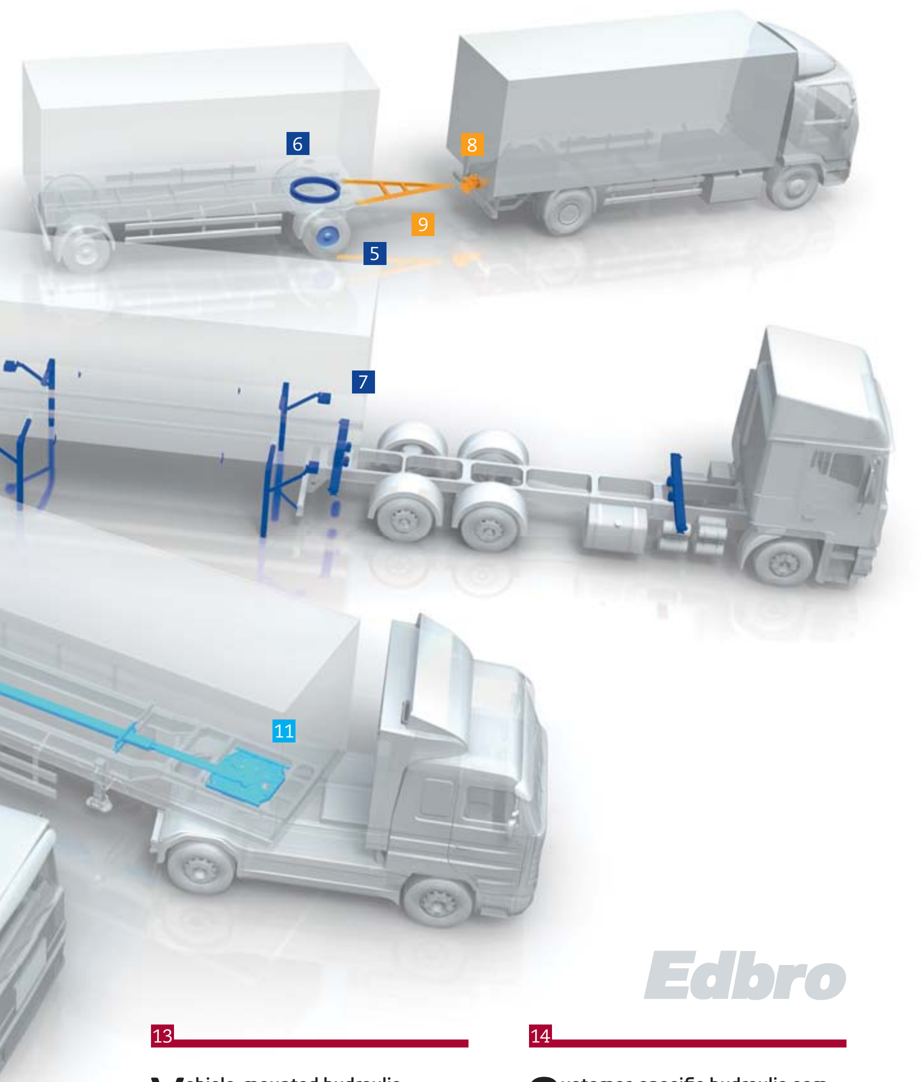
Ball bearing turntables
Ball bearing turntables and slewing rings in a wide range of sizes and versions

7

Container technology
Components for intermodal transports, supports, twist locks and bolsters, swap body lifting devices, guide roller bearings and bearings



JOST WERKE AG'S PORTFOLIO OF STRONG BRANDS COMPRISE AN EXTENSIVE RANGE OF SYSTEMS AND COMPONENTS FOR THE TRUCK AND TRAILER INDUSTRY



ROCKINGER

8

Road traffic
Open-end, hook and ball towing hitches, suspension elements, VARIO-BLOCK alternating system and special models

9

Drawbars and towing eyes
Drawbars and towing eyes as well as custom-made products for on and off-road usage

10

Agriculture
Open-end, hook and ball towing hitches, height adjustable brackets and clutch carriers for agriculture and forestry

TRIDEC

11

Steering systems
Axel-independent or manufacturer-independent mechanically, hydraulic and electronically controlled steering systems for trailers

12

Axle suspensions
Air suspension or hydraulically suspended axle suspensions for on and off-road usage

Edbro

13

Vehicle-mounted hydraulic systems
Front end, underbody and tipping ejector cylinders for trucks and trailers / trailer tippers

14

Customer-specific hydraulic component kits
Hydraulic component kits for various applications, chassis-specific hydraulic container component kits

The three Management Board members: Dr. Ralf Eichler, Chief Operating Officer (COO), Lars Brorsen, Chief Executive Officer (CEO), and Christoph Hobo, Chief Financial Officer (CFO), in the entrance area of the Company's headquarters in Neu-Isenburg.

»Today, JOST products are used in six out of ten trucks and trailers worldwide. This is the result of many years of hard work and makes us very proud.«

TO THE POINT

MANAGEMENT BOARD INTERVIEW

2017 WAS A REMARKABLE YEAR FOR JOST WERKE AG. IN THE INTERVIEW, THE MANAGEMENT BOARD LOOKS BACK ON AN EVENTFUL TIME AND TALKS ABOUT PROSPECTS FOR THE FUTURE.

JOST is not only active in global markets for safety-relevant systems for trucks and trailers: on July 20, 2017, it also entered the capital markets.

JOST Werke AG has been listed on the stock exchange since July 2017. What has changed since then?

Lars Brorsen: The stock listing opened a new chapter in JOST's history. It enabled us to strengthen our balance sheet and lay the foundations for future growth. As a company operating internationally, it was important for us to have sufficient flexibility on the capital side in order to be well prepared for dynamic developments in our industry.

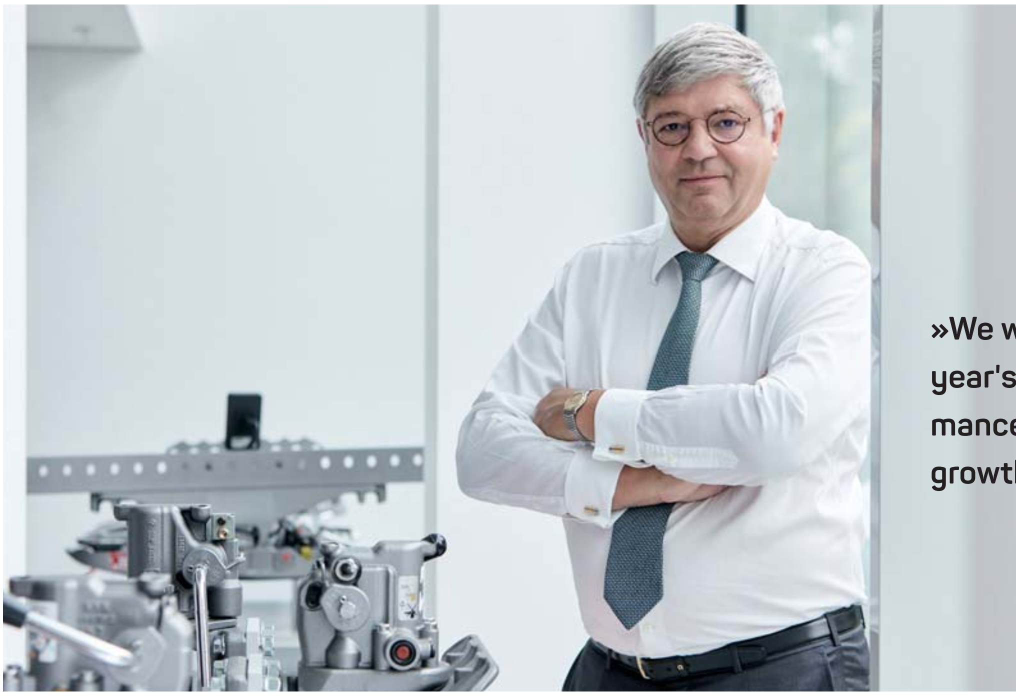
How do you rate the Company's performance on the capital market?

Christoph Hobo: Our performance to date has been extremely positive. On the last trading day of 2017, our share price was up 56% on the issue price – an impressive performance after less than six months on the stock exchange. This shows that investors also believe in our Company and its future.

We were successfully admitted to the SDAX in March of this year, further increasing the prominence of JOST's shares. This should improve trading volume and liquidity even further.

JOST Werke is part of a fairly traditional industry. How has the Company managed to consistently outgrow sector growth for the past 10 years?

Lars Brorsen: Planned luck. Having realized at an early stage that globalization would play a decisive role in the heavy duty truck industry, we made selective investments to expand our global presence. Keeping the quality of our products consistently high strengthened our brands. Today, JOST products are used in six out of ten trucks and trailers worldwide. This is the result of many years of hard work and makes us very proud. While it undoubtedly involves an element of luck, we would never have been able to make the most of this luck without the right strategy and the courage to strike out in new directions. ▶



»We want to build on last year's successful performance and continue on our growth trajectory in 2018.«

Lars Brorsen, CEO
Responsible for
Marketing / Sales,
Quality / Environment,
Human Resources,
Research & Development

How do you rate the performance of JOST Werke in the 2017 fiscal year?

Lars Brorsen: 2017 was a very successful year for JOST all over the world. Consolidated sales rose by 11% to €701 million – a new record in the Company's history. While all regions recorded growth in 2017, APA was the main driver with an impressive increase of 37% compared to 2016.

Ralf Eichler: We also took important steps in our operations in 2017. Our production process optimization measures had a positive impact. In North America, we improved the adjusted EBIT margin by 0.8 percentage points to 9.6%, particularly as a result of investments in automation. In Europe, the margin rose by 1.3 percentage points to 9.6%. The key reasons for this included successful integration of the axle business and continuous efficiency improvements at our European plants.

We did a very good job in Asia in 2017, significantly improving our production volumes in the short term and thus satisfying strong demand. Our plants in China and India worked closely together to cover peaks in demand. In addition, we completed the relocation of production from Shanghai to our Wuhan plant according to plan in the fourth quarter. Production in Wuhan began within a few weeks without significant delays – an amazing achievement by our employees on site.

Christoph Hobo: Financially speaking, we have been on a significantly stronger footing since 2017. We used the proceeds from our IPO to repay the majority of our debt and refinance on more favorable terms. As a result, our interest burden will fall from around €17 million to approximately €3 million per year from 2018 onwards. We more than halved net debt to €113 million and significantly improved group leverage from 3.5x to 1.2x. We also managed to increase liquid assets by €19 million to €66 million.

Lars Brorsen: We are very pleased with JOST's performance in 2017 and want to enable our shareholders to participate in this success. We have therefore decided to recommend a dividend of €0.50 per share to the Annual General Meeting.

What are your expectations for JOST Werke's performance in 2018?

Lars Brorsen: We want to build on last year's successful performance and continue on our growth trajectory in 2018. We are targeting organic sales growth in the mid single-digit percentage range compared to 2017.

We expect all regions to contribute to this growth. Europe is at a steadily high level, while we expect the recovery to continue in the US market. The APA region remains promising: New regulation in China means that safety and quality are playing an increasingly important role in road transport – exactly the attributes that JOST products are known for. We want to expand our product portfolio in this region and continue to develop the aftermarket.

Ralf Eichler: We will forge ahead with our ongoing efficiency enhancement measures in 2018. We are seeking to increase automation in production across all of our segments, and will focus our investments in this area. Approximately 2.5% of sales is earmarked as capital expenditure.

Christoph Hobo: We intend to use these and other operating measures to offset the burden arising from higher raw material prices and wage increases. At the same time, we want to further reduce our group leverage to 1x excluding any potential acquisitions.

What success factors are important for the further development of JOST?

Lars Brorsen: For me, there are many reasons to be confident about the future of JOST. I believe our fantastic brands are the key to our future success. Our uncompromising focus on quality is paying off. We benefit from close, longstanding relationships with our customers as well as our geographical proximity to them. We want to head into the future with our customers and, in doing so, be part of their solution.

I believe our amazing employees also give us an enormous advantage because bringing innovative new products to the market will remain essential. As the interface between trucks and trailers, JOST wants to be indispensable to the future of autonomous driving.

The stock listing marked the start of a new chapter in 2017. The key now is to sustain these strong results and continue to implement our strategy. The journey remains as exciting as ever!

Christoph Hobo, CFO
Responsible for Finance and Treasury, Accounting and Reporting, Controlling, IT, Legal and Compliance, Investor Relations

Dr. Ralf Eichler, COO
Responsible for Purchasing, Production, Logistics

HISTORY

FROM FAMILY BUSINESS TO GLOBAL MARKET LEADER

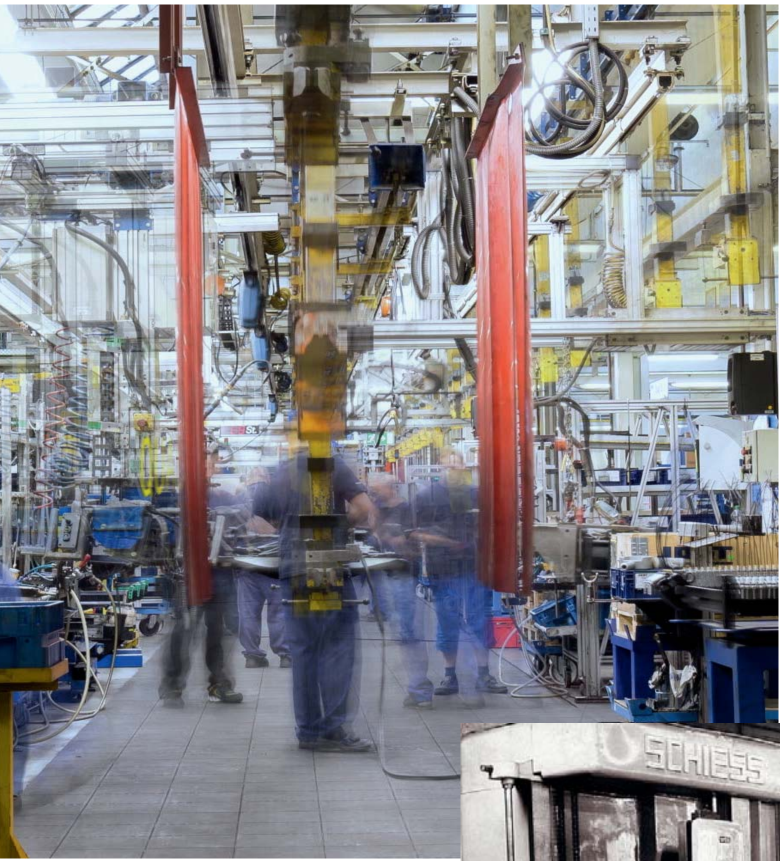
In 1952, an engineer from Neu-Isenburg named Josef Steingass (JoSt) set up a small blacksmith's business to manufacture ball-bearing turntables for commercial vehicles. These simple steel rings were essential in enabling swivel bogeys on trailer frames to rotate on transportation vehicles. It turned out to be a sensible product idea, because when the Americans came to Neu-Isenburg as the occupying force after the Second World War, they brought plenty of trucks with them. Steingass used the strategic positioning of his small forge in Neu-Isenburg, near Frankfurt Airport, to supply the occupying US army with coupling systems.

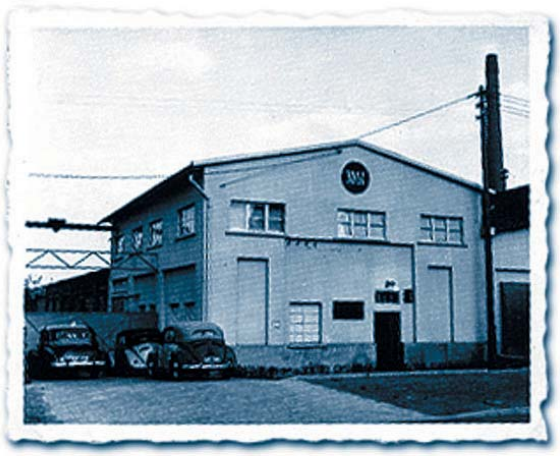
SINCE IT WAS FOUNDED IN 1952, JOST WERKE'S SUCCESS HAS BEEN BASED ON FLEXIBILITY, TECHNICAL EXPERTISE, ENTREPRENEURIAL SPIRIT AND A GENUINE BOND WITH EMPLOYEES AND CUSTOMERS

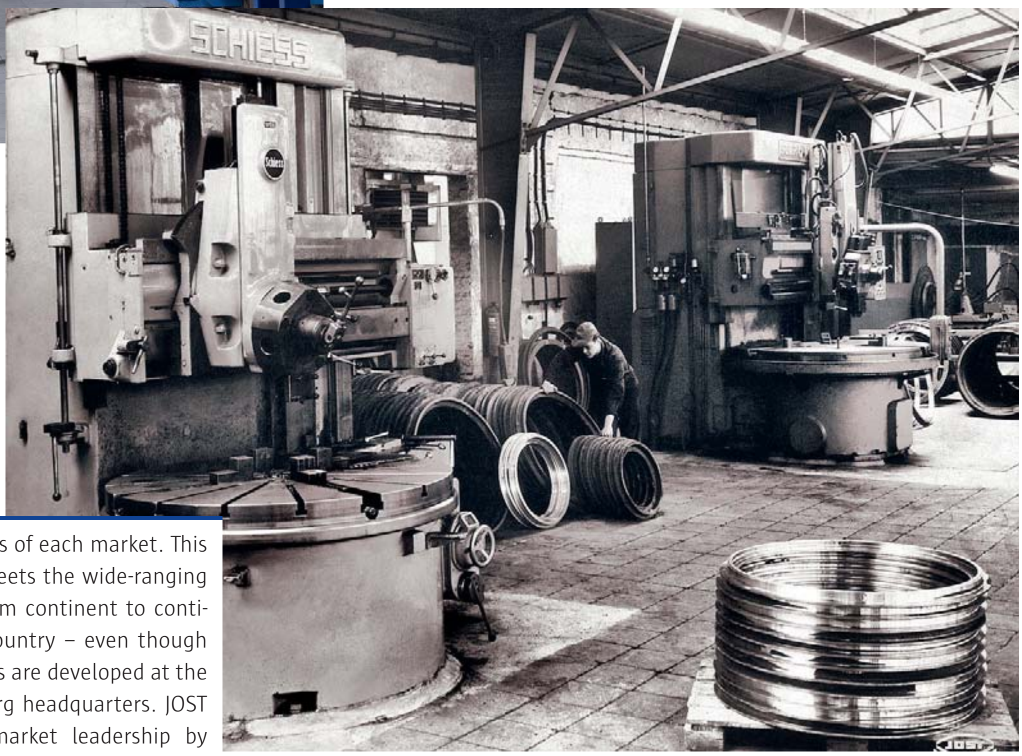
The Company's headquarters remain in the same place today. The German economy took off in the post-war years, experiencing dynamic economic growth accompanied by a sharp rise in transport volumes. As early as 1955, Steingass patented the fifth wheel that simplified the loading and unloading of trucks around the world and is still commonplace today.

A PIONEERING SPIRIT AND GLOBAL-LOCAL STRATEGY

JOST Werke's success was soon unstoppable, with the Company opening additional production sites in South Africa and the United Kingdom in the 1960s. These were followed by sites in Belgium, France and Italy in the 1970s. The Company expanded further in important markets such as Russia, China and India under the JOST umbrella brand. Products for commercial vehicles were refined on a modular basis to suit different application areas and customer requirements and







From the first prototypes at the old forge to state-of-the-art production techniques, JOST has always demanded the highest quality from its products.

respond to the demands of each market. This global-local strategy meets the wide-ranging needs of customers from continent to continent and country to country – even though the majority of products are developed at the Company's Neu-Isenburg headquarters. JOST Werke increased its market leadership by expanding its product range with the acquisition of the ROCKINGER, TRIDEC, Edbro and Mercedes-Benz TrailerAxle Systems brands. In recent years, the Company has introduced many innovations to the market that automate, electronically monitor and control various previously manual operations.

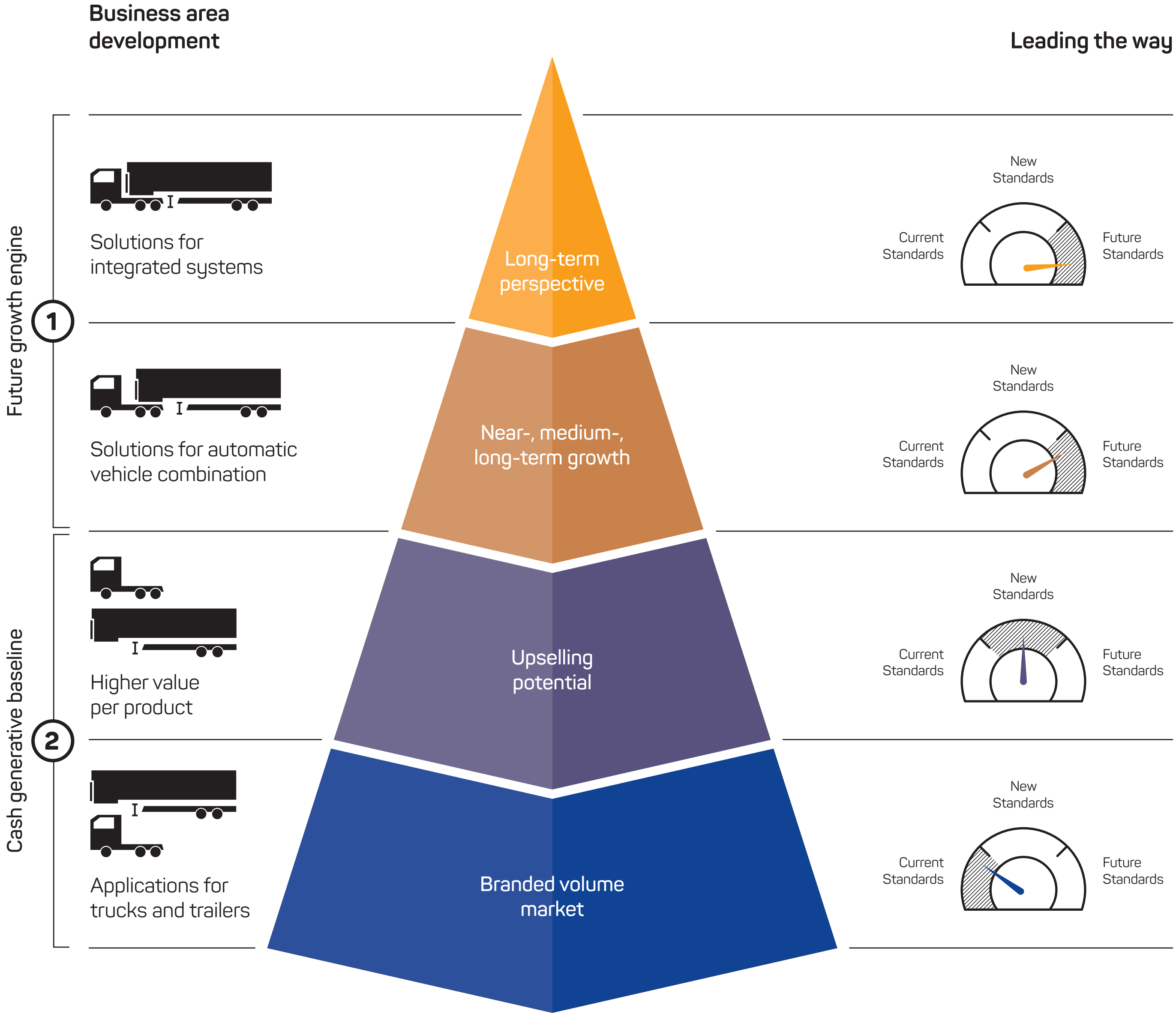
JOST Werke now maintains 25 sites around the world and has approximately 2,790 employees.

JOST's core brands – JOST, ROCKINGER, TRIDEC and Edbro – are highly regarded within the industry.

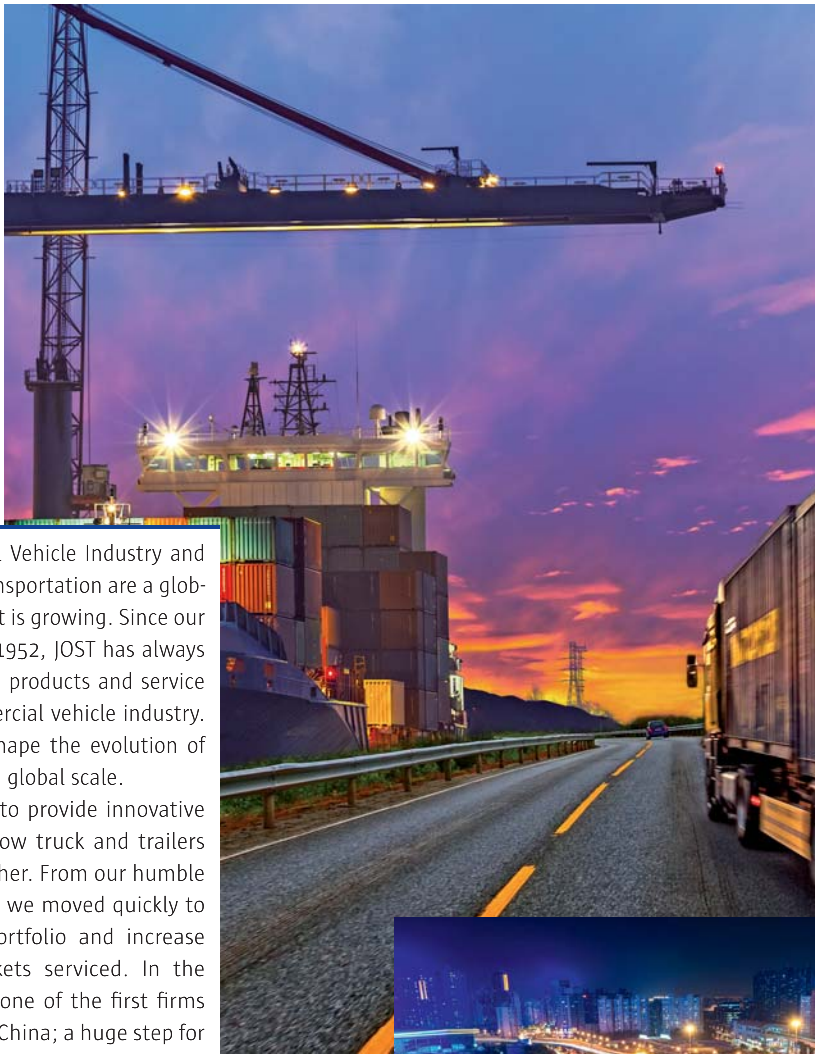
OUR STRATEGY

THE LEADING PROVIDER OF COMMERCIAL VEHICLE INTERFACE SOLUTIONS

ON THE WAY TO DELIVERING SMART SYSTEMS FOR EVERY REQUIREMENT



We moved quickly to expand our product portfolio and increase the international markets serviced.



The Commercial Vehicle Industry and heavy road transportation are a global business that is growing. Since our beginnings in 1952, JOST has always provided market-leading products and service solutions for the commercial vehicle industry. JOST will continue to shape the evolution of road transportation on a global scale.

JOST was created to provide innovative product solutions for how truck and trailers interface which each other. From our humble beginnings in Germany, we moved quickly to expand our product portfolio and increase the international markets serviced. In the early 1990's, JOST was one of the first firms in our industry to enter China; a huge step for what was still at that time, a small German company. This entrepreneurial courage – to recognize and seize opportunities – has always formed a part of the JOST DNA. We have continued our global expansion, now delivering industry leading commercial vehicle solutions throughout Europe, North America, South America, Africa, Asia and Australasia. We take pride in the excellent service and expert technical assistance provided to our customers worldwide. Our ability to consistently deliver quality products, sales and service over the decades has led to strong customer relationships and sustained company growth. ▶

The Commercial Vehicle Industry and heavy road transportation are a global business that is growing.

Innovative product solutions for how trucks and trailers interface.

GLOBAL LEADERSHIP

JOST is the world leader in commercial vehicle interface solutions, with our core products and solutions shaping the heavy commercial vehicle industry around the world. JOST is a key development partner for our OEM (Original Equipment Manufacturer) customers when it comes to the development of future products for connecting trucks and trailers.

We leverage these global OEM partnerships with dedicated JOST teams in each of the countries we operate in, in order to provide the highest level of service and expert technical assistance to our customers. Additional services such as logistics integration and R & D cooperation help build our value as suppliers to the OEM. At the same time, we leverage our strong brand equity with commercial vehicle fleets and end-users to create a pull effect towards the OEM. To be able to use these levers, a company such as JOST needs to have sufficient scale if it is to provide local presence with global capability. With worldwide market shares greater than 50% in our core product segments, JOST is an ideal partner for OEMs and fleets, thereby raising entry hurdles for new, regional competitors.

Due to our strong share of fitment rates on OEM truck and trailer equipment, there is a significant population of trucks and trailers that require JOST spare parts. This means that JOST is a significant supplier of aftermarket services and components to the global heavy commercial industry.

Our sales and after-sales service, together with our superb JOST supply network has sealed our reputation as a market-leader in the commercial vehicle transportation industry. With a majority market share, JOST is the preferred partner for OEMs and fleets around the world.

Our overarching goal is to enhance our position as a commercial vehicle interface provider within and beyond the mechanical era.

SYSTEM INTEGRATION

JOST products are well-known for their quality and reliability. Over the years, we have expanded our product portfolio to suit the specific needs of different truck and trailer combinations, creating complete and integrated systems that result in a higher transaction value for our offerings. JOST has a three pillared product strategy:

Vehicle Interface

The first, **Vehicle Interface**, provides systems that allow the coupling of trucks and trailers. The Vehicle Interface is at the core of JOST brand. As commercial vehicles evolve and technology advances, one of our main strategic goals is to provide sophisticated automation and assistance solutions in this sphere.

Products required to operate a commercial vehicle combination of trucks and trailers such as fifth wheels.

Manoeuvring Systems

The second pillar of our system approach is JOST **Manoeuvring Systems** comprising of axles and forced steering solutions. These branded product systems are bespoke to meet specific transport mission requirements. They provide us with significant opportunities to expand our global operations even further.

Forced steering systems, axles for trucks and trailers.

Handling Solutions

Our third area of focus, **Handling Solutions**, offers branded components like hydraulic cylinders and container technology. These solutions increase the productivity and functionality of fleets, allowing JOST to provide additional customer solutions through our existing sales channels.

Container technology und hydraulic cylinder products.

LEADING THE WAY

Our overarching goal is to enhance our position as a commercial vehicle interface provider within and beyond the mechanical era. We will continue to develop and research new technologies to improve our existing mechanical interface solutions that can also suit emerging ‘smart truck’ features – be they mechanical, digital or electrical. ■

CONTENT

TO OUR SHAREHOLDERS

JOST ENSURES TRANSPARENCY, SIMULTANEOUS INFORMATION OF ALL MARKET PARTICIPANTS AND GOOD CORPORATE GOVERNANCE AS THE FOUNDATION OF A SUSTAINABLE, POSITIVE BUSINESS PERFORMANCE.

JOST ON THE CAPITAL MARKET

Since July 20, 2017, the shares of JOST Werke AG have been traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The listing was the result of a private placement to institutional investors through a bookbuilding process. A total of 4,875,000 new shares from a capital increase and additional shares held by existing shareholders were sold to investors, mainly from Europe and North America, at an issue price of €27.00.

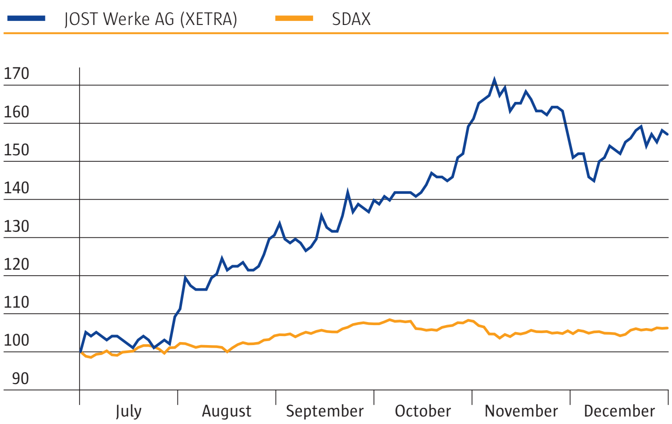
The share capital of the Company increased to €14,900,000, divided into 14,900,000 no-par-value bearer shares with an notional value of €1.00 per share. The number of shares outstanding did not change as of the December 31, 2017 reporting date. The proceeds from the capital increase amounted to €131.6m and were used for debt repayment and corporate purposes. → **See "Significant business events in 2017"**

Basic Data for the JOST share

Initial stock market quotation	July 20, 2017
Share symbol	JST
ISIN	DE000JST4000
WKN	JST400
Number of shares outstanding as of December 31, 2017 (million)	14.9
Market segments	Prime Standard (Frankfurt Stock Exchange) Regulated Market
Sector	Industrial
Industry group	Products & Services
Designated sponsors	Deutsche Bank Commerzbank J.P. Morgan

Deutsche Bank, J.P. Morgan and Commerzbank acted as Joint Global Coordinators and Joint Bookrunners with BNP Paribas acting as an additional Joint Bookrunner. Since greenshoe option granted to the underwriters by the existing shareholders for the purpose of covering any over-allotment was partially exercised, the free float after the initial listing amounted to 57.5%. The other 42.5% were held by former shareholders, who signed a lock-up agreement for a period of 180 days following the first day of trading of the shares on the Frankfurt Stock Exchange. → **See "Takeover-related disclosures"**

Performance of JOST Share from July 20 to December 31, 2017



(XETRA, indexed to opening price on July 20, 2017)

Share price performance since the IPO

The share price of JOST Werke AG surged in fiscal year 2017. After delivering a stable performance in the days immediately following the listing on July 20, 2017, the stock reached its low for the year of €27.20 on August 3, 2017. JOST's excellent business results in the first half of 2017 combined with positive analyst recommendations and attractive growth prospects then caused the share price to rise. The raising of our sales and EBIT guidance for 2017 on October 23, 2017 gave the JOST share additional momentum for growth, pushing it to its high for the year of €46.00 on November 10, 2017. On the year's final day of trading, the share closed at €42.20, up 56% on the issue price. As a result, between the initial listing and the last day of trading in 2017, JOST shares significantly outperformed the DAX (+4%) and the SDAX (+7%).

Investor relations

Investor relations activities in the past fiscal year were dominated by the stock listing. When preparing its private placement, the Company held several roadshows and established contact with institutional investors in the United Kingdom, France, Germany and the United States. Even after the shares had been successfully placed, we continued our investor relations work. In the second half of 2017, the Company participated in several capital market conferences and organized further roadshows with the aim of presenting the JOST equity story and attracting new investors. Discussions focused on JOST's positioning in the international market for trucks and trailers, the corporate strategy and growth prospects.

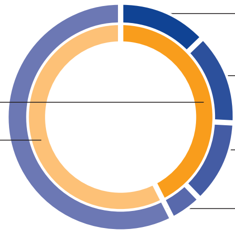
Another focus of the investor relations work in fiscal year 2017 was on creating the necessary structures for meeting the requirements of the capital markets. Among other things, we expanded the Compliance unit to cover capital market issues and established an Ad hoc committee. We also created the Investor Relations pages on our website to keep our investors and the public abreast of developments at JOST at all times. On these pages you can find all of our financial publications, our financial calendar and any voting rights notifications we receive, as well as information on transactions by managers in fiscal year 2017.
→ See http://ir.jost-world.com

A total of seven analysts cover our shares: six analysts recommended buying JOST shares, while one recommended holding them.

Shareholder structure and admission to the SDAX

Based on the lock-up agreement between the existing shareholders, 42.5% of our shares were still subject to lock-up as of December 31, 2017. The remaining 57.5% were primarily held by institutional investors such as fund managers, asset managers and banks.

Shareholder structure of JOST Werke AG
as at December 31, 2017



* Current and former members of management and supervisory board

The lock-up agreement expired on January 16, 2018. Shortly afterwards, the existing shareholders reduced their investment through a second placement. The unplaced shares representing 14.9% of share capital are subject to a new lock-up agreement for a period of 90 days after January 31, 2018. Under Deutsche Börse's definition, these shares are in free float owing to the short lock-up period.

As a result and thanks to the remarkable price performance and increase in the trading liquidity of JOST shares, we gained admission to Deutsche Börse's SDAX index effective March 19, 2018. Deutsche Börse announced this decision on March 5, 2018 following a meeting of the Stock Indices Working Group.

Key figures for the JOST share

		2017
Equity per share	€	14.05
Consolidated earnings per share	€	–4.22
Adjusted consolidated earnings per share*	€	2.99
Dividend per share**	€	0.50
Number of shares entitled to participate in dividends (Dec. 31)	million	14.90
Amount distributed	€ million	7.45
Dividend yield***	%	1.18
Share price at year-end***	€	42.20
High	€	46.00
Low	€	27.20
Market capitalization*** (Dec. 31)	€ million	628.78
Average daily trading volume	shares	34,532

* For a detailed presentation of the adjustments made, see note 7 "Exceptionals" in the consolidated financial statements.
** Subject to approval by the General Meeting
*** XETRA closing price; source: Bloomberg

The Supervisory Board of JOST Werke AG

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

the 2017 fiscal year was a successful and eventful one for JOST Werke AG. The change in legal form – from a limited liability company under German law (GmbH) to a German stock corporation (AG) – and company name, and the successful stock listing in July 2017 are just some of the events that left their mark on the Company over the past fiscal year.

As part of the conversion into a stock corporation, which took effect on July 7, 2017, the Company elected its first Supervisory Board consisting of six members. The Supervisory Board fulfilled all its tasks and duties in accordance with law, the Articles of Association and Rules of Procedure for the Supervisory Board and Management Board without limitations immediately after being appointed. It advised the Management Board in its management of the Company and monitored its activities. In doing so, the Supervisory Board was consistently satisfied with the legality, correctness, appropriateness and economic efficiency of the Company's management activities.

The Management Board involved the Supervisory Board in all fundamentally important decisions and provided it with all the information required to fulfill its tasks properly and in a timely manner. Corporate strategy, business development, planning, the risk situation and compliance, as well as other key corporate development and management issues, were the subjects of the regular, timely and comprehensive reports provided by the Management Board to the Supervisory Board. The Supervisory Board was informed regularly and comprehensively of the committees' work. The Management Board also kept the Chairman of the Supervisory Board and the Chairman of the Audit Committee informed of important developments between the plenary and committee meetings.

Composition of the Supervisory Board and its Committees

A resolution was adopted on June 23, 2017, to appoint Prof. Dr. Bernd Gottschalk, Natalie Hayday, Rolf Lutz, Jürgen Schaubel, Klaus Sulzbach and me, Manfred Wennemer, to the Supervisory Board. The term of office of the Supervisory Board members ends at the conclusion of the ordinary Annual General Meeting in 2022.

Prof. Dr. Bernd Gottschalk was elected as Deputy Chairman of the Supervisory Board and I, Manfred Wennemer, was elected as Chairman.

The Supervisory Board established two committees: the Executive and Nomination Committee and the Audit Committee. Prof. Dr. Bernd Gottschalk, Rolf Lutz and I are members of the Executive and Nomination Committee, where I hold the office of Chairman in my capacity as Chairman of the Supervisory Board and in accordance with the Rules of Procedure for the Supervisory Board.

Jürgen Schaubel, Klaus Sulzbach and Natalie Hayday serve on the Audit Committee. Jürgen Schaubel was appointed as Chairman of the Audit Committee. He has specialist knowledge in the areas of accounting and auditing and has the necessary expertise and independence to carry out his role as a financial expert on the Supervisory Board within the meaning of Section 100 (5) of the German Stock Corporation Act (AktG). As Chairman of the Audit Committee he is also independent as required by the German Corporate Governance Code.

Work of the Supervisory Board

In a little more than six months of existence, the Supervisory Board met a total of eight times, including three physical meetings, four telephone conferences and one meeting in the form of a vote conducted via email. The overall participation rate was 92%; in the physical meetings this rate was 100%. No Supervisory Board member participated in just half or less than half of the meetings of the Supervisory Board and the committees they serve.

During 2017, the activities of the Supervisory Board and its committees initially focused on providing support for the stock listing of JOST Werke AG. Subsequent monitoring emphasized dialog with the Management Board about the effects of the stock listing on numerous aspects of the Group such as Management Board reporting, the budget process, governance and risk management. It also dealt intensively with the corporate strategy and larger projects in the Company's ongoing business. Specifically, it primarily addressed the following issues in its meetings:

The Supervisory Board met for its constituent meeting on June 23, 2017, the date on which the resolution on the conversion of Cintinori Holding GmbH into a stock corporation and the change of name to JOST Werke AG was adopted and the members of the Supervisory Board were elected as part of this process. At this meeting, the Supervisory Board unanimously appointed the managing directors of the former Cintinori Holding GmbH, namely Lars Brorsen, Dr. Ralf Eichler and Christoph Hobo, as the new members of the Management Board of the converted JOST Werke AG. Lars Brorsen was named as Chairman of the Management Board (CEO).

In the next meeting, held via telephone on June 27, 2017, the Supervisory Board dealt intensively with the Company's ongoing stock listing process based on reports provided by participating Management Board members. Additional topics of discussion included the consequences of the stock listing for certain non-audit services carried out by the Group's financial statements auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt (PwC), and the planned establishment of a one-third codetermined Supervisory Board at the level of JOST-Werke Deutschland GmbH.

Over a total of three additional meetings held over the telephone, the Supervisory Board addressed individual issues connected with the stock listing of JOST Werke AG on July 20, 2017. On July 18, the Supervisory Board approved a capital increase of €4,875,000 for the purposes of raising capital as part of the stock listing. On July 19, it approved the offer price of €27.00 per share. On September 15, it then discussed and approved the specific fees for the financial institutions that managed the stock listing.

At its first physical meeting after the initial listing of JOST Werke AG, held on October 27, 2017, the Supervisory Board discussed numerous aspects of the operating business of the Group such as an acquisition project, the relocation of production to China and price trends on the purchasing and sales markets. The meeting focused on issues relating to the stock listing, particularly the development of the share price, market perception and analyst assessments. Following the Audit Committee meeting held immediately before, the full Supervisory Board also addressed measures aimed at further strengthening corporate governance and control systems.

The next ordinary Supervisory Board meeting was held on December 4, 2017, and was primarily dedicated to discussion and approval of the 2018 budget. The Supervisory Board was also kept informed of the progress of numerous corporate governance, risk management and compliance projects. On a related note, it also adopted the Declaration of Conformity with the German Corporate Governance Code issued together with the Management Board. Finally, the Management Board and Supervisory Board agreed the key agenda items for the first Annual General Meeting of JOST Werke AG.

In its final meeting of the year, held via email on December 27, the Supervisory Board approved the severance agreement with a former member of the Group's governing bodies.

Work of the Executive and Nomination Committee

In accordance with their duties, the members of the Executive and Nomination Committee in 2017 dealt with personnel planning for the Management Board and discussed this matter in one plenary meeting and two telephone meetings.

Work of the Audit Committee

The Audit Committee met four times – twice in physical meetings and twice by way of a telephone conference. It held its first meeting via telephone on August 28, 2017, and discussed the half-yearly financial statements and the still pending quarterly figures for the third quarter. The meeting also addressed the Group's situation with regard to corporate governance, internal control systems, risk management and compliance.

At its next meeting on October 26, 2017, the auditor responsible for the audit at PwC outlined the relevant principles for the upcoming audit of the 2017 annual and consolidated financial statements for the Audit Committee, which also discussed the accounting principles applicable to the Group. Other regular topics included ongoing and planned corporate management, risk management and compliance measures.

The telephone meeting held on November 24, 2017 was dominated by the discussion of the Q3 quarterly figures and the audit process. The Audit Committee also dealt with risk management system and important ongoing projects.

Its last meeting of the year on December 4, the Audit Committee again addressed corporate management, risk management and compliance, particularly the ongoing project to expand the existing risk management system.

The Audit Committee is also engaged in regular exchange with the Management Board regarding the quarterly results prior to their publication in order to be able to assess relevant trends.

Independence and Conflicts of Interest

No member of the Supervisory Board has any personal or business relations with the Company, the Management Board or a controlling shareholder or any company affiliated with it. As a result, all Supervisory Board members are independent as defined by the German Corporate Governance Code (GCGC).

None of the Supervisory Board members performs governing or advisory functions for significant competitors of the Company. The Supervisory Board has not been informed of any conflicts of interest over the past fiscal year.

Corporate Governance

Immediately after its appointment, the Supervisory Board discussed the corporate governance of JOST Werke AG at length and decided on the Rules of Procedure for the Management Board and itself.

Together with the Management Board, the Supervisory Board closely examined the applicability of the recommendations of the GCGC to JOST Werke AG and the JOST Group. In December 2017, it issued a declaration on this in accordance with Section 161 AktG and published it on the Company's website. The Management Board and Supervisory Board declared that the Company – with certain exceptions – has been in compliance with the recommendations of the GCGC as amended on February 7, 2017, since the stock listing on July 20, 2017, and will be in compliance in the future. The full text of the declaration can be read at http://ir.jost-world.com/declaration-of-compliance.

Further information about corporate governance and the diversity concept for the Management Board and the Supervisory Board can be found in the corporate governance statement on the Company's website at http://ir.jost-world.com/corporate-governance. Management Board and Supervisory Board remuneration can be found in the Group Management Report in the "Remuneration report" section.

Review of the non-financial report by the Supervisory Board

The Supervisory Board reviewed the separate non-financial report of JOST Werke AG for the 2017 fiscal year. The Management Board is responsible for preparing the non-financial report. The Supervisory Board has asked the Audit Committee to carry out preparatory work. The Audit Committee carried out its preliminary review in several meetings and discussed its findings with the Management Board on March 12, 2018.

The final review by the full Supervisory Board took place at the meeting on March 20, 2018, by way of a further discussion with the Management Board and taking into account the findings of the preparatory work of the Audit Committee. The review focused on the following aspects: (i) the critical examination and analysis of concepts; (ii) the review of data collection processes and the preparation of the non-financial report; and (iii) consistency of the disclosures on the business model and risks in the management report.

The Supervisory Board approved the non-financial report after discussing and reviewing it in detail.

Audit of the Annual and Consolidated Financial Statements

In a resolution dated June 23, 2017, the shareholders of the then Cintinori Holding GmbH appointed PwC as auditor for the fiscal year ending on December 31, 2017, as part of the change in legal form and name of JOST Werke AG. This appointment also includes the appointment as auditor of the consolidated financial statements for the financial year ending on December 31, 2017.

The annual financial statements and management report combined with the Group management report were prepared in compliance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements were prepared by applying Section 315e HGB and in accordance with the principles of the International Financial Reporting Standards (IFRSs) as adopted by the European Union. PwC audited the annual financial statements of JOST Werke AG, the consolidated financial statements and the combined management report. The auditor outlined the auditing principles in its audit reports. The auditor, PwC, issued the annual and consolidated financial statements as well as the combined management report with unqualified audit reports.

The annual financial statements, consolidated financial statements and combined management report as well as the auditor's reports issued by the auditor were made available to all members of the Supervisory Board. All documents were discussed in detail at the Audit Committee meeting on March 12, 2018, and the Supervisory Board meeting on March 20, 2018. The auditor, PwC, reported on the main findings of its audit and was available for any additional questions and information. At the meeting of the full Supervisory Board, the Chairman of the Audit Committee also provided an extensive report on the audit of the annual and consolidated financial statements and the combined management report.

The Supervisory Board discussed and reviewed in detail the annual financial statements and the proposal for the appropriation of net retained profit as well as the consolidated financial statements and the combined management report. There were no objections to the documents provided. Based on its own review, the Supervisory Board thus followed the recommendation of the Audit Committee and agreed with the findings of the audit conducted by the auditor.

In a resolution dated March 20, 2018, the Supervisory Board subsequently approved the annual financial statements prepared by the Management Board and the consolidated financial statements of JOST Werke AG for the 2017 fiscal year. The annual financial statements of JOST Werke AG have therefore been adopted. The Supervisory Board agrees with the combined management report and the assessment of the expected development of the Company. It concurs with the proposal of the Management Board regarding the appropriation of net retained profit and the distribution of €0.50 per share.

We would like to thank the members of the Management Board and all employees of the Group for their hard work and commitment during the 2017 fiscal year. As a result of their efforts, the comprehensive changes within the Group were successfully implemented. Thanks to them, we can now look back on a successful year.

Neu-Isenburg, March 20, 2018

For the Supervisory Board

Manfred Wennemer
Chairman

MEMBERS OF THE SUPERVISORY BOARD

Manfred Wennemer
Chairman of the Supervisory Board
(Chairman of the Executive and Nomination Committee)

Occupation: Member of Supervisory Boards and Advisory Boards in diverse companies
Initial appointment: June 23, 2017
Year of birth: 1947
Place of birth: Ottmarsbochholt, Germany

Current seats in supervisory board / control committees besides JOST Werke AG:
- Member of the supervisory board of Allianz Deutschland AG, Munich, Germany
- Member of the advisory council of Brückner Technology Holding GmbH, Siegsdorf, Germany
- Chairman of the shareholders committee of Hella KGaA Hueck & Co, Lippstadt, Germany
- Chairman of the supervisory board of Apleona GmbH, Neu-Isenburg, Germany
- Member of the board of TI Fluid Systems plc, UK
- Member of the board of PIAB International AB, Täbi, Sweden
- Member of the board of directors of Eurochem AG, Zug, Switzerland

Prof. Dr. Bernd Gottschalk
Deputy Chairman of the Supervisory Board
(member of the Executive and Nomination Committee)

Occupation: Consultant, Executive Manager by AutoValue GmbH
Initial appointment: June 23, 2017
Year of birth: 1943
Place of birth: Lübeck, Germany

Current seats in supervisory board / control committees besides JOST Werke AG:
- Member of the supervisory board of Schaeffler AG, Herzogenaurach, Germany
- Member of the supervisory board of Plastic Omnium S.A., Paris, France
- Member of the advisory council of Plastic Omnium Auto Components GmbH, Hörselberg-Hainich, Germany
- Chairman of the advisory council of WOCO Franz Josef Wolf Holding GmbH, Bad Soden-Salmünster, Germany
- Chairman, Schlemmer Holding GmbH, Poing, Germany
- Chairman of the advisory council of Facton GmbH, Potsdam, Germany
- Member of the advisory council of Serafin Unternehmungsgruppe GmbH, Munich, Germany
- Member of the advisory council of BLG Logistics Group AG & Co. KG, Bremen, Germany
- Member of the Economic Advisory Council Bankhaus Lampe, Düsseldorf, Germany
- Managing director of Autovalue GmbH, Frankfurt / M., Germany

Rolf Lutz
Member of the Supervisory Board
(member of the Executive and Nomination Committee)

Occupation: Graduate Engineer, retired
Initial appointment: June 23, 2017
Year of birth: 1952
Place of birth: Tübingen, Germany

Current seats in supervisory board / control committees besides JOST Werke AG:
- none

Jürgen Schaubel
Member of the Supervisory Board
(Chairman of the Audit Committee)

Occupation: Consultant, Oaktree Capital Management
Initial appointment: June 23, 2017
Year of birth: 1963
Place of birth: Bönningheim-Ludwigsburg, Germany

Current seats in supervisory board / control committees besides JOST Werke AG:

- Member of the board of directors of Veolia Environment Israel Ltd., Herzliya, Israel
- Vice chairman of the board of directors of InMEDiG Holding AG, Baar, Switzerland
- Managing director of JS Consultants GmbH, Baar, Switzerland

Natalie Hayday
Member of the Supervisory Board
(Member of the Audit Committee)

Occupation: Managing Director at 7Square GmbH, Frankfurt
Initial appointment: June 23, 2017
Year of birth: 1976
Place of birth: Guildford, England

Current seats in supervisory board / control committees besides JOST Werke AG:

- Member of the supervisory board and audit committee of LEG Immobilien AG, Düsseldorf, Germany

Klaus Sulzbach
Member of the Supervisory Board
(Member of the Audit Committee)

Occupation: Auditor / Tax consultant Klaus Sulzbach WP Consulting, Kronberg, Germany
Initial appointment: June 23, 2017
Year of birth: 1959
Place of birth: Saarbrücken, Germany

Current seats in supervisory board / control committees besides JOST Werke AG:

- none

NON-FINANCIAL REPORT

Operating a commercially viable business while at the same time taking responsibility for our employees, society and environment has been at the heart of the JOST Group's philosophy for more than 60 years. This means giving all stakeholders confidence in the quality and safety of our products and services and the work of all individuals acting on behalf of the JOST Group at all times. In our daily pursuit of excellence, we combine sustainability-related targets with commercial considerations.

Our understanding of sustainability is based on our established business model and comprises four areas:

- Economic responsibility
- Social responsibility
- Climate and environmental responsibility
- Corporate governance and compliance

In accordance with the CSR Directive Implementation Act (CSR-RUG), JOST Werke AG is hereby publishing its non-financial report for the Company and Group in accordance with Section 289b (3) of the German Commercial Code (HGB) and Section 315b (3) HGB.

In accordance with Section 289d HGB, we examined which national, European or international framework could be used for preparing the non-financial report. We currently believe that none of the existing frameworks is suitable for us. However, we want to use our non-financial report to disclose how JOST values employee, environmental and social matters and incorporates these into its daily work, which plans we pursue in this context and which results we achieved in the past fiscal year.

Business model

JOST is a leading global producer and supplier of safety-critical systems to the truck and trailer industry. Our global leadership position is driven by the strength of our brands, our long-standing client relationships and our efficient and asset-light business model. Further information about the business model can be found in the 2017 combined management report of JOST Werke AG under “Fundamental information about the Group”.

Economic responsibility

As part of its corporate strategy, JOST strives to grow its business sustainably and achieve above-market revenue growth, as well as strong profitability and cash flows. A healthy financial basis and the positive long-term business development associated with it are fundamental prerequisites for sustainable corporate development and maintaining and improving the Company's value. Comprehensive information on our economic responsibility is provided as part of our financial reporting. Further information can be found in the 2017 management report, annual financial statements and notes of JOST Werke AG.

Employee matters

Protecting and respecting every individual is a top priority at the JOST Group. Observing internationally proclaimed human rights and labor standards is a matter of course for us. We condemn all forms of discrimination for reasons such as ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation. We also consistently oppose all forms of forced and child labor.

Treating all employees responsibly and respectfully is a key aspect of our business operations. Highly qualified, committed and motivated employees are essential to the successful development of our business and implementation of our growth strategy. As a result, employee recruitment and retention is very important. We want to be an attractive employer to employees and young talent.

Employees

In the 2017 fiscal year, we employed an average of 2,790 employees worldwide – a year-over-year increase of 3.7% (2016: 2,691). This growth reflects the JOST Group’s development during the fiscal year and affects all areas of the business.

Average number of employees by function

	2017	2016	Change
Production	1,985	1,956	1.5%
Sales	444	402	10.6%
R&D	100	91	9.9%
Administration	261	242	7.5%
Total	**2,790**	**2,691**	**3.7%**

Personnel development

The main focus of the Personnel department is the continuous development and advancement of our employees. We want to further strengthen their commitment and provide them with individual support in their professional development. In addition, our aim is to continue positioning the JOST Group as an attractive employer both internally and externally in order to attract and retain skilled professionals, management staff and young talent.

As part of these efforts, we offer our employees different opportunities for further training as well as individualized development and career prospects. We offer a wide variety of professional training courses, language courses and various seminars aimed at developing personal, methodological and leadership skills. These offerings are tailored to the individual needs of our employees and designed to enable them to carry out their tasks and tackle challenges even more effectively.

In 2017, we took important steps to specifically develop talented employees from within the Group. The recently introduced talent management program will support young talent identified by their supervisors as exceptionally committed top performers with their professional and personal development and nurture their careers within the JOST Group. This improves our chances of filling specialist and management roles with employees from within our own ranks who are already familiar with our Company and sector and strongly identify with JOST. To date, 16 employees have been accepted on the global talent management program. The first development modules will take place in early 2018. The program is also designed to help bring more women into management.

In the 2017 fiscal year, we also trained six commercial apprentices at our German sites. We generally aim to offer permanent, long-term employment to all trainees who have completed their training with us. We want to further bolster our activities for trainees and expand our offering, particularly in technical areas.

Diversity and equal rights

As a company operating internationally, we have instilled a culture that respects the individuality of every person and promotes equal opportunities irrespective of age, disability, ethnocultural origin, gender, religion, ideology or sexual identity.

In Germany alone, we employed staff representing more than 30 different nationalities in 2017. The average age of our workforce is 43.9 years old. We are particularly proud of the average length of service which, at more than 13 years, highlights our employees' strong sense of loyalty to the JOST Group.

Average number of employees by region

	2017	2016	Change
Europe	1,835	1,760	4.2%
North America	400	375	6.7%
Asia, Pacific, Africa (APA)	555	556	–0.2%
Total	**2,790**	**2,691**	**3.7%**

We are particularly committed to gender equality. We offer women and men in our company the same opportunities and strive to strike a gender balance at all employee levels. As JOST's business focuses heavily on technical professions, in which women are still underrepresented in both higher education and the application process, the latter presents a challenge when filling jobs.

During the 2017 fiscal year, we increased the Group-wide proportion of women in management roles at the two management levels below the Management Board to 8% (previous year: 7%). We want to increase this share further to at least 10% by 2020. The Management Board always takes diversity into account when hiring senior management and, in doing so, considers female candidates. However, the professional and personal qualifications of each candidate are our primary focus when making the final selection.

At JOST Werke AG, the proportion of women in management positions below the Management Board in the reporting period was 33%. We want to ensure that this share does not fall below 30% by 2020.

Work-life balance

Promoting work-life balance is one of the key approaches of our family-oriented corporate culture. We offer our employees a variety of measures and models in this area. Opportunities include part-time employment and flexible working hours.

Occupational health and safety

As a manufacturing company, creating a safe working environment across the entire JOST Group is extremely important. Employees in Production are generally exposed to an increased health risk. As a result, we set high safety standards across the Group when dealing with dangerous substances and other potential hazards. Regular information, training and development help to develop the skills and awareness of our employees to work safely in all of the Group's departments and sites.

External audits are also conducted as part of the certification of our management systems. We are certified in accordance with DIN ISO 9001 (quality), DIN ISO 14001 (environment) and OHSAS 18001 (occupational safety). More information can be found on our website under https://www.jost-world.com/en/sustainability/certificates.html.

We record and evaluate work-related accident figures at regular intervals. In the 2017 reporting year, the Group-wide rate of reportable accidents per 1,000 employees was 22 (previous year: 25). Our aim is to further reduce the number of accidents at work.

Social matters

Social contact with our stakeholders on the customer and supplier side is one of the guiding principles of our activities. As a result, long-term partnerships with our suppliers and long-lasting relationships with our customers are key to the success of JOST's business. We are convinced that constant innovation, fair treatment of suppliers and ongoing communication with our customers are vital to providing marketable products and ensuring commercial success.

JOST is also involved in voluntary social projects in the local community. However, our social activities are not subject to any overarching central management process and we do not pursue an integrated Group-wide approach that actively manages dialog at a local and regional level. Instead, activities are organized locally and implemented individually in the areas where our sites are located. As an employer, we make a direct and important contribution to the positive economic development of the communities where we operate by creating local jobs.

Customers

We strive to offer our customers innovative products and high-quality solutions. To do this, we include them in our processes from an early stage and address their needs when developing our products. The satisfaction of our customers is just as important to us as the quality of our products.

Non-financial key performance indicators such as customer satisfaction and complaint rates help us to identify and tackle any problems at an early stage. We conduct a monthly Group-wide survey across all sites to track the development of customer satisfaction and the number of complaints together with their reasons and causes.

Suppliers

We organize our supply chain on a global and regional level. In addition to commercial factors, we also take quality and sustainability criteria into account when selecting suppliers. To ensure the faultless and consistently high quality of our products, our suppliers are obliged to maintain a quality management system that meets predefined standards for their entire business relationship with JOST. Our quality standards are part of all orders and agreements between us and our suppliers. In our general terms and conditions of purchase, we require our suppliers to observe the ten universally recognized principles of the UN Global Compact concerning human rights, labor standards, environmental protection and the fight against corruption. We review compliance with these regulations to the best of our ability and support our suppliers by maintaining a collaborative partnership and ongoing dialog.

To evaluate and ensure the quality of our suppliers and service providers, we define clear criteria for the monthly assessment of quality and logistics requirements such as product and production approvals, adherence to quantity stipulations, punctuality and complaints. We visit our most important suppliers and carry out on-site checks to ensure that they meet the agreed quality, environmental and social standards.

Environmental matters

We are keen to keep our environmental impact as low as possible and avoid it where possible in the course of our business activities. As a result, integrated environmental management is part of the culture of the JOST Group.

Our integrated management system (IMS) specifically outlines issues covered by the environmental management system, waste management, German Hazardous Substances Regulation (Gefahrstoffverordnung) and energy industry. It also takes into account occupational health and safety requirements. Our environmental management system is regularly monitored and the outcomes certified by external certification company SGS in accordance with the standard DIN EN ISO 14001:2005. JOST has been certified in accordance with the aforementioned standard for the past 16 years.

JOST reviews its climate and environmental performance on an annual basis. In doing so, we focus on the following core indicators:

- Electricity consumption
- Natural gas consumption
- Water consumption
- Total waste
- CO_2 footprint

Compared to the previous year, our relevant key figures have developed as follows:

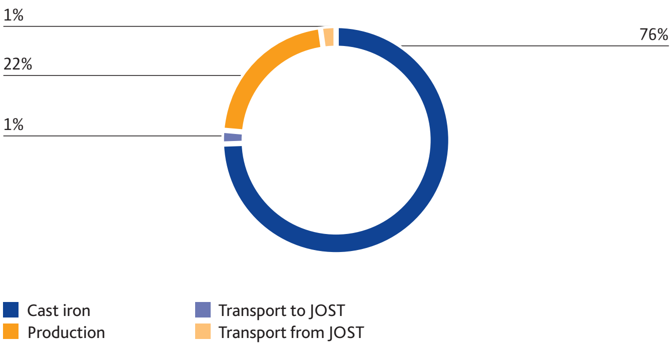
Energy and material flow*	Unit	**2017 figure**	2016 figure	Change (%)
Total electricity consumption	kWh / production hour	5.816	6.188	−6.0%
Total natural gas consumption	kWh / production hour	10.324	11.126	−7.2%
Total water consumption	m^3 / production hour	0.0222	0.0221	0.4%
CO_2 – total emissions	t / production hour	0.0078	0.0084	−6.8%
Total waste	t	5,545	5,131	8.1%
Scrap	% of total waste	67.4%	71.8%	1.4%**
Hazardous waste	% of total waste	5.8%	4.8%	29.7%**
Non-hazardous waste	% of total waste	26.9%	23.4%	24.2%**

* The figures relate to the major European sites only. We want to incorporate more sites when calculating our environmental indicators.
** The percentage figure shows the change in waste in metric tons vs. the previous year.

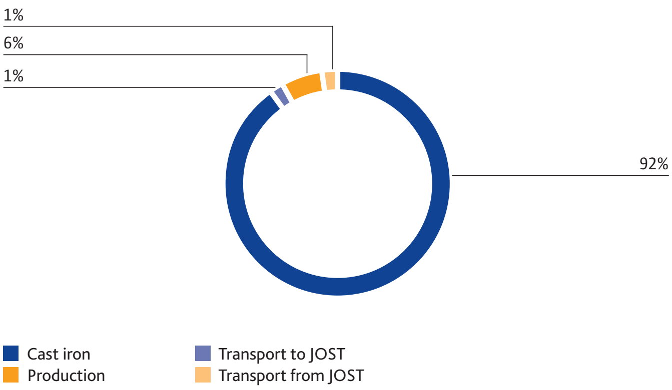
The emission of greenhouse gases when manufacturing our two key products, fifth wheels and landing gears, is primarily due to the materials used. These materials are required to fulfill requirements concerning the stability, safety and durability of our products.

Nevertheless, in the 2017 fiscal year we succeeded in reducing average CO_2 emissions per production unit for both fifth wheels (−0.9%) and landing gears (−0.4%) compared to the previous year. On average, direct and indirect greenhouse gases emissions for the production of one fifth wheel totaled 0.2312 kg CO_2eq in 2017 (previous year: 0.2332 kg CO_2eq), while for one landing gear this figure was 0.0915 kg CO_2eq (previous year: 0.0919 kg CO_2eq).

Fifth wheels – distribution of CO_2 emissions



Landing gears – distribution of CO_2 emissions



The general goal of our climate and environmental responsibilities is to continually improve our environmental output figures.

Corporate governance and compliance

In the structure of a German stock corporation (Aktiengesellschaft – AG), the Supervisory Board of JOST Werke AG supervises the Management Board, which is responsible for the strategic and operational management of the Company. In line with the underlying concept of the German Corporate Governance Code, the JOST Management Board and Supervisory Board are responsible for ensuring the continued existence of the Company and sustainable value creation in line with the principles of the social market economy. All corporate bodies and employees carry out their activities based on the model of the "reputable businessperson", which is centered around compliance with the law and acting in an ethically sound and responsible manner. As a result, good corporate governance, integrity, comprehensive compliance and the ethical conduct of every manager and employee are firmly established elements of JOST's corporate management.

Anti-corruption and bribery matters

JOST complies with all statutory requirements and also voluntarily assumes ethical principles. These requirements and principles are defined as a key element of compliance management in the Company's internal Code of Conduct Guidelines. As a code of conduct, they provide an essential foundation for our day-to-day activities.

In these guidelines, JOST has defined clear rules against human rights violations, corruption and bribery that apply to all managers and employees worldwide – as well as those governing the conduct of our business partners in the value chain. JOST does not tolerate violations of internal guidelines and statutory provisions. Tip-offs and complaints relating to human rights violations, corruption and bribery can be reported to the internal Compliance Officer or submitted anonymously via our whistleblower system. No tip-offs were submitted in the 2017 financial year.

In the reporting year, companies operating in countries with a corruption index of <60 generated 16.3% of consolidated sales (previous year: 15.7%).

Negative impact and risks arising from business activities

According to our estimates, there are no significant risks arising from our business activities, products or services that may have a serious negative impact on employee, environmental and social matters or lead to a violation of human rights and corruption.

Certifications worldwide

The high priority attached to sustainable business operations at JOST is also reflected in the various certifications obtained by the international locations and national Group companies. Our worldwide certifications are as follows:

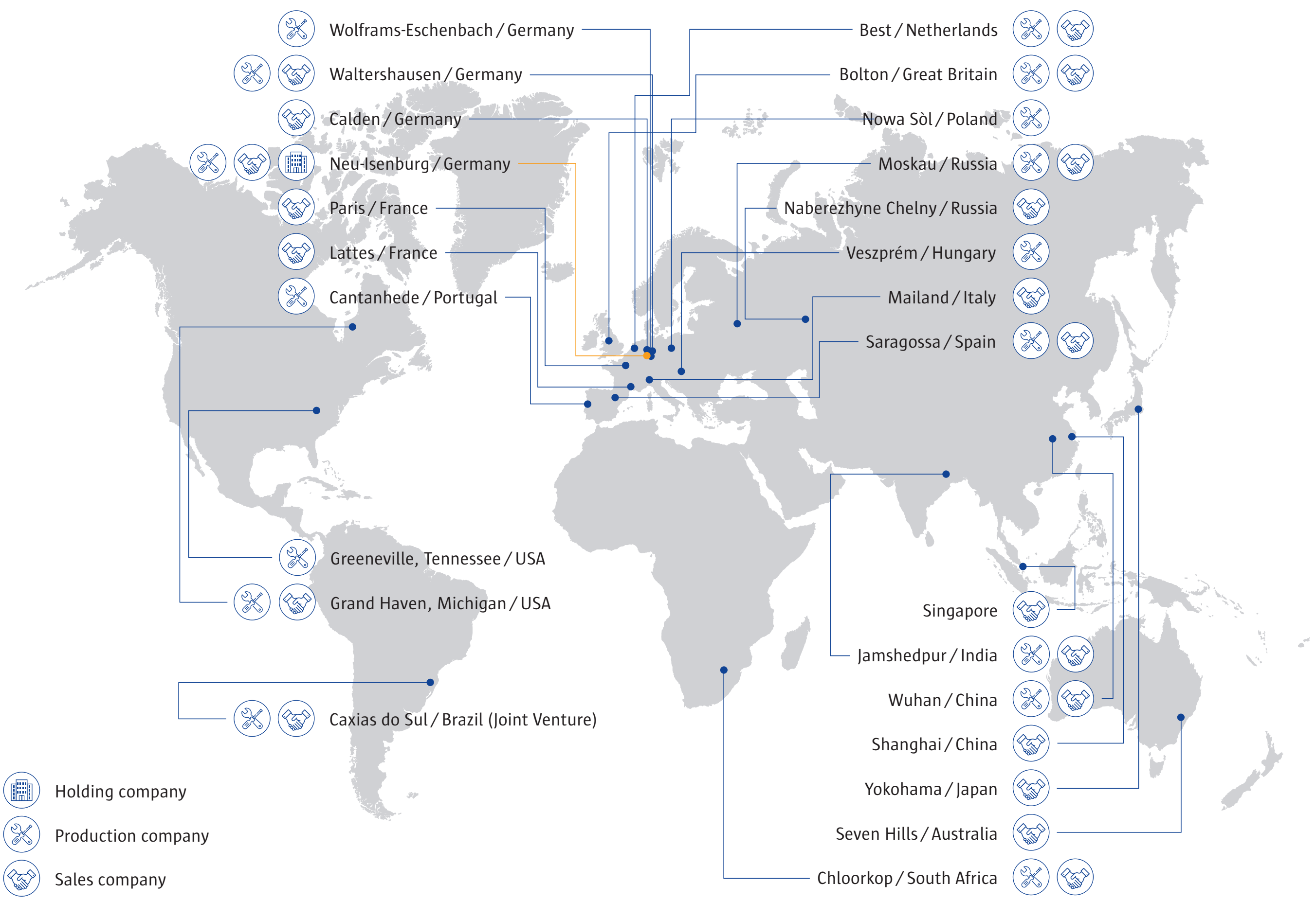
		ISO 9001	ISO TS 16949	OHSAS 18001	ISO 14001	KBA Confirmation
Europe	JOST-Werke Deutschland GmbH, Neu-Isenburg	✓	✓		✓	✓
	JOST-Werke Deutschland GmbH, Wolframs-Eschenbach	✓	✓		✓	
	ROCKINGER Agriculture GmbH	✓			✓	✓
	JOST – Hungária BT	✓	✓		✓	✓
	JOST Iberica S.A.	✓	✓			
	JOST Polska Sp. z o.o	✓	✓		✓	✓
	JOST TAT OOO	✓				
	JOST UK Limited	✓				
	TRIDEC BV	✓				
	TRIDEC – Sistemas Direccionais para Semi-Reboques, Lda.	✓			✓	
North- and Southamerica	JOST Brasil Sistemas Automotivos Ltda. (Joint Veture)	✓	✓	✓	✓	
	JOST International Corporation, Grand Haven, Michigan	✓				
	JOST International Corporation, Greeneville, Tennessee		✓		✓	
APA (Asia, Pacific and Africa)	JOST Australia Pty. Ltd.	✓				
	JOST (China) Auto Component Co., Ltd., Economic & Technological Development Zone, Wuhan	✓	✓	✓	✓	
	JOST (Shanghai) Auto Component Co., Ltd., Pudong District, Shanghai City	✓	✓	✓		
	JOST India Auto Component Pvt. Ltd.		✓		✓	
	JOST South Africa (Pty) Ltd.	✓				

COMBINED MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Company profile

JOST Werke AG worldwide



North America
Sales by destination: €124.3m
Share of consolidated sales: 18%

Europe
Sales by destination: €389.1m
Share of consolidated sales: 55%

APA
Sales by destination: €187.9m
Share of consolidated sales: 27%

Headquartered in Neu-Isenburg, Germany, JOST Werke AG (formerly: Cintinori Holding GmbH) is the parent company of the JOST Group ("JOST"), a leading global producer and supplier of safety-critical systems to the truck and trailer industry. In the 2017 fiscal year, JOST posted sales of €701.3m and employed an average of 2,790 people worldwide. With 16 production facilities in 13 countries worldwide (including a joint venture in Brazil), JOST is an international company with access to truck and trailer manufacturers, and to all relevant end customers. This strong global presence is also reflected in our sales by destination: our strongest sales region in 2017 was Europe, where we generated 55% of our sales revenue. With a sales share of 27%, Asia, Pacific and Africa (APA) was the second strongest market, followed by North America, where JOST generated 18% of its revenue. Latin American is mainly served by our joint venture in Brazil. The sales generated by this joint venture do not form part of consolidated sales: in 2017, sales revenues here totaled €43.0m.

JOST's position as an international market leader is underpinned by strong brands with recognized names like ROCKINGER, TRIDEC and Edbro. This market position is further supported by close, long-standing customer relationships and a capital-efficient business model. JOST has a broad-based, worldwide distribution network at its disposal, which we use to supply original equipment manufacturers (OEMs) of trucks and trailers. Our trading activities also involve the sale of components to major spare part companies serving these OEMs, and to wholesalers that in turn act as suppliers to smaller OEMs, vehicle fleets and other end users.

Products and services

JOST assigns its products to three categories:

Vehicle Interface – the interface that connects the truck to the trailer. This includes fifth wheels, king pins, landing gears and towing hitches.

Handling Solutions – systems for handling various goods in transit and transport tasks, e. g. container technology and hydraulic cylinders.

Maneuvering – products for maneuvering commercial truck and trailer systems, e. g. axles with modular suspension systems for trucks and trailers, plus forced steering.

Fifth wheels and landing gears are the core business of the JOST Group. According to a report published by Roland Berger in 2017, we achieved a global market share with these products in 2016 of 54% for fifth wheels and 56% for landing gears. By this estimate, JOST's market share for these products is three times higher than the share for our closest competitor. This makes us the world's leading manufacturer and supplier of fifth wheels and landing gears.

Complementing our product portfolio, we offer our OEM customers essential services that include just-in-sequence production and integrated logistics. We also supply wholesalers with components as well as JOST, ROCKINGER, TRIDEC and Edbro original replacement parts.

Segment and Group structure

Core operations in the JOST Group are structured by region, and accordingly split into the three geographical segments of Europe, North America and Asia, Pacific and Africa (APA). These segments are also used to structure our internal organization, control and reporting.

On the reporting date of December 31, 2017, the JOST Group consisted of 30 companies. JOST also holds a 49% stake in a joint venture in Brazil, which is accounted for using the equity method. → **See note no. 4 Basis of consolidation**

Group strategy

We strive to grow our business sustainably and to achieve above-market revenue growth, as well as strong profitability and operating cash flows. To achieve these core goals, JOST concentrates on the following strategic action areas:

Product innovations: We are a manufacturer of high-quality, robust and durable products and systems, and able to draw on long-standing, comprehensive expertise in transport applications. As such, we strive to use our product innovations to provide our customers with additional functionality and enhanced solutions that add value to our products, and assist the technological transition to more complex, automated commercial vehicles.

Initiatives for growth: By extending our product range to neighboring applications and by expanding geographically, we are in a position to generate additional opportunities for growth. Here, we use the effectiveness of our existing distribution channels and infrastructure, combined with our brand prominence and the strength of our global presence.

Improving profitability: We work continuously on improving our profitability across the Group. With clear-cut goals that address competition, we create incentives for optimizing our processes in all of our functional areas, reducing our costs and boosting our operating profit margins and cash generation within all of our business units.

Corporate management and control

Key performance indicators (KPIs) are the primary tool used for the corporate management of the JOST Group. Here, the greatest weighting is given to adjusted EBIT and / or adjusted EBITDA as well as sales revenue development. The monthly, quarterly and annual trends for these indicators are compared continuously with prior-year values and planning data. Changes in trends are analyzed and managed, both at a segment and a Group level. The annual trend for the adjusted EBITDA KPI is incorporated into the calculation of variable remuneration for the Management Board and executives.

The calculation of KPIs and their historical values in the 2017 fiscal year are explained in the report on economic position. → **See course of business in 2017**

The monthly analysis of the trends of net working capital (NWC) compared to revenue as well as leverage further support our management and control system. Any deviations from planned values are analyzed and managed as required.

Calculation of financial key performance indicators

± Operating profit (EBIT) + D & A from PPA ± Other exceptionals **= Adjusted EBIT** + Depreciation of property, plant and equipment + Amortization of intangible assets **= Adjusted EBITDA**	+ Inventories + Trade receivables − Trade payables = Net working capital (NWC) + Sales revenues x 100 **= NWC as a percentage of sales**	+ Interest-bearing loans excluding accrued financing costs − Cash and cash equivalents = Net debt + Adjusted EBITDA **= Leverage**

Takeover-related disclosures (in accordance with Sections 289a (1) and 315a (1) HGB) and explanatory report

The disclosures as of December 31, 2017 required by Sections 289a (1) and 315a (1) of the Handelsgesetzbuch (German Commercial Code – HGB) are presented in the paragraphs below, which in addition to those statutory disclosures also include the related narrative explanations in accordance with Section 176 (1) sentence 1 of the Aktiengesetz (German Stock Corporation Act – AktG):

Subscribed capital: As of December 31, 2017, the Company's share capital amounted to €14,900,000, composed of 14,900,000 no-par value bearer shares, each with a notional value of €1.00. Each share carries one vote at the General Meeting, determines the shareholders' share of the profit generated by the Company and has the same statutory rights and obligations attaching to it. Shareholders' rights and obligations are governed by the provisions of the AktG, in particular Sections 12, 53a et seq., 118 et seq. and 186 AktG.

Restrictions on voting rights and the transfer of shares: The exercise of voting rights and the transfer of shares are governed by the general statutory provisions and the Articles of Association, which restrict neither. Article 17 of the Articles of Association sets out the requirements that must be met in order to attend the General Meeting and exercise voting rights. In the cases referred to in Section 136 AktG, voting rights attaching to the shares concerned are disapplied by law. If the Company holds treasury shares – which was not the case as of December 31, 2017 – no rights may be exercised in respect of those shares pursuant to Section 71b AktG.

On July 12, 2017, in the context of the Company's stock listing, the Company, the existing shareholders and the underwriting banks signed an underwriting agreement. In the Underwriting Agreement, the Principal Shareholder has undertaken, not to, without the prior written consent of the lead manager for a period of 180 days following the first day of trading of the Company's shares on the Frankfurt Stock Exchange (July 20, 2017):

- offer, pledge, allot, distribute, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, transfer or otherwise dispose of, directly or indirectly (including, but not limited to, the issuance or sale of any securities exchangeable into shares of the Company), any shares of the Company;
- cause or approve, directly or indirectly, the announcement, execution or implementation of any increase in the share capital of the Company or a direct or indirect placement of shares of the Company;
- propose, directly or indirectly, any increase in the share capital of the Company to any shareholders' meeting for resolution, or vote in favor of such a proposed capital increase;
- cause or approve, directly or indirectly, the announcement, execution or proposal of any issuance of financial instruments constituting options or warrants convertible into shares of the Company; or
- enter into a transaction or perform any action economically similar to those described in the bullets above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of shares of the Company, whether any such transaction is to be settled by delivery of shares of the Company, in cash or otherwise.

The foregoing lock-up restrictions for the Principal Shareholder do not restrict the (i) the over-the-counter transfer of Company's shares by the Principal Shareholder to any of its affiliates and the transfer of Company's shares by any Authorized Recipient (as defined below) to another Authorized Recipient, and (ii) any allotments or distributions of Company's shares to direct or indirect shareholders or other securities holders of the Principal Shareholder or any affiliates of such shareholders or securities holders (together with any affiliates under (i), the "Authorized Recipients"), provided that the Authorized Recipient agrees to be bound by the foregoing lock-up restrictions by entering into a corresponding lock-up undertaking.

The foregoing lock-up restrictions affected a total of 42.5% of our share capital and were still in place as of December 31, 2017. However, they expired at midnight on January 16, 2018 and therefore were no longer in place at the date of preparation of the consolidated financial statements.

On January 31, 2018, existing shareholders reduced their interest in JOST Werke AG as part of a second placement. Unplaced shares representing 14.9% of share capital are subject to a new lock-up selling restriction for a period of 90 days after the date of the second placement. The Company's Management Board is not aware of any other agreements affecting the voting rights or the transfer of Company shares.

Interests in the share capital exceeding 10%: As of December 31, 2017, NIBC MBF Equity IB B.V. (the Netherlands) held 12.84% of the share capital of JOST Werke AG. NIBC Bank N.V. holds an indirect interest in our Company through NIBC MBF Equity IB B.V. (The Hague, the Netherlands). In addition, as of December 31, 2017, Black Diamond Capital Management, L.L.C. (Wilmington, Delaware, USA) held 12.84% of the share capital of JOST Werke AG indirectly through various entities.

According to the notifications received by us in accordance with Sections 21 et seq. of the version of the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG) applicable until January 2, 2018 (or Sections 33 et seq. of the version of the WpHG applicable since January 3, 2018), there were no other direct or indirect interests in the Company's share capital that reached or exceeded 10% of the voting rights as of December 31, 2017.

On February 2, 2018, Black Diamond Capital Management, L.L.C. and NIBC Bank N.V. notified us that they had each reduced their interest in JOST Werke AG to 5.13%. At the date of preparation of the consolidated financial statements, there were therefore no interests that made up more than 10% of the share capital.

Appointment and dismissal of Management Board members: The appointment and dismissal of Management Board members are governed by Sections 84 and 85 AktG in conjunction with Article 8 of the Articles of Association. This is generally the responsibility of the Supervisory Board; in urgent cases where the Management Board is lacking a necessary member, the court is required to appoint the member at the request of a person concerned. In accordance with Article 8 of the Articles of Association, the Management Board consists of one or more members. The number of Management Board members is decided by the Supervisory Board, which may also appoint a Chair and a Deputy Chair of the Management Board.

Amendments to the Articles of Association: In accordance with Sections 119 (1) 5. and 179 (1) sentence 1 AktG, the Articles of Association may be amended by resolution of the General Meeting. In accordance with Section 179 (2) AktG in conjunction with Article 20 (2) of the Articles of Association, a simple majority of the share capital represented when the resolution is passed is generally sufficient for this, in addition to a simple majority of the votes cast, unless statutory provisions or the Articles of Association require a larger majority. Article 12 (4) of the Articles of Association authorizes the Supervisory Board to pass resolutions on amendments to the Articles of Association that only affect their wording. Under Article 5 (4) of the Articles of Association, the Supervisory Board is authorized to amend the wording of the Articles of Association accordingly following the use of Authorized Capital 2017 or at the end of the period during which Authorized Capital 2017 may be used. Amendments to the Articles of Association become effective upon their entry in the commercial register (Section 181 (3) AktG).

Powers of the Management Board to issue and repurchase shares: The Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital by a total of up to €5,000,000 on one or more occasions in the period to June 1, 2022 by issuing up to 5,000,000 new no-par value bearer shares against cash or non-cash contributions (Authorized Capital 2017; Article 5 of the Articles of Association). If new shares are issued from Authorized Capital 2017, shareholders generally have preemptive rights, which are / may be disapplied only in certain cases described in greater detail in Article 5 (2) of the Articles of Association and subject to the conditions stated there.

The Management Board is not currently authorized to repurchase shares.

Material agreements in the event of a change of control: A financing arrangement in place between JOST Werke AG and a banking syndicate grants the creditors the right to terminate / call in the existing financing arrangement totaling €260.0m in the event of a change of control. The financing arrangement includes a revolving cash facility in the amount of €80.0m that grants the creditors the same rights.

Other takeover-related disclosures: There are no shares conveying special control rights. Neither are there any employees who are shareholders. No compensation arrangements have been agreed between the Company, the members of the Management Board or employees in the event of a takeover.

REPORT ON ECONOMIC POSITION FOR 2017

Significant business events in 2017

Change in legal form and company name: On June 23, 2017, the extraordinary shareholders' meeting of Cintinori Holding GmbH (HRB 43750) headquartered in Neu-Isenburg, Germany, passed a resolution to convert the legal form of the Company into a stock corporation (AG) under German law in accordance with the applicable provisions of the German Transformation Act (Umwandlungsgesetz – UmwG). The same extraordinary shareholders' meeting also passed a resolution to change the legal name of the Company to JOST Werke AG. This change of legal form and name was recorded by Offenbach am Main Local Court under number HRB 50149 on July 7, 2017.

Conversion of shareholder loans: On June 23, 2017, the extraordinary shareholders' meeting passed a resolution to increase the equity attributable to owners of the Company by €40.0m by making a contribution from the assignment of a shareholder loan. Of this total, €10.0m was attributed to subscribed capital. This increased the share capital of the Company to €10,025,000 (previously: €25,000). The remaining €30.0m was allocated to the capital reserves. On the same day, the decision was taken to increase the capital reserves by contributing additional shareholder loans totaling €312.5m. As the carrying amount of these shareholder loans differed from this amount, the difference reduced retained earnings by €60.7m (including a positive deferred tax effect of €26.0m). The total nominal value of the contributed shareholder loans amounted to €352.5m. → **See Note 22**

Capital increase and stock listing: The extraordinary General Meeting of JOST Werke AG on July 18, 2018, passed a resolution to carry out an ordinary capital increase of €4,875,000.00 against cash by issuing 4,875,000 new no-par-value bearer shares, each representing €1.00 of share capital. The preemptive rights of existing shareholders were disapplied. The share capital of the Company increased to €14.9m, divided into 14,900,000 no-par-value bearer shares with an imputed nominal value of €1.00 per share. As of July 20, 2017, the shares of JOST Werke AG were listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. The listing was the result of a private placement to institutional investors through a bookbuilding process.

Refinancing: The proceeds from the capital increase amounted to €131.6m and were used for debt repayment and corporate purposes. The remaining debt after repayment was refinanced with financing totaling €260.0m at improved terms. The term of this financing runs until July 2022. The improved financing structure created by this financing resulted in significantly reduced net debt and annual interest expenses. The financing includes a revolving cash facility totaling €80.0m that has not yet been drawn down.

Macroeconomic and sector-specific environment in 2017

Macroeconomic environment

Global economies recorded substantial growth in 2017: According to IMF's recent World Economic Outlook, global economies strongly grew by 3.6% year-over-year in 2017. European gross domestic product (GDP) continued its recovery in 2017, resulting in a 2.1% growth rate year-over-year. The US saw a comparable growth rate of 2.2% year-over-year, while Chinese GDP outperformed emerging and developing Asia (+6.5% year-over-year) overall, gaining another 6.8% in 2017. Following its recession, Latin America finally turned around in 2017 and grew by 1.2% year-over-year in 2017. Brazil also returned to positive growth rates and recorded a 0.7% increase compared to 2016.

Sector-specific environment

Booming Heavy duty truck production in 2017: Global truck production saw an extraordinarily strong year in 2017. Driven especially by booming Chinese production, the world's biggest truck market, global production of heavy duty trucks soared by 25% year-over-year according to research institute LMC. While the beginning of 2017 was still weak for the truck market in North America, truck production turned around during the third quarter, resulting in a full year growth of 12% compared to 2016. Following an impressive year-end rally in 2016, Asian truck production recorded another 36% increase in 2017, driven among other factors by more stringent size and weight regulation around trucks and trailers in China. Growth of European truck production kept stable at prior years' levels of 5% year-over-year. Brazilian truck production returned into positive territory and saw a significant increase of 44% year-over-year, but from very low levels.

Chinese regulation led to booming production figures

At the end of 2016, the Chinese government introduced new regulations addressing truck overload restrictions. In contrast to earlier regulations, the new rules came into effect right away without any major transition phase permitted. New regulations especially limited the maximum length and width of trailers. Such limitation caused a significant reduction in terms of load capacity of vehicles in use. As fleets strived to adapt their vehicle parks to new regulations, 2017 started with booming truck production figures, which did not significantly slow down over the year.

Trailer production remained stable at a high level: In contrast to the dynamic growth seen in truck production, global trailer production in 2017 remained relatively stable, recording a slight increase of just 1% compared to 2016. While European production was flat in 2017 according to market research firm Clear Consulting, North America saw minor growth of 1% year-over-year according to market research firm FTR. Asia, Pacific and Africa (APA) recorded an increase of 5% according to Clear Consulting. South America saw a rebound of 10% year-over-year coming from a very low level or production.

Effects of the macroeconomic and sector-specific environment on the course of business

The development of the macroeconomic and sector-specific environment during the 2017 fiscal year had a positive effect on the JOST Group's business. The positive economic situation in our markets drove up demand for road freight transport, prompting truck and trailer production to rise year-over-year in all regions. The regulation to limit truck overloading introduced in China at the end of 2016 continued to have an impact in the 2017 fiscal year and was a significant driver for our 37.1% sales growth in the Asia, Pacific and Africa (APA) segment. The JOST Group also benefited from the sudden recovery of the truck market in North America that began in the second half of 2017. After a decline in sales in this segment in the previous year, we achieved 8% sales growth in North America in 2017. The favorable conditions were a factor in compensating for the usual seasonal slowdown of our business in the second half of the year.

Course of business in 2017

Variance analysis of the financial key performance indicators

Buoyed by the favorable conditions and the Group's strong international positioning, JOST succeeded in achieving or even exceeding its sales and earnings targets for 2017. All segments in the Group contributed to this result.

Persistently robust demand in Asia, Pacific and Africa (APA) and the rapid recovery of the US truck market in the second half of 2017 gave sales growth a particular boost. This enabled us to increase our consolidated sales by 10.6% year-over-year, surpassing the sales target for 2017 that had already been raised.

Continuous efficiency improvements in all of our segments, sustained by the strong sales performance, contributed to the 23.4% increase in adjusted EBIT year-over-year and to the 21.4% growth in adjusted EBITDA. We therefore reached our elevated goal of lifting these key performance indicators by a moderate double-digit percentage compared with the previous year.

Through careful working capital management, we further improved net working capital as a percentage of sales year-over-year. At 18.6%, this indicator was better than in the prior year (19.4%) and exceeded our target of not passing the 20% mark.

The increase in our liquid assets to €66.3m accelerated the reduction of our net debt to €113.3m. In parallel, our adjusted EBITDA rose to €94.7m, allowing us to also exceed our leverage ratio target (net debt to adjusted EBITDA) at 1.2x.

Financial key performance indicators	2016 results	2017 guidance	Updated in the 9M 2017 interim report	2017 results
Sales	€633.9m	Medium single-digit growth vs. 2016	High single-digit growth vs. 2016	+10.6% €701.3m
Adjusted EBIT	€61.9m	High single-digit growth vs. 2016	Moderate double-digit growth vs. 2016	+23.4% to €76.4m
Adjusted EBITDA	€78.0m	High single-digit growth vs. 2016	Moderate double-digit growth vs. 2016	+21.4% €94.7m
Net working capital in % of sales	€122.8m 19.4%	< 20%	< 20%	€130.3m 18.6%
Ratio of net debt to adjusted EBITDA	3.5x	approx. 1.5x	<1.5x	1.2x

Results of operations

Sales

Sales by country of origin

in € thousands	**2017**	2016	% yoy
Europe	441,190	420,920	4.8%
North America	118,549	109,792	8.0%
APA	141,569	103,235	37.1%
Total	**701,308**	**633,947**	10.6%

In fiscal year 2017, we exceeded our prior-year sales level in all of our regions. Consolidated sales were up 10.6% to €701.3m.

The sales growth is attributable in particular to robust demand in China, where the market received a strong boost from the stricter legal requirements for the maximum size and weight of trucks and trailers introduced at the end of 2016. Other markets in Asia, Pacific and Africa also sustained the excellent sales performance in this region, lifting APA sales by 37.1% year-over-year to €141.6m.

The upswing in demand in North America in the second half of the year delivered a positive surprise. We leveraged the stable performance of the trailer market to keep our sales in the first half of the year at the prior-year level even though truck production in the United States was declining. In the second half of 2017, the US truck market returned to a growth trajectory, triggering a further increase in demand for our products. As a result, our sales in the North America segment rose by 8.0% to €118.5m in spite of a headwind caused by currency effects. Excluding these effects, sales in North America would have grown by 10.2% in 2017.

We also succeeded in improving our sales in Europe by a total of 4.8% year-over-year to €441.2m. Aside from the stable market performance, our strategy of adding value to our products through innovation and thus raising sales per customer began to bear fruit.

As in the previous year, the Group's order situation can be viewed as positive. All segments contributed to this result.

Results of operations in 2017

in € thousands	**01/01/–12/31/2017**	01/01/–12/31/2016	% yoy
Sales revenues	**701,308**	**633,947**	**10.6%**
Cost of sales	–507,962	–456,054	
Gross profit	**193,346**	**177,893**	**8.7%**
Operating expenses	–146,627	–144,761	
Operating profit (EBIT)	**46,719**	**33,132**	**41.0%**
Net finance result	**–146,702**	**–35,222**	
Income taxes	37,136	–13,084	
Profit / loss after taxes	**–62,847**	**–15,174**	

Gross profit increased by 8.7% to €193.3m. The sharper rise in the cost of sales (11.4%) than in sales (10.6%) is due in particular to higher raw material prices, which we were unable to pass on to the customer in full, as well as to shifts within the products and the regions. Consequently, the gross margin narrowed slightly to 27.6% in the reporting period from 28.1% in the previous year. By contrast, our various efficiency measures were successful, which meant that operating expenses rose by just 1.3%, at a slower rate than sales. Furthermore, our joint venture in Brazil raised its contribution to consolidated net profit / loss by 58.9% to €2.2m.

The following table illustrates the adjustments to operating profit. First of all, we adjusted profit for both 2016 and 2017 for non-operating exceptionals arising from purchase price allocation effects in the amount of €25.6m (previous year: €25.2m). In 2017, we also deducted non-recurring exceptionals totaling €1.4m in connection with the stock listing as well as other non-recurring exceptionals of €2.7 million resulting in particular from the move of our Chinese production of trailer parts from Shanghai to Wuhan. The adjusted other exceptionals in the previous year had been due primarily to the integration costs for Edbro and the trailer axle business.

Reconciliation of adjusted earnings in 2017

in € thousands	2017	2016
Profit / loss after taxes	**–62,847**	**–15,174**
Income taxes	37,136	–13,084
Net finance result	–146,702	–35,222
EBIT	**46,719**	**33,132**
Stock listing	–1,420	–1,130
Other effects	–2,666	–2,458
D & A from PPA	–25,592	–25,207
Adjusted EBIT	**76,397**	**61,927**
Depreciation of property, plant and equipment	–12,412	–10,345
Amortization of intangible assets	–5,864	–5,699
Adjusted EBITDA	**94,673**	**77,971**

In fiscal year 2017, the JOST Group achieved a marked improvement in its operating profit, raising adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) from the previous year by 21.4% or €16.7m. Overall, we generated adjusted EBITDA of €94.7m in the reporting period. Continuous efficiency enhancements throughout all segments underpinned by strict cost management and the above-mentioned growth in sales sustained this positive trend.

On the whole, adjusted earnings before interest and taxes (EBIT) rose by 23.4% or €14.5m year-over-year to €76.4m. In the same period, the adjusted EBIT margin improved by 1.1 percentage points to 10.9% (previous year: 9.8%).

The financial result was significantly reduced by a revaluation of shareholder loans in the amount of €123.8 million. These shareholder loans had been fully converted into equity prior to the stock listing in July 2017. → **See "Significant business events"** This is a non-cash non-recurring exceptional that will not otherwise affect our financial result going forward. → **See Note 18** The year-over-year decrease of €6.9m in interest payments in connection with bank liabilities had a positive effect. This was related to the improvement in our debt financing structure connected with the stock listing.

Income taxes were boosted in particular by deferred tax effects of €52.5m, which in turn were mainly attributable to the conversion of shareholder loans into equity. The tax reform in the United States had a slightly positive effect of €1.0m. The increase in current tax expenses to €15.4m (previous year: €10.6m) is largely due to the positive performance of operating profit. In total, income taxes were positive at €37.1m (previous year: €–13.1m), reducing consolidated net loss, which amounted to €62.8m in the reporting period (previous year: €–15.2m).

Segment performance

Segment reporting in 2017

in € thousands	Asia, Pacific and Africa	Europe	North America	Reconciliation	Consolidated financial statements
Sales revenues*	176,694	724,909	118,847	–319,142	701,308**
thereof: external sales revenues*	**141,569**	**441,190**	**118,549**	**0**	**701,308**
thereof: internal sales revenues*	35,125	283,719	298	–319,142	0
Adjusted EBIT***	**20,415**	**42,366**	**11,438**	**2,178**	**76,397**
thereof: depreciation and amortization	1,314	14,800	2,162	0	18,276
Adjusted EBIT margin	14.4%	9.6%	9.6%		10.9%
Adjusted EBITDA***	**21,729**	**57,166**	**13,600**	**2,178**	**94,673**
Adjusted EBITDA margin	15.3%	13.0%	11.5%		13.5%

* Sales by destination in 2017:
- Americas: €124,319 thousand
- Asia, Pacific and Africa: €187,875 thousand
- Europe: €389,114 thousand

** Sales revenues in the segments show the sales revenues by origin.

*** Adjusted EBIT / EBITDA includes share of profit or loss of investment accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

Segment reporting in 2016

	Asia, Pacific and Africa	Europe	North America	Reconciliation	Consolidated financial statements
Sales revenues*	129,792	676,991	109,946	–282,782	633,947**
thereof: external sales revenues*	**103,235**	**420,920**	**109,792**	**0**	**633,947**
thereof: internal sales revenues*	26,557	256,071	154	–282,782	0
Adjusted EBIT* **	**15,856**	**34,994**	**9,706**	**1,371**	**61,927**
thereof: depreciation and amortization	1,383	12,617	2,044	0	16,044
Adjusted EBIT margin	15.4%	8.3%	8.8%		9.8%
Adjusted EBITDA* **	**17,239**	**47,611**	**11,750**	**1,371**	**77,971**
Adjusted EBITDA	16.7%	11.3%	10.7%		12.3%

* Sales by destination in 2016:
- Americas: €114,476 thousand
- Asia, Pacific and Africa: €147,306 thousand
- Europe: €372,165 thousand

** Sales revenues in the segments show the sales revenues by origin.

*** Adjusted EBIT / EBITDA includes share of profit or loss of investment accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

Europe

The Europe segment was again the largest segment in the Group, accounting for 62.9% of total sales. The segment's external sales expanded by 4.8% to €441.2m. Adjusted EBIT for the segment contributed significantly to the improvement in total comprehensive income, climbing 21.1% to €42.4m and expanding the EBIT margin by 1.3 percentage points to 9.6%. The main reasons for this solid performance were, firstly, the successfully completed integration of the axle business; secondly, the positive operating leverage effects resulting from the higher business volume; and, thirdly, the continuous efficiency enhancements in all European companies.

Ten of our sixteen production facilities are assigned to the Europe segment. Consequently, 67.3% of our total capital expenditure was invested in this segment. Amounting to €13.0m (previous year: €15.1m), this mainly related to replacement investments for machinery and production plants.

North America

The North America segment lifted its sales by 8.0% year-over-year and with total revenues of €118.5m generated 16.9% of consolidated sales. Adjusted EBIT for the segment rose by 17.8% to €11.4m and the EBIT margin improved by 0.8 percentage points year-over-year to 9.6%. In addition to better operating leverage attributable to the higher sales, the improvement in the margin in North America was due to the higher level of automation in production. This offset increased wage and material costs.

Capital expenditure in North America focused primarily on production automation. We invested a total of €2.8m in this segment (previous year: €2.2m).

Asia, Pacific and Africa (APA)

The APA segment greatly benefited from the robust demand in the region – not only in China, but also in other countries such as India, Australia, and South Africa. The segment's sales rose by 37.1% in total to €141.6m, accounting for 20.2% of consolidated sales. Adjusted EBIT for the segment increased by 28.8% to €20.4m. However, the adjusted EBIT margin decreased by 1.0 percentage points, coming in at 14.4% at the end of the reporting period. One of the main reasons for this was the higher expenses and start-up costs attributable to the move of production of trailer parts from Shanghai to Wuhan in the fourth quarter of 2017. These put pressure on operating profit in the fourth quarter of 2017.

The higher capital expenditure required in the APA segment versus the previous year is also attributable to the relocation of production to Wuhan. We used this opportunity to further expand our production capacity in China by purchasing new machinery. A total of €3.5m was invested in APA (previous year: €1.0m).

Net assets

Balance sheet structure

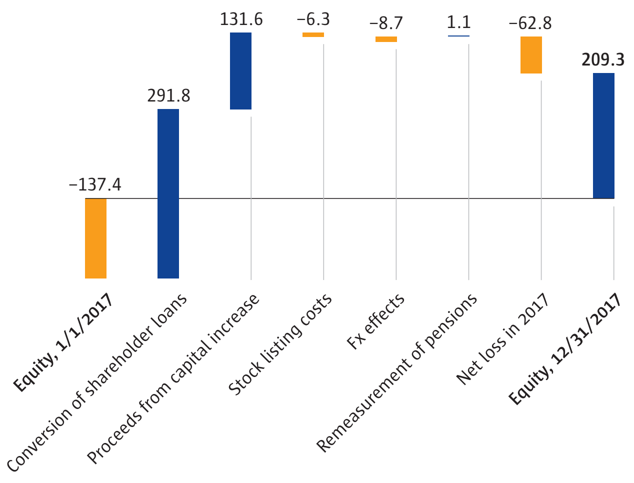
Assets in € thousands	**12/31/2017**	12/31/2016
Noncurrent assets	336,704	365,857
Current assets	285,341	238,511
	622,045	**604,368**

Equity and Liabilities in € thousands	**12/31/2017**	12/31/2016
Equity	209,333	–137,368
Noncurrent liabilities	295,791	641,360
Current liabilities	116,921	100,376
	622,045	**604,368**

The JOST Group gave a substantial boost to its equity in fiscal year 2017 by converting shareholder loans. This reduced the shareholder loans and deferred tax liabilities as components of noncurrent liabilities. Furthermore, we implemented a capital increase in 2017 in connection with the stock listing of JOST Werke AG. The proceeds of €131.6m were used primarily to repay financial liabilities, which further reduced noncurrent liabilities. As a result, the Group's equity ratio (equity divided by total assets) improved to 33.7% at the reporting date of December 31, 2017.
→ **See Note 18 Equity**

At the reporting date of December 31, 2017, noncurrent liabilities were mainly composed of interest-bearing bank loans (€177.8m) and pension obligations (€59.3m). The bank loans will mature in June 2022, when they are required to be repaid in full. Current liabilities principally comprise trade payables and other provisions.

Reconciliation of equity
in € millions



At the same time, we succeeded in further increasing liquid assets, thereby more than halving the Group's overall net debt, which amounted to €113.3m as of December 31, 2017 (previous year: €272.8m). As a result, the ratio of net debt to adjusted EBITDA improved to 1.2x (previous year: 3.5x). We thus exceeded our target of achieving a leverage ratio (net debt divided by adjusted EBITDA) of less than 1.5x.

Slightly positive effects of €1.0m were generated by the tax reform in the United States, which reduced deferred tax liabilities in 2017.

The decrease in noncurrent assets is mainly attributable to amortization of intangible assets arising from the historical purchase price allocation as well as to current depreciation of property, plant, and equipment.

The ability to supply our customers around the world rapidly is one of the most important features of our business model and an important prerequisite for maintaining and expanding our market share. To ensure this, our inventory levels need to be high. Along with the rise in business volumes in 2017, our inventories grew to €96.9m (previous year: €90.4m) and our trade receivables and payables increased.

Trade receivables climbed 17.6% to €105.9m (previous year: €90.1m), while trade payables witnessed a stronger increase of 25.7% to €72.6m (previous year: €57.7m). Although net working capital rose by 6.1% to €130.3m year-over-year (€122.8m), thanks to effective working capital management the increase was slower than for sales.

Net working capital as a percentage of sales improved to 18.6% (previous year: 19.4%). We were therefore able to reach our communicated target of keeping this ratio below 20%.

Capital expenditures

In fiscal year 2017, we invested €19.3m throughout the Group (previous year: €18.3m). A total of €16.9m was spent on property, plant and equipment, mainly on replacement investments, on increasing production automation, and on purchases of new machinery in connection with the move of our Chinese production of trailer parts from Shanghai to Wuhan. We designated another €2.4m to intangible assets, particularly for the further harmonization of global IT infrastructures.

Capital expenditure accounted for 2.7% of sales (previous year: 2.9%).

Liquidity and financial position

Cash flow

in € thousands	**01/01/–12/31/2017**	01/01/–12/31/2016
Cash flow from operating activities	**63,887**	**56,606**
thereof change in net working capital	–11,150	–12,664
Cash flow from investing activities	**–14,781**	**–16,071**
Cash flow from financing activities	**–27,780**	**–34,182**
Net change in cash and cash equivalents	**21,326**	**6,353**
Change in cash and cash equivalents due to exchange rate movements	–2,202	426
Cash and cash equivalents at January 1	47,189	40,410
Cash and cash equivalents at December 31	**66,313**	**47,189**

The successful measures taken to manage net working capital supported the positive trend in operating cash flow, which in the course of the year improved to €63.9m (previous year: €56.6m).

In spite of the higher investment volume, cash flow from investing activities improved to €–14.8m (previous year: €–16.1m). This was due in particular to the increase in dividends and interest received by €3.2m year-over-year, mainly resulting from higher payouts by the joint venture JOST Brasil Sistemas Automotivos Ltda.

The stock listing of JOST Werke AG on July 20, 2017, had a considerable effect on cash flow from financing activities. The proceeds from the capital increase amounted to €131.6m. We repaid some of our existing long-term interest-bearing loans in the amount of €305.2m using the proceeds from the capital increase. The remaining debt was financed with a new loan of €180.0m. In the same context, a revolving cash facility totaling €80.0m was concluded that has not yet been drawn down. This financing agreement thus amounts to a total of €260.0m and is due on July 23, 2022. The margin of the current financing was significantly reduced compared to the prior financing. The loans are subject to variable interest. A portion of the interest rate risk is hedged with interest swaps and interest caps. Accrued financing costs totaling €1.8m relate to refinancing fees and are evenly distributed until maturity.

Overall, cash flow from financing activities improved to €–27.8m (previous year: €–34.2m).

As of December 31, 2017, liquid assets increased to €66.3m (previous year: €47.2m).

Principles and objectives of financial management and the dividend policy

Our financial management is guided by our corporate strategy and by the requirements of our operating business. The objective of our financing policy is to hold ample liquidity reserves at all times to give the Group the necessary financial flexibility for further growth, to limit financial risks, and to optimize the cost of capital through an adequate capital structure. It will also allow the Group to take advantage of any acquisition opportunities that arise. For this, in addition to the possibility of raising additional finance on the capital markets, the Group has a revolving facility in the amount of €80m.

We pursue a consistent dividend policy based on the Company's results of operations and financial position. When our business performs positively, we want our shareholders to participate in the Company's success through continuous dividend income. The planned payout ratio in the medium term is 35% to 50% of consolidated net profit after tax, depending on the Company's capital requirements, among other things. However, our ability to distribute dividends may be limited by the terms of existing or future debt or preferential instruments.

For fiscal year 2017, management will propose to the General Meeting in May 2018 that a dividend of €0.50 per share be paid.

Management Board's overall assessment of the economic situation

In the Management Board's opinion, the Company's performance in 2017 was positive. In the 2017 reporting year, the JOST Group expanded its business around the world, lifting both sales and operating profit year-over-year. We achieved or even exceeded our sales and EBIT targets, strengthened the Group's balance sheet, and substantially reduced our net debt. All segments contributed to this positive result. Continuous optimization of our costs and processes has made the Group more efficient and significantly improved our operating margin.

From the Management Board's perspective, the economic situation of the JOST Group is solid. It gives the Company additional financial stability and provides a secure basis on which we can generate further growth for JOST.

Research and development

Innovative products are one of the three strategic action areas of the JOST Group, and are intended to contribute to its profitable and sustainable growth. We want to apply our know-how in transportation applications to offer our customers innovative solutions and products that make commercial vehicles safer and easier to handle while enabling them to improve efficiency, expand the flexibility and versatility of their vehicle pool, and make continuous improvements to fleet operations.

Our product design and engineering capacities for both new developments and improvements to our existing portfolio are concentrated in our facility at Neu-Isenburg in Germany. From here, our engineers receive input from our other European sites, and from North and South America, China, Australia, South Africa and India, providing technical support in turn to our global production facilities. Our longstanding international suppliers also receive technical support from Neu-Isenburg and are closely involved in the development process. In the 2017 fiscal year, we employed 37 people in our R&D unit in Neu-Isenburg.

R&D expenses in the 2017 fiscal year amounted to €10.4m (2016: €10.7m). In this reporting period, research and development activities focused on the further enhancement of our electrical landing gear (Modul E-Drive) and automatic Sensor Coupling System (SKS), with which JOST is making a critical contribution to autonomous driving technology. We have also conducted research on additional features for our products, made improvements to our sensor-driven coupling, and pushed on with expanding our program for demanding special applications. We have also developed products in the conventional mechanical segment with the aim of occupying new niches and markets.

There has been a continued focus on the areas of safety and convenience features and on efforts to cut weights and carbon emissions. Last but not least, we have also made considerable progress towards developing a biodegradable grease for use in our automated LubeTronic system for fifth wheels.

Related parties

Related party disclosures are presented in note 42 of the notes to the consolidated financial statements.

Report on post-balance sheet date events

We refer to the disclosures in note 48 “Events after the reporting date” in the notes to the consolidated financial statements.

REPORT ON OPPORTUNITIES AND RISKS

Risk and opportunity management system

As a result of its business activities as an international group, JOST is exposed to a number of risks that are inseparably linked with its commercial endeavors and cannot be completely eliminated despite taking all due precautions. The JOST Group’s risk and opportunity management system enables the Company to identify and quickly seize opportunities as well as to identify, assess and counteract risks at an early stage.

The Management Board of JOST Werke AG determines the risk policy that forms the basis for the activities of all parties involved in the risk management process. The overriding principle is to exploit opportunities and, in doing so, consciously take on the risks associated with the business while ensuring that such actions create value for the Company and do not compromise its corporate objectives.

Our opportunity and risk management system is based on the ISO 31000 standard entitled “Risk Management – Principles and Guidelines” and is an integral component of the management process. At JOST, opportunities and risks are defined as potentially positive or negative deviations from targets and projected figures for earnings before taxes (EBT) or liquidity. As a result, it is important to ensure that the Company’s risk and opportunity management efforts are geared towards future value and possible events and thus make a contribution to the future viability of the Group.

The risks are recorded in an internally defined process and by means of checklists and control procedures. After the risks for each risk field are identified in a structured manner (risk inventory), the assessment is carried out based on the relevance scale predetermined by the Management Board. Escalation and approval processes are set out depending on the risk category. The analysis process is carried out in two stages. Firstly, the focal points for identification are determined using risk fields that are assigned to responsible individuals (“risk owners”). These risk fields are based on the business processes and internal procedures of the JOST Group.

The relevance scale for risk assessment is an expression of the overall importance of each risk for JOST and is designed to combine communicability with risk quantification and prioritize risk management efforts. The assessment of all risks is based on realistic maximum losses with a certain minimum probability of occurrence.

Potential negative deviation from EBIT or liquidity target

	< €1m	€1m to €3m	€3m to €10m	€11m to €30m	> €30m
Relevance scale for risk assessment	Immaterial	Low	Moderate	Material	Critical

Each risk owner is responsible for carrying out risk monitoring on a decentralized basis. This information is consolidated by the central risk management unit. The risk and opportunity management system was introduced in 2017. From 2018 onwards, the Management Board will receive an overview of the latest risk situation twice a year in the form of a standardized risk report. The Management Board will be informed promptly of any acute risks and opportunities.

Tools such as the Group-wide environmental and quality management system as well as various hedging instruments, insurance policies and standards also flank the internal control system, where all operational processes are recorded. In addition, instruments for managing compliance issues such as a whistleblower system and a code of conduct have been introduced across the Group and are being constantly refined. Regulatory monitoring of laws and guidelines, for instance, is carried out by a compliance officer advised by external lawyers.

Internal control and risk management system relevant for the consolidated financial reporting process

The purpose of the internal control and risk management system related to the consolidated financial reporting process (ICS) is to ensure the correctness and reliability of the financial reporting of JOST Werke AG and the Group. The ICS is designed to ensure that the accounts comply with statutory regulations, principles of proper accounting and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and internal Group guidelines. As a rule, accounting errors must be avoided and incorrect valuations identified in a timely manner so that users of the consolidated financial statements receive valid and reliable information.

In particular, the fundamental principles of the JOST Group's ICS include the separation of functions and compliance with guidelines as well as defined preventative and supervisory control mechanisms such as systematic and manual coordination processes, the dual control principle, access rights and predefined approval processes. IT security features provide the installed financial systems with the best possible protection against unauthorized access. Group Controlling monitors the operational and financial processes by checking plan-actual variances and actual-actual variances on a monthly basis, thus ensuring that significant and implausible changes are identified at an early stage.

The preparation of the consolidated financial statements and Group management report is subject to a schedule stipulated for all Group companies. The companies included in the basis of consolidation prepare their financial statements locally and send them to the central Group Accounting department in a consistent format. The financial reporting for Group companies is carried out via the COGNOS reporting system. Standardized accounting is ensured, in particular, by the accounting manual applicable throughout the Group, which is regularly updated and maintained by Group Accounting. Changes to existing accounting principles with an impact on the financial statements of JOST Werke AG and its subsidiaries as well as on the consolidated financial statements are promptly analyzed and the companies informed as appropriate. Group Accounting serves as a central point of contact for special technical questions and complex accounting issues. External experts such as auditors or qualified appraisers are consulted where necessary. Although the companies are responsible for compliance with the accounting manual and the proper operation of their financial reporting-related processes and systems, Group Accounting supports them in this regard.

Group Accounting carries out comprehensive quality assurance of the financial statements of Group companies included in the consolidated financial statements and is responsible for preparing the consolidated financial statements. Furthermore, both the data and information provided by Group companies and the consolidation measures required to prepare the consolidated financial statements are verified by audit procedures carried out by external auditors, taking the associated risks into account.

Risks and opportunities

In the following paragraphs, we outline the risks and opportunities that may significantly influence our business from today's perspective and that, should they occur, have not been taken into account in our expectations for the 2018 forecast period. In addition to the risks and opportunities outlined here, other influencing factors that we do not currently consider significant or are not yet known to us may have a negative or positive effect on the net assets, financial position and results of operations of the Group.

Unless specified otherwise, the risks and opportunities outlined here affect all of the Group's operating segments. If risks and opportunities affect the various operating segments differently, the differing assessments are explicitly stated.

Risks

Macroeconomic and sector-specific risks

The macroeconomic and sector-specific environments have a significant impact on our business. Due to the economic dependency of the sector in which we operate, cyclical economic downturns, particularly in the commercial vehicle industry, may adversely affect our business. The political, social or economic environment as well as negative changes in countries in which we and our customers operate could have an adverse impact on our business, financial position and results of operations. Shifts in market share among vehicle segments or a decrease in market share of vehicles for which we supply significant parts could have an adverse effect on our business. Similarly, an unexpectedly strong economic upturn may mean that our production capacity is not sufficient to cover actual demand for our products, causing us to lose market share.

We currently anticipate global economic growth and a further increase in demand for road freight transport and thus for commercial vehicles. However, we cannot rule out the possibility that economic development will deteriorate in individual regions and that the commercial vehicle industry will stagnate or decline. Expectations concerning the development of truck production are volatile and uncertain, particularly in China. For example, after very strong growth (+49%) in 2017, research institute LMC expects truck production to decline by 17% in 2018 → **See "Expected development of the general environment"** Due to changes in legislation, however, the potential market for our products in China has expanded; as a result, we anticipate a sales increase in the APA segment in 2018 despite the expected drop in truck production. Nevertheless, there is a moderate risk that sales and earnings in the APA segment will be negatively impacted by volatile sector development in China.

The international scope of our business model allows us to reduce our dependency on individual regions, thus enabling us to spread risk more effectively. We can also react quickly and flexibly to changes in demand within each region due to the asset-light nature of our production.

We believe macroeconomic and sector-specific risks are of low significance for the Europe and North America segments and moderately significant for the APA segment.

Competition risks

The industry in which we operate is characterized by intense competition. We primarily compete on the basis of quality, safety, price, service, speed and accuracy of delivery and the ability to quickly and reliably offer replacement parts for our products internationally. Consolidation of our competitors or an oversupply in the market may adversely affect our business, financial position and results of operations.

To address this risk, we seek to expand our product portfolio, open up new market regions with new and existing products and further increase the international market penetration of our products as part of our strategy. At the same time, we strive to steadily extend the technological leadership of our core and niche products through our research and development work. We also seek to further reinforce the international positioning of our brands in the commercial vehicle industry in order to differentiate ourselves from our competitors more effectively. We maintain a close and longstanding relationship with our customers and try to anticipate their needs and offer them suitable solutions with our products.

We believe this risk is currently of low significance for our business.

Risks arising from business activities

We generated more than one third of our 2017 sales from OEM truck customers. This is a highly concentrated market with only a limited number of global manufacturers. By contrast, the trailer market, where we also generate more than one third of our sales, is significantly more fragmented and is served by several hundred manufacturers, most of whom operate regionally. The remaining share of sales comes from our trading activities, where the number of customers is similarly high. Thanks to this well-balanced sales distribution, none of our customers is responsible for more than 10% of our sales despite high concentration within the truck market. We also aim to constantly win new customers while ensuring that our customer structure remains balanced by entering new regions and expanding our product portfolio. Nevertheless, the concentration of the market and bargaining power of major customers can have a negative impact on sales and results of operations.

Due to the safety-critical nature of our products, defects or production errors may adversely affect our sales and results of operations. This may damage the reputation of our company and diminish the value of our brand. We have concluded global liability and recall insurance policies to address risks arising from production errors. Naturally, however, we primarily focus on constantly monitoring our internal organization and training our workforce on an ongoing basis in order to minimize the aforementioned risks as much as possible. This includes conducting comprehensive tests and trials before a new or modified product is approved for production. Similarly, the quality of production is continually monitored and ensured using appropriate process management.

We believe that risks arising from business activities are currently of low significance for our business.

Production risks

Our production processes are professionally designed and managed. They are continually reviewed and improved as part of various certifications according to DIN ISO 9001 or ISO/TS 16949 and IATF 16949 (quality), DIN ISO 14001 (environment) and OHSAS 18001 (occupational safety). Nevertheless, we cannot completely rule out the possibility of unplanned business interruptions such as those caused by natural disasters or major events. Furthermore, the failure of important key systems cannot be fully excluded despite all due precautions and preventative measures. These risks are extensively covered by our insurance policies and assessed as part of our emergency planning. We also work to continually improve the efficiency and effectiveness of our management systems.

As a result, we believe the potential impact of these risks is low.

Corporate strategy risks

Strategic decisions regarding investments, technology and product development, locations, acquisitions and joint ventures as well as structural changes within the organization are associated with complex risks that cannot be completely excluded. We may be unable to anticipate, respond to, or utilize changing technologies. We may be unable to successfully integrate current or future acquisitions and joint ventures as well as plant openings or relocations, or achieve the expected benefits. This risks may reduce acceptance of our products, damage our brand image, reduce our market share and adversely affect the results of operations and financial position of our Group.

As a result, we carefully review these strategic decisions in several stages. A best practice exchange exists between individual Group locations. We constantly monitor the development of conditions in the different regions in order to identify market trends or regulatory changes at an early stage. We work continuously to create efficient structures and optimize processes in all business units in order to enhance our flexibility.

Having successfully positioned our business internationally with organic growth, technological developments and successful acquisitions, we believe that this risk is currently low.

Procurement risks

The increase in energy and commodity prices constitutes a significant procurement risk to the JOST Group. We are also dependent upon a limited number of suppliers for certain products and subcomponents, which may in turn have adverse effects on our production and sales if these suppliers interrupt delivery or raise their prices. To enhance the competitiveness of the Group and safeguard our supply chain, we are continually on the lookout for new supply sources that are competitive in terms of both quality and price.

We also negotiated longer-term contracts with major suppliers worldwide and, in some cases, reallocate product groups to suppliers that we have identified as qualified to maintain our high quality requirements. In doing so, we continue to focus increasingly on cost control in order to maintain and further enhance our profitability. This is an ongoing and time-consuming process that includes quality, compliance and logistics requirements. The aim is to further stabilize commodity prices on the supply side and reduce them in relation to market indicators.

We believe that procurement risks to our business are low.

Human resources risks

We rely upon qualified and motivated employees in order to continue competing successfully in the market in the long term. The shortage of skilled professionals and the demographic shift, as well as the different training and qualification standards in the various countries in which we operate, may mean we are unable to fill posts or fill them in a timely manner. This may limit the continued development, production and distribution of our products and services. The loss of experts and senior managers in key positions can also have a negative impact on the business. Work stoppages or other labor issues at our facilities or those of our customers and suppliers may have an adverse effect on our business.

Development measures such as continued professional training and talent management programs help us retain our employees while at the same time enabling them to perform their tasks more effectively.

We currently believe the human resources risks to our company are low.

IT risks

Faults in the operation of information systems and networks may threaten the availability of IT services at our locations and adversely affect productivity. There is also an increasing risk of data loss and business interruptions and breakdowns that may be caused by cyberattacks on IT and business processes. The increasing organizational and technical networking of our global locations increases the complexity of and demands upon the availability and security of our IT systems.

We counteract this risk by pursuing a central IT strategy and consistently ensuring that the Group has a robust IT competence profile. We work with established standards and have various control procedures relating to system availability, data security, data protection and IT management. We also introduced additional preventative measures (e. g. protection of redundant data centers) and reactive measures (e. g. emergency planning) designed to further limit IT risks. We also constantly update our virus protection and firewall systems and take care of the lifecycle management of our IT landscape.

We currently believe that the impact of these IT risks on our net assets, financial position and results of operations is low.

Financial risks

As an international group, we are inevitably exposed to financial risks primarily arising from fluctuations in currency prices, interest rates, credit defaults and prices.

Significant exchange rate fluctuations in the euro against other currencies, particularly the US dollar and Chinese renminbi, may have an impact on our income statement. As JOST also manufactures products in its key sales markets, the Group has sufficient "natural hedging" against currency-related transaction risks. Where economically feasible to do so, we optimize our goods flows so that we do not have to withdraw from any currency regions. A translation risk nonetheless exists as a result of the currency translation of the balance sheets and income statements of our foreign subsidiaries into euros. Currency fluctuations can also influence payment streams from the dividends received from various subsidiaries and have an impact on profitability. Currency risks are currently not hedged.

Liquidity management within the Group protects us against liquidity shortages. Available liquidity reserves are constantly monitored and deviations between development targets and actual figures reviewed at regular intervals. We also continuously analyze our adherence to key financial figures that form part of our long-term credit agreements. As at December 31, 2017, JOST's net debt amounted to €113.3m. The high levels of cash and cash equivalents and strong cash generation of our business model are a reflection of the Group's robust financing structure. We also have a revolving cash facility totaling €80.0m that has not yet been drawn down.

Overall, we believe the financial risks to the Group are low. Further information on financial risks and their management can be found in Note 43 of the notes to the consolidated financial statements.

Legal risks

We strive to avoid or control legal risks. Nevertheless, the JOST Group is exposed to numerous provisions under tax, competition, patent, antitrust, trademark and environmental law in the course of its international business activities that, if violated, may incur costs and damage the image of the Company. We are subject to export controls that could subject us to liability or impair our ability to compete in international markets. Governmental regulations or taxes could increase our costs and could adversely affect our business and results of operations. We are exposed to warranty and product liability claims. We are subject to risks from legal, administrative and arbitration proceedings. We use a wide range of internal control mechanisms including the code of conduct, whistleblower system and different internal guidelines to prevent and quickly identify violations in order to minimize these risks. The Group is currently exposed to legal risks arising from warranty obligations, disputes connected with damages claims and payment demands for which we have established appropriate provisions.

We therefore believe that the potential impact of legal risks on our net assets, financial position and results of operations is low.

Opportunities

Macroeconomic opportunities

JOST's global business activities and its positioning as an innovative and service-oriented provider of branded products for trucks and trailers constantly opens up new opportunities for the Group.

Increasing economic globalization is boosting demand for international freight transport and the growth of international transport infrastructure, particularly in emerging and developing countries. Megatrends such as urbanization and e-commerce offer fundamental growth opportunities for road freight transport, as trucks and trailers are one of the primary means of transport for supplying towns and cities. In 2017, we were already generating more than a quarter of consolidated sales (including a joint venture) in emerging and developing countries. Our strong presence in these markets means we are well positioned to benefit from their dynamic growth.

We expect these opportunities to have a positive impact on sales and results of operations of all of our operating segments in the short to medium term. The APA segment in particular, but also some countries in the Europe segment, especially in Eastern Europe, could benefit from this.

Sector-specific opportunities

Autonomous driving is an important industry trend that is opening up major growth opportunities for our Group. We consider ourselves to be a market leader in creating products and services that link trucks with semitrailers. For this reason, we are consciously investing in research and development with the aim of developing an autonomous coupling system between trucks and semitrailers that enables the future automation of the coupling process. We see this as an early step on the path to the autonomous driving of commercial vehicles. By doing this, it is important that we generate efficiency gains to create added value for our fleet operator end customers. We believe the medium to long-term opportunities posed by the successful development and marketing of such a system are significant for our net assets, financial position and results of operations. The Europe and North America segments in particular are expected to profit from these opportunities, as fleet operators in industrialized nations are the most interested in improving the degree of automation in their fleets.

We still believe that the opportunities provided by this development will be low in the 2018 forecast period.

Opportunities arising from regulatory changes

New regulatory requirements for commercial vehicles represent important opportunities for our Group, as they are often associated with accelerated orders of commercial vehicles that still benefit from the old standards or subsequent orders that meet the new requirements. For example, the regulation to limit truck overloading and the maximum permissible length and breadth of tractor-trailers in China introduced at the end of 2016 is still having an effect. In the medium term, this new standard will also force fleets to become more efficient and arouse their interest in technologically advanced products. We believe this presents us with good opportunities for expanding our product portfolio in Asia. We are also noticing a trend in which developing countries in particular are tightening safety regulations for commercial vehicles and developing more stringent requirements for maintaining environmental standards, thus increasing demand for high-quality products and replacement parts that meet these standards. As a result, we want to continue developing our sales hub in Shanghai in order to profit from the growing replacement parts market in Asia.

Overall, we believe that these opportunities are of moderate significance for the APA segment and have a low significance for our North America and Europe segments in the 2018 forecast period.

Procurement opportunities

We have identified good opportunities for JOST's global procurement activities by identifying new suppliers who meet our high product demands and thus expanding our international supplier landscape. This means we can avoid dependencies, enhance our flexibility and bargaining power and increase our competitiveness by balancing out cost and currency differences between countries and regions more effectively.

We believe these opportunities will have a low impact on the results of operations of all our operating segments.

Corporate strategy opportunities

Growth through acquisitions and investments is another part of our business strategy aimed at both expanding and further deepening our product portfolio. We have a proven track record in implementing and integrating acquisitions. Acquisitions are likely to continue making an important contribution to company growth in future. The Group's strong liquidity position and the opportunity provided by the stock listing to obtain additional financing from the capital markets as required gives us the necessary strength to be able to make further acquisitions in the short to medium term. We are constantly monitoring the market and actively searching for potential acquisition candidates that could further accelerate the implementation of our growth strategy.

We believe the short- to medium-term opportunities arising from acquisitions are moderate to material.

Overall assessment of the Management Board on risks and opportunities

The JOST Group's risk and opportunity management system enables the Company to identify, evaluate and counteract risks at an early stage as well as to identify and quickly seize opportunities. The aforementioned risks represent a consolidated consideration of all risks derived from the Group-wide early warning system that, if they occur, may lead to a negative deviation from the Company's forecasted results. There are no material changes to the overall risk assessment compared to the previous year. Overall, the identified risks are considered to be controllable. At present, the Management Board has not identified any risks that may individually or collectively threaten the continued existence of the Company and Group as a going concern.

The Management Board has introduced measures aimed at enabling the Company to seize the identified opportunities. The profitability of the JOST Group and its favorable business situation offer a solid foundation for the sustainable, positive development of the Company and the realization of its business plans. The Management Board is confident that the Group is well positioned to take advantage of the numerous opportunities on offer. From today's perspective, the Management Board does not expect the aforementioned risks and opportunities to change fundamentally.

REPORT ON EXPECTED DEVELOPMENTS

Expected development of the general environment

Macroeconomic environment

Global GDP expected to sustain growth path in 2018: Even after a strong year 2017, IMF's World Economic Outlook issued in October 2017 contained further broad-based upward revisions of global growth prospects. The global business cycle is anticipated to further pick up following a period of scattered growth rates in recent years. Global economies' gross domestic product (GDP) is expected to see considerably accelerated growth of 3.7% in 2018 compared to last year. European GDP is expected to gain another 1.9% compared to 2017. Following several upward revisions, Europe is now seen at growth rates almost comparable to last year's level. The US economy is expected to further pick up pace, resulting in a 2.3% growth rate in 2018. China on the other hand is expected to settle at normalized growth rates of 6.5% in 2018, which is slightly lower than last year's 6.7% increase. Slightly slower growth in China is predicted to be compensated by stronger growth in overall emerging and developing Asia however, resulting in a regional forecast at last year's level of +6.5% yoy. Backed by Brazilian turnaround (+1.5%), Latin America will continue its positive development and grow by 1.9%, according to IMF forecasts.

Sector-specific environment

Boom in 2017 expected to weigh on 2018 truck production growth: Following extraordinarily positive performance in 2017, global heavy truck production is expected to decline by 3% for 2018 according to the LMC Automotive research institute's Global Commercial Vehicle Forecast published in January 2018. This is once again primarily triggered by Chinese production, which exhibited particularly strong growth last year. North America on the other hand is forecasted to gain strength (+26% yoy) following the turnaround in 2017. Following a massive increase of 36% in 2017, LMC projects Asian truck production to decline by 11% in 2018. European heavy duty truck production is forecasted to increase by 3% in 2018 compared to 2017.

Trailer production may shrink in 2018 after strong growth in 2017: Research institute Clear Consulting estimates that global trailer production will decline by 13% year-on-year in 2018. Trailer production in Europe is expected to fall by 12% compared to the previous year, with a 9% drop also predicted in Asia, Pacific and Africa for 2018. By contrast, trailer production in South America is forecast to recover further in 2018. According to Clear Consulting, the region will grow by 16%, albeit from a low level of production. In a study published in December 2017, market research institute FTR, which specializes in North America, believes that trailer production in this region will contract slightly (–1%) in 2018.

Outlook

Despite LMC's and Clear Consulting's mixed expectations regarding the development of the truck and trailer markets in 2018, given the positive underlying outlook for the global economy and taking into account JOST's strong international position, the Company's Management Board expects group organic sales and earnings to further grow in fiscal year 2018.

Excluding potential currency effects, group organic sales are expected to grow at a mid single-digit rate year-on-year in 2018. When translating expected sales into JOST's reporting currency, the euro, we anticipate lower growth due to the significant appreciation of the euro against other currencies compared to the previous year. However, we cannot reliably predict how this effect will develop over the course of the year.

In 2018, the Management Board expects consolidated adjusted EBIT to develop in line with or slightly faster than sales but still within the mid single-digit percentage range. Our ongoing efforts to improve efficiency should offset headwinds from raw material price increases and wage inflation, resulting in stable or slightly improved adjusted EBIT margins in 2018. We expect adjusted EBITDA to develop in line with adjusted EBIT by growing at a mid single-digit rate compared to the previous year.

We are seeking to increase automation in production not only in North America but also in our other segments, and will therefore focus our investments in this area. As a result, capital expenditure as a percentage of sales should roughly amount to 2.5%, excluding acquisition-related expenses.

Net working capital as a percentage of sales is expected to remain stable below the 20% mark.

Excluding any potential acquisitions, we expect our leverage to improve to around 1x net debt to adjusted EBITDA.

From today's perspective and taking into account the operating performance of the JOST Group during the first months of 2018, the Management Board is confident that the Group's economic position is sound and offers an excellent basis for effectively seizing opportunities and continuing to successfully execute its corporate strategy.

JOST WERKE AG (HGB – GERMAN COMMERCIAL CODE)

Headquartered in Neu-Isenburg, Germany, JOST Werke AG (formerly: Cintinori Holding GmbH) is the parent company of the JOST Group.
→ See Company profile

The Company is stock corporation under German law. As of July 20, 2017, its shares have been listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

JOST Werke AG's economic situation is dependent on the results generated by its subsidiaries. The business performance of JOST Werke AG is therefore subject to the same opportunities and risks as the Group and is influenced by the same economic and sector-specific environment.

JOST Werke AG's single-entity financial statements are prepared according to the provisions of the Handelsgesetzbuch (German Commercial Code – HGB) and the Aktiengesetz (German Stock Corporation Act – AktG).

Results of operations (HGB)

In 2017, the Company generated sales revenues from service contracts with affiliated companies for the first time. Gross revenue amounted to €82.3m, up considerably over the previous year (€0.6m). This is mainly due to other operating income from the reversal of the write-down on the carrying amount of shares in affiliated companies totaling €79.7m.

As a result of the reorganization of the Company as a stock corporation, the three Management Board members and three other employees of the JOST Group are directly employed by JOST Werke AG. Personnel expenses of €2.8m were therefore reported for the first time in 2017.

Earnings after taxes rose by €70.2m to €70.4m. This was due to the effects from the increase in gross revenue mentioned above, on which personnel expenses and other operating expenses had an offsetting effect. Other operating expenses grew by €8.7m to €9.1m in 2017. Expenses associated with the initial public offering were the main reason for this increase.

Net assets and financial position (HGB)

Total assets rose by €554.5m to €558.7m in 2017. The increase was due primarily to shares in affiliated companies (€556.3m) and other assets (€1.1m). In contrast, the previous year's loss not covered by equity of €3.5m was eliminated as of December 31, 2017.

In the past fiscal year, shareholder loans of subsidiary Jasione GmbH in the amount of €352.5m were contributed to equity. Of this amount, €10.0m is attributable to subscribed capital and €342.5m to capital reserves. In the course of the stock listing, the Company placed a capital increase of 4,875 shares amounting to €131.6m (with €4,875m attributable to subscribed capital and €126.8m to capital reserves). In total, this increased equity by €484.1m.

The growth in equity is the main reason the Company was no longer overindebted as of December 31, 2017, and the "Loss not covered by equity" item was eliminated.

The increase in other provisions by €2.1m was chiefly due to personnel-related provisions.

Liabilities to affiliated companies rose €1.3m over the previous year.

Cash flow from operating activities dropped €0.1m to €0.3m. The profit for the year of €70.4m was influenced mainly by reversals of write-downs on fixed assets (€–79.7m) and other non-cash income and expenses (€7.6m). The change in net working capital resulted in an effect amounting to €1.3m. As in the previous year, no investments were made. Financing activities also did not change the cash balance (previous year: €–0.4m).

As of December 31, 2017, liquid assets increased to €0.3m (previous year: €0.0m).

Report on expected developments (HGB)

For 2018, the Company anticipates a significant increase in sales compared with the previous year because sales revenues resulting exclusively from service agreements with affiliated companies did not become effective until the second half of 2017. Adjusted for exceptionals from the stock listing and the reversal of the write-down on the carrying amount of affiliated companies, we expect a loss for the year in the single-digit million euro range – before investment income – in 2018.

Net retained profit and proposal for the appropriation of net profit

A proposal will be made to the Annual General Meeting to distribute €0.50 per share from the net retained profit of €7.45m shown by the parent company, JOST Werke AG, for the period ended December 31, 2017.

Corporate governance statement in accordance with Section 289f (1) HGB

The required corporate governance statement in accordance with Section 289f (1) HGB is available on our website at http://ir.jost-world.com/corporate-governance.

Non-financial statement

For the non-financial report required to be provided under Section 289b (3) HGB and Section 315b et seq. HGB, please refer to the "Non-financial report" section of the 2017 Annual Report.

Remuneration report

The report on the remuneration of the Management Board and Supervisory Board of JOST Werke AG is presented in the corporate governance report, which is part of the combined management report. → **See Remuneration report**

Takeover-related disclosures in accordance with Section 289a (1) HGB

The disclosures required by Section 289a (1) HGB are part of the combined management report. → **See Takeover-related disclosures**

CORPORATE GOVERNANCE

Consolidated Corporate governance statement

In the corporate governance statement in accordance with Sections 289f (1) and 315d (1) HGB, JOST Werke AG explains how the key elements of corporate governance are structured at the Group and the Company.

It contains the declaration of conformity in accordance with Section 161 AktG, relevant disclosures on corporate governance practices, which go beyond statutory requirements, the working practices of the Management Board and Supervisory Board, the composition and working practices of their committees, and the percentage of women in management positions, along with the Group's targets and diversity policy.

You can find the corporate governance statement on our website at http://ir.jost-world.com/corporate-governance. The declaration of conformity issued by JOST Werke AG in accordance with Section 161 AktG can also be viewed on our website by clicking on the separate link http://ir.jost-world.com/declaration-of-compliance.

Non-financial statement

For the non-financial report required to be provided under Section 289b (3) HGB and Section 315b et seq. HGB, please refer to the "Non-financial report" section of the 2017 Annual Report.

Remuneration report

Management Board remuneration system

The Supervisory Board of JOST Werke AG has defined the Management Board remuneration system and agreed the individual remuneration determined on the basis of that system for each Management Board member. In accordance with Section 87 AktG, the benefits granted to the individual Management Board members are commensurate with their duties as well as with the Company's economic position and market environment.

The Management Board remuneration system comprises short- and long-term non-performance related and performance-related components.

Fixed remuneration: The non-performance related component consists of fixed annual remuneration and fringe benefits. The fixed annual remuneration is payable in twelve equal installments, in each case at month-end. Fringe benefits include the use of company vehicles, contributions towards insurance policies, and reimbursement of work-related expenses as required by Section 670 of the Bürgerliches Gesetzbuch (German Civil Code – BGB) in accordance with the applicable Company guidelines.

In addition, Dr. Ralf Eichler (COO) and Christoph Hobo (CFO) are entitled to a fixed annual one-off gross payment, which they may convert into an occupational pension component. Lars Brorsen (CEO) is entitled to an occupational pension paid by JOST-Werke Deutschland GmbH. There are no further pension entitlements.

For all Management Board members, there is a directors' and officers' liability (D & O) insurance policy. In accordance with Section 93 (2) AktG, the deductible agreed in this context is 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Management Board member in question.

Variable remuneration: The performance-related component of Management Board remuneration is based on the Group's adjusted EBITDA. In conformity with Section 4.2.3 of the German Corporate Governance Code (GCGC) and Section 87 (1) sentence 3 AktG, performance-related remuneration includes both a short-term incentive (STI) and a long-term incentive (LTI).

The adjusted EBITDA target to be achieved is set annually by the Supervisory Board. If adjusted EBITDA in any given fiscal year does not amount to at least 80% of the target set by the Supervisory Board, Management Board members are not entitled to variable remuneration.

Total variable remuneration is capped for each Management Board member and may not exceed twice the member's fixed annual remuneration.

Even if the agreed targets are met, variable remuneration is not disbursed in full in a single payment. Forty-five percent is paid as an STI component, while the remaining 55% is converted into an LTI component. The LTI is only paid out in full if adjusted Group EBITDA in the following fiscal year at least matches adjusted EBITDA in the assessment period. In this way, long-term incentives are set that promote the Company's sustainable growth. For Mr. Lars Borsen, the LTI component agreed did not apply until the second half of 2017.

In the event that a Management Board contract is terminated in the course of a calendar year, fixed and variable remuneration are granted for the calendar year on a pro-rata basis.

Special bonus: In particular circumstances, special bonuses may be awarded to supplement the variable Management Board remuneration. This enables a Management Board member's particular achievements and duties as well as specific Company circumstances to be appropriately rewarded and the incentive component of the remuneration system to be maintained. Any special bonus is awarded at the discretion of the Supervisory Board.

As JOST Werke AG was floated on the stock market prior to July 31, 2017, Lars Brorsen was entitled to a one-off gross payment of €750 thousand in fiscal 2017.

A virtual stock option plan (VSOP) has been agreed with Christoph Hobo on May 31, 2017, under which he shares in the Company's share price performance through virtual stock. The payout is contingent on the occurrence of certain quantifiable events that demonstrate the appreciation in the value of JOST Werke AG (formerly Cintinori Holding GmbH). The quantifiable events include the direct or indirect sale of the shares in JOST Werke AG through a stock market listing, for example. The amount of the payout depends on the market price and the weighted average price of the Company's shares and is a gross amount, i. e. less any taxes and charges. Virtual stock options amounting to 25% are granted via this plan. At the same time, the agreement also contains components which relate to the achievement of personal targets (e. g. successful preparation of the IPO) and which trigger certain bonus payments by the shareholder to the extent that an amount of €650 thousand is not reached under the VSOP. The plan was discontinued with the IPO on July 20, 2017. In accordance with IFRS 2 Share-based Payment, the VSOP must be classified as cash-settled share-based payment, whereas the bonus payments made by the shareholders must be treated as equity-settled share-based payment. As the amount of €650 thousand was not reached under the VSOP, the payment was made by the shareholder, as agreed. The fair value at the grant date was €650 thousand, which was recognized under staff costs and at the same time as a contribution to equity.

Arrangement in the event of a Management Board member's early resignation: In the event that his employment as a Management Board member terminates early, Lars Brorsen's contract provides for the fixed and variable remuneration agreed with him for his service on the Management Board to continue to be paid during the first year of the contract, after which only the fixed annual remuneration will be paid for the remaining term of the contract.

In the event that their employment on the Management Board terminates early, the contracts of Dr. Ralf Eichler und Christoph Hobo provide for the fixed remuneration and half of the variable remuneration to continue to be paid for the remaining term of the contracts.

Under the contractual arrangements, payments to the Management Board member in question are capped at the lower of no more than twice the fixed annual remuneration and the total remuneration for the remaining term of the contract. This complies with the recommendation contained in the GCGC that payments made in the event of the early termination of a Management Board member's contract do not exceed the value of the entitlements for the remaining term of the contract (severance cap).

If an employment contract is terminated for good cause, the Management Board member is not entitled to continued payment of (parts of) the remuneration.

The Management Board contracts do not contain any severance commitments.

Management Board remuneration for 2017

Management Board remuneration is disclosed in accordance with the recommendations contained in the GCGC, as amended on February 7, 2017. Benefits granted for the fiscal year are presented separately from benefits actually received. In presenting benefits, the minimum and maximum remuneration achievable is also shown.

Benefits granted I (GCGC)

	Lars Brorsen (CEO) Year of appointment: 1999			Dr. Ralf Eichler (COO) Year of appointment: 2000		
in € thousands	2017	Min.	Max.	2017	Min.	Max.
Fixed remuneration	657	657	657	400	400	400
Fringe benefits	23	23	23	20	20	20
Total (fixed components)	**680**	**680**	**680**	**420**	**420**	**420**
Special bonus	750	0	750	0	0	0
One-year variable remuneration	917	0	1,124*	149	0	333
Multi-year variable remuneration (2017 – 2018)	195	0	385	182	0	407
Special bonus granted by third parties	0	0	0	0	0	0
Total (variable components)	**1,862**	**0**	**2,259**	**331**	**0**	**740**
Pension expense	1,150	1,150	1,150	0	0	0
Total remuneration, GCGC	**3,692**	**1,830**	**4,089**	**751**	**420**	**1,160**

* The variable remuneration of Lars Brorsen includes a direct performance-related remuneration for the first half of 2017, for which a comparable value resulting from a median probability scenario is stated as the maximum amount.

Benefits granted II (GCGC)

	Christoph Hobo (CFO) Year of appointment: 2016			Total benefits, Management Board		
in € thousands	2017	Min.	Max.	2017	Min.	Max.
Fixed remuneration	400	400	400	1,457	1,457	1,457
Fringe benefits	12	12	12	55	55	55
Total (fixed components)	**412**	**412**	**412**	**1,512**	**1,512**	**1,512**
Special bonus	0	0	0	750	0	750
One-year variable remuneration	149	0	333	1,215	0	1,790
Multi-year variable remuneration (2017 – 2018)	182	0	407	560	0	1,199
Special bonus granted by third parties	650	0	650	650	0	650
Total (variable components)	**981**	**0**	**1,390**	**3,175**	**0**	**4,389**
Pension expense	0	0	0	1,150	1,150	1,150
Total remuneration, GCGC	**1,393**	**412**	**1,802**	**5,837**	**2,662**	**7,051**

Benefits received (GCGC)

	Lars Brorsen (CEO) Year of appointment: 1999	Dr. Ralf Eichler (COO) Year of appointment: 2000	Christoph Hobo (CFO) Year of appointment: 2016	Total benefits, Management Board
in € thousands	2017	2017	2017	2017
Fixed remuneration	657	400	400	1,457
Fringe benefits	23	20	12	55
Total (fixed components)	**680**	**420**	**412**	**1,512**
Special bonus	750	0	0	750
One-year variable remuneration	917	149	149	1,215
Multi-year variable remuneration (2017 – 2018)*	0	150	0	150
Special bonus granted by third parties	0	0	650	650
Total (variable components)	**1,667**	**299**	**799**	**2,765**
Pension expense	1,150	0	0	0
Total remuneration, GCGC	**3,497**	**719**	**1,211**	**5,427**

* No multi-year variable remuneration that would have resulted in benefits received in 2017 was granted to Mr. Lars Brorsen and Mr. Christoph Hobo in the previous year.

Management Board remuneration in accordance with Section 314 HGB – JOST Group

in € thousands	Lars Borsen (CEO) Year of appointment: 1999 2017	Dr. Ralf Eichler (COO) Year of appointment: 2000 2017	Christoph Hobo (CFO) Year of appointment: 2016 2017	Total benefits, Management Board 2017
Fixed remuneration	657	400	400	1,457
Fringe benefits	23	20	12	55
Non-performance related components	**680**	**420**	**412**	**1,512**
Special bonus	750	0	0	750
One-year variable remuneration	917	149	149	1,215
Performance related component	**1,667**	**149**	**149**	**1,965**
Multi-year variable remuneration (2017 – 2018)	0	150	0	150
Long-term incentive component	**0**	**150**	**0**	**150**
Total remuneration, Section 314 HGB	**2,347**	**719**	**561**	**3,627**
Special bonus granted by third parties	0	0	650	650

In the 2017 fiscal year, the post-employee benefits promised to Mr. Brorsen in the event of the regular termination of his work amount to €1,150 thousand. The corresponding provision totaled €6,029 thousand.

Management Board remuneration from the perspective of JOST Werke AG

Management Board members only received benefits for their Management Board activities upon appointment to the Management Board of JOST Werke AG from July 2017 onwards. From the perspective of JOST Werke AG, Management Board remuneration was therefore granted on a pro rata basis only. The following table outlines Management Board remuneration for the single-entity financial statements of JOST Werke AG:

Management Board remuneration in accordance with Section 285 HGB – JOST Werke AG

in € thousands	Lars Borsen (CEO) Year of appointment: 1999 2017	Dr. Ralf Eichler (COO) Year of appointment: 2000 2017	Christoph Hobo (CFO) Year of appointment: 2016 2017	Total benefits, Management Board 2017
Fixed remuneration	350	215	215	780
Fringe benefits	23	20	12	55
Non-performance related components	**373**	**235**	**227**	**835**
Special bonus	750	0	0	750
One-year variable remuneration	917	149	149	1,215
Performance related component	**1,667**	**149**	**149**	**1,965**
Multi-year variable remuneration (2017 – 2018)	0	150	0	150
Long-term incentive component	**0**	**150**	**0**	**150**
Total remuneration, Section 285 HGB	**2,040**	**534**	**376**	**2,800**
Special bonus granted by third parties	0	0	650	650

Supervisory Board remuneration

In accordance with Article 15 of the Articles of Association, each Supervisory Board member receives fixed annual remuneration of €50 thousand. Pursuant to Section 5.4.6 GCGC, the remuneration system takes into account a member's status as Chair or Deputy Chair of the Supervisory Board as well as membership of a committee: The Chair of the Supervisory Board receives three times the fixed remuneration and therefore €150 thousand, and his or her Deputy receives one and a half times and therefore €75 thousand.

For service on a committee, the Chair of the committee in question receives an additional €20 thousand and every other member of the committee an additional €10 thousand. Members are not entitled to a separate attendance allowance.

Supervisory Board members who only have a seat on the Supervisory Board or serve as Chair for part of a fiscal year receive appropriate pro-rated compensation. For 2017, the remuneration for all Supervisory Board members is only paid on a pro rata basis for the period from the stock listing.

Furthermore, JOST Werke AG reimburses Supervisory Board members the expenses incurred in performing their duties as required by Section 670 BGB as well as the sales tax payable on the remuneration and expenses.

In addition to the agreed remuneration, JOST Werke AG assumes the premium for the D&O insurance policy taken out for the Supervisory Board. In a departure from Section 3.8 GCGC, a deductible was not agreed for the Supervisory Board members.

Supervisory Board remuneration 2017

in € thousands **Supervisory Board members**	**Basic remuneration**	**Remuneration for committee work**	**Total remuneration**
Manfred Wennemer (Chair)	73	10	83
Prof. Dr. Bernd Gottschalk (Deputy Chair)	37	5	42
Jürgen Schaubel	24	10	34
Klaus Sulzbach	24	5	29
Natalie Hayday	24	5	29
Rolf Lutz	24	5	29
Total remuneration, Supervisory Board	**206**	**40**	**246**

The Management Board of JOST Werke AG

Neu-Isenburg, March 14, 2018

CONSOLIDATED FINANCIAL STATEMENTS

JOST Werke AG (formerly Cintinori Holding GmbH)
Neu-Isenburg, Germany

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSES

for the twelve months ended December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

in € thousands	Notes	**January 1 – December 31, 2017**	January 1 – December 31, 2016
Sales revenues	(27)	**701,308**	**633,947**
Cost of sales	(28)	**–507,962**	**–456,054**
Gross profit		**193,346**	**177,893**
Selling expenses	(29)	–85,070	–82,120
thereof: depreciation and amortization of assets		–26,464	–26,121
Research and development expenses	(30)	–10,386	–10,710
Administrative expenses	(31)	–53,226	–54,363
Other income	(32)	5,580	7,350
Other expenses	(32)	–5,703	–6,289
Share of profit or loss of equity method investments	(33)	2,178	1,371
Operating profit (EBIT)		**46,719**	**33,132**
Financial income	(34)	1,589	3,890
Financial expense	(35)	–148,291	–39,112
Net finance result		**–146,702**	**–35,222**
Profit / loss before tax		**–99,983**	**–2,090**
Income taxes	(38)	37,136	–13,084
Profit / loss after taxes		**–62,847**	**–15,174**
Weighted average number of shares		**7,475,000**	
Basic and diluted earnings per share (in €)	**(39)**	**–8.41**	
Number of shares as of December 31, 2017		**14,900,000**	
Pro forma earnings per share (in €)	**(39)**	**–4.22**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the twelve months ended December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

in € thousands	Notes	January 1 – December 31, 2017	January 1 – December 31, 2016
Profit / loss after taxes		**–62,847**	**–15,174**
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations		–8,709	3,027
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(19)	1,505	–6,787
Deferred taxes relating to other comprehensive income	(12)	–452	2,036
Other comprehensive income		**–7,656**	**–1,724**
Total comprehensive income		**–70,503**	**–16,898**

CONSOLIDATED BALANCE SHEET

as of December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

Assets

in € thousands	Notes	12/31/2017	12/31/2016
Noncurrent assets			
Intangible assets	(9)	232,082	261,543
Property, plant and equipment	(10)	80,039	80,139
Investments accounted for using the equity method	(11)	10,535	13,778
Deferred tax assets	(12)	12,516	10,265
Other noncurrent financial assets	(13), (15)	28	52
Other noncurrent assets	(16)	1,504	80
		336,704	**365,857**
Current assets			
Inventories	(14)	96,910	90,415
Trade receivables	(15)	105,932	90,050
Receivables from income taxes		3,624	3,460
Other current financial assets	(13), (15)	677	1,085
Other current assets	(16)	11,885	6,312
Cash and cash equivalents	(17)	66,313	47,189
		285,341	**238,511**
Total asstes		**622,045**	**604,368**

Equity and Liabilities

in € thousands	Notes	12/31/2017	12/31/2016
Equity			
Subscribed capital		14,900	25
Capital reserves		522,423	79,728
Other reserves		–30,201	–22,545
Retained earnings		–297,789	–194,576
	(18)	**209,333**	**–137,368**
Noncurrent liabilities			
Liabilities to shareholders	(22)	0	132,474
Pension obligations	(19)	59,349	60,655
Other provisions	(20)	2,550	2,992
Interest-bearing loans and borrowings	(23)	177,778	314,023
Deferred tax liabilities	(12)	49,563	126,206
Other noncurrent liabilities		6,551	5,010
		295,791	**641,360**
Current liabilities			
Pension obligations	(19)	2,225	1,744
Other provisions	(20)	18,521	14,958
Interest-bearing loans and borrowings	(23)	2	6,002
Trade payables	(24)	72,562	57,714
Liabilities from income taxes		5,201	3,080
Other current financial liabilities	(13), (24)	770	489
Other current liabilities	(25)	17,640	16,389
		116,921	**100,376**
Total equity and liabilities		**622,045**	**604,368**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from January 1, 2017 to December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

Consolidated statement of changes in equity for the fiscal year from January 1, 2017 to December 31, 2017

in € thousands	Subscribed capital	Capital reserves	Retained earnings
Notes	(18)	(18)	(18)
Balance at January 1, 2017	**25**	**79,728**	**−194,576**
Profit / loss after taxes	0	0	−62,847
Other comprehensive income	0	0	0
Deferred taxes relating to other comprehensive income	0	0	0
Total comprehensive income	0	0	−62,847
Capital increase from non-cash contribution, shareholder loan	10,000	342,479	−60,670
Capital increase from placement of shares	4,875	126,750	0
IPO costs deducted from equity, after tax*	0	−6,880	0
Share-based payment transactions	0	650	0
Withdrawals from capital reserves	0	−20,304	20,304
Balance as of December 31, 2017	**14,900**	**522,423**	**−297,789**

* Tax amounts to €0 thousand

Consolidated statement of changes in equity for the fiscal year from January 1, 2016 to December 31, 2016

in € thousands	Subscribed capital	Capital reserves	Retained earnings
Notes	(18)	(18)	(18)
Balance at January 1, 2016	**25**	**79,728**	**−179,402**
Profit / loss after taxes	0	0	−15,174
Other comprehensive income	0	0	0
Deferred taxes relating to other comprehensive income	0	0	0
Total comprehensive income	0	0	−15,174
Balance as of December 31, 2016	**25**	**79,728**	**−194,576**

Other reserves			
Exchange differences on translating foreign operations	Remeasurements of defined benefit pension plans	Other reserves	**Total consolidated equity**
(18)	(18)	(18)	
125	**−22,567**	**−103**	**−137,368**
0	0	0	−62,847
−8,709	1,505	0	−7,204
0	−452	0	−452
−8,709	1,053	0	−70,503
0	0	0	291,809
0	0	0	131,625
0	0	0	−6,880
0	0	0	650
0	0	0	0
−8,584	**−21,514**	**−103**	**209,333**

Other reserves			
Exchange differences on translating foreign operations	Remeasurements of defined benefit pension plans	Other reserves	**Total consolidated equity**
(18)	(18)	(18)	
−2,902	**−17,816**	**−103**	**−120,470**
0	0	0	−15,174
3,027	−6,787	0	−3,760
0	2,036	0	2,036
3,027	−4,751	0	−16,898
125	**−22,567**	**−103**	**−137,368**

CONSOLIDATED CASH FLOW STATEMENT

for the twelve months ended December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

in € thousands	Notes	January 1 – December 31, 2017	January 1 – December 31, 2016
Profit / loss before tax		**−99,983**	**−2,090**
Depreciation, amortization, impairment losses and reversal of impairment on noncurrent assets	(37)	43,868	41,251
Other noncash expenses	(41)	134,139	20,484
thereof: shareholder loan effects		134,033	15,631
Change in inventories	(14)	−9,272	2,396
Change in trade receivables	(15)	−18,815	−2,303
Change in trade payables	(24)	16,937	−12,757
Change in other assets and liabilities		9,993	19,509
Income tax payments	(38)	−12,980	−9,884
Cash flow from operating activities		**63,887**	**56,606**
Payments to acquire intangible assets	(9)	−2,377	−5,088
Proceeds from sales of property, plant, and equipment	(10)	449	1,444
Payments to acquire property, plant, and equipment	(10)	−16,895	−13,282
Dividends received	(11)	2,760	196
Interests received	(11)	1,282	659
Cash flow from investing activities		**−14,781**	**−16,071**
Interest payments	(23)	−10,427	−16,903
Proceeds from long-term interest-bearing loans and borrowings	(23)	179,813	0
Refinancing costs	(23)	−1,950	−3,823
Repayment of short-term interest-bearing loans and borrowings	(23)	−6,000	−10,500
Repayment of long-term interest-bearing loans and borrowings	(23)	−313,261	0
Repayment of long-term liabilities to shareholders	(22)	−700	0
Interest payments to shareholders	(22)	0	−2,956
Proceeds from the IPO	(28)	131,625	0
Payments for IPO costs deducted from equity	(18)	−6,880	0
Cash flow from financing activities		**−27,780**	**−34,182**
Net change in cash and cash equivalents		**21,326**	**6,353**
Change in cash and cash equivalents due to exchange rate movements		−2,202	426
Cash and cash equivalents at January 1		47,189	40,410
Cash and cash equivalents at December 31	(17)	**66,313**	**47,189**

GROUP SEGMENT REPORTING

for the twelve months ended December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

Segment reporting for December 31, 2017

in € thousands	Asia, Pacific and Africa	Europe	North America	Reconciliation	Consolidated financial statements
Sales revenues*	176,694	724,909	118,847	–319,142	701,308**
thereof: external sales revenues*	**141,569**	**441,190**	**118,549**	**0**	**701,308**
thereof: internal sales revenues*	35,125	283,719	298	–319,142	0
Adjusted EBIT***	**20,415**	**42,366**	**11,438**	**2,178**	**76,397**
thereof: depreciation and amortization	1,314	14,800	2,162	0	18,276
Adjusted EBIT margin	14.4%	9.6%	9.6%		10.9%
Adjusted EBITDA***	**21,729**	**57,166**	**13,600**	**2,178**	**94,673**
Adjusted EBITDA margin	15.3%	13.0%	11.5%		13.5%

* Sales by destination in 2017:
– Americas: €124,319 thousand
– Asia, Pacific and Africa: €187,875 thousand
– Europe: €389,114 thousand
** Sales revenues in the segments show the sales revenues by origin.
*** Adjusted EBIT / EBITDA includes share of profit or loss of investment accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

Segment reporting for December 31, 2016

in € thousands	Asia, Pacific and Africa	Europe	North America	Reconciliation	Consolidated financial statements
Sales revenues*	129,792	676,991	109,946	–282,782	633,947**
thereof: external sales revenues*	**103,235**	**420,920**	**109,792**	**0**	**633,947**
thereof: internal sales revenues*	26,557	256,071	154	–282,782	0
Adjusted EBIT***	**15,856**	**34,994**	**9,706**	**1,371**	**61,927**
thereof: depreciation and amortization	1,383	12,617	2,044	0	16,044
Adjusted EBIT margin	15.4%	8.3%	8.8%		9.8%
Adjusted EBITDA***	**17,239**	**47,611**	**11,750**	**1,371**	**77,971**
Adjusted EBITDA margin	16.7%	11.3%	10.7%		12.3%

* Sales by destination in 2016:
– Americas: €114,476 thousand
– Asia, Pacific and Africa: €147,306 thousand
– Europe: €372,165 thousand
** Sales revenues in the segments show the sales revenues by origin.
*** Adjusted EBIT / EBITDA includes share of profit or loss of investment accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

Reconciliation of adjusted earnings figures as of December 31, 2017

in € thousands	2017	2016
Profit / loss after taxes	**–62,847**	**–15,174**
Income taxes	37,136	–13,084
Net finance result	–146,702	–35,222
EBIT	**46,719**	**33,132**
Stock listing	–1,420	–1,130
Other effects	–2,666	–2,458
D & A from PPA	–25,592	–25,207
Adjusted EBIT	**76,397**	**61,927**
Depreciation of property, plant and equipment	–12,412	–10,345
Amortization of intangible assets	–5,864	–5,699
Adjusted EBITDA	**94,673**	**77,971**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year from January 1, 2017 to December 31, 2017
JOST Werke AG (formerly Cintinori Holding GmbH)

1. GENERAL INFORMATION

JOST Werke AG (hereinafter also the "Group," or "Company," or the "JOST Group") was founded as Cintinori Holding GmbH on February 27, 2008. On June 23, 2017, Cintinori Holding GmbH was converted from a German private limited company (GmbH) into a German public limited company (AG) and renamed JOST Werke AG. The respective entry in the Commercial Register was made on July 7, 2017. As of July 20, 2017, the shares were traded for the first time on the Frankfurt Stock Exchange. As of December 31, 2017 57.5% of JOST's shares were held in free float. The other 42.5% are held by former shareholders, who have signed a lock-up agreement for a period of 180 days, following the first day of trading of the shares on the Frankfurt Stock Exchange.

The registered office of JOST Werke AG is at 2, Siemensstraße in 63263 Neu-Isenburg, Germany. The Company is registered in the Commercial Register of Offenbach am Main under section B, number 50149.

JOST is a leading global producer and supplier of safety-critical systems to the truck and trailer industry.

The consolidated financial statements of JOST Werke AG were prepared based on the going concern principle.

2. BASIS OF PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

As the ultimate parent company, JOST Werke AG prepares the consolidated financial statements for the smallest and largest group of companies in the JOST Group. The consolidated annual financial statements of JOST Werke AG and its subsidiaries as of December 31, 2017, were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, that are effective as of the reporting date, and the Interpretations (IFRS IC) issued by the International Financial Reporting Interpretations Committee, as adopted by the European Union (EU), applying Section 315e of the Handelsgesetzbuch (German Commercial Code – HGB).

Certain items in the consolidated balance sheet and the consolidated income statement were combined in order to enhance the clarity of presentation. These items are analyzed in detail in the notes to the consolidated financial statements. The consolidated financial statements have been prepared in thousands of euros (€ thousands). The income statement uses the cost of sales format. The consolidated financial statements are prepared in accordance with the principle of historical costs, with the exception of certain balance sheet items, which are reported at their fair value.

The Management Board approved the consolidated financial statements of JOST Werke AG for issue on March 14, 2018. The Supervisory Board is to approve the 2017 annual financial statements of JOST Werke AG and the 2017 consolidated financial statements together with the associated management report at the meeting on March 20, 2018.

New and amended standards applied in 2017

The following new and amended International Financial Reporting Standards and Interpretations that are effective for fiscal years beginning on or after January 1, 2017 were applied for the first time:

i. **Recognition of deferred tax assets on unrealized losses (Amendments to IAS 12 Income Taxes)**
These amendments did not have any impact on the current period or any prior period and is not likely to significantly affect future periods.

ii. **Amendments to IAS 7 Cash Flow Statements – Disclosure Initiative**
The appropriate additional disclosures in the notes have been included insofar as they are relevant to JOST Werke AG.

iii. **Other**
"Annual Improvements to IFRSs 2014 – 2016 cycle" are not relevant and do not have any effects on the Group's financial statements.

In addition, there were further changes in accounting policies which have no effect on the Group's net assets, financial position and results of operations.

Standards, interpretations, and amendments to published standards that are not required to be applied in 2017 and were not applied by the Group prior to their effective date

i. IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group has been applying the new standard since January 1, 2018. However, its application will not have a significant effect on the reporting period or any prior period and is not likely to significantly affect future periods. As previously, the Group will not apply hedge account pursuant to IFRS 9 in the future.

ii. IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group plans to adopt the new standard on the required effective date. Based on the analysis of possible changes, the Group does not expect the first-time adoption of IFRS 15 in fiscal year 2018 to have significant effects on the consolidated financial statements.

iii. IFRS 16 – Leases

In January 2016, the IASB issued the new IFRS 16 standard, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 "Leases". As a result of the first-time adoption, the majority of the liabilities from operating rental and lease agreements, currently presented under section 26. "Other financial obligations", are taken into account. This is reflected, among other things, as balance sheet movements, with the respective usage right being capitalized as an asset and the corresponding lease obligation being recognized as a liability. The amendment will also affect the income statement and the cash flow statement. Application of IFRS 16 is required for annual periods beginning on or after January 1, 2019. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Effects on the consolidated financial statements

The Group does not anticipate any significant effects (if at all) on its consolidated financial statements from the first-time adoption of the new standards and interpretations for fiscal year 2018.

3. CONSOLIDATION METHODS

The consolidated financial statements were prepared on the basis of the annual financial statements of the consolidated companies as of December 31, 2017, which in turn were prepared using uniform accounting policies in accordance with IFRS as adopted by the European Union.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the identifiable assets transferred, the liabilities assumed and the equity interests issued by the Group. Goodwill results from the amount by which the consideration transferred plus the amount of all non-controlling interests in the affiliated company and the equity interests previously held by the acquirer, measured at fair value at the acquisition date, exceeds the balance of the assets acquired and liabilities assumed. The consideration transferred includes the fair value of any asset or liability. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains and losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

All domestic and foreign subsidiaries are included in the consolidated financial statements.

The liquidation of JOST Nederland B.V., Breukelen, the Netherlands was completed on December 21, 2017, as a result of which it was deconsolidated in the fiscal year.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group reporting date (December 31 of each fiscal year) is the reporting date of the annual financial statements of the parent (JOST Werke AG). Audited interim financial statements as of December 31, 2017 were included for JOST India.

The investment in the JOST Brasil Sistemas Automotivos Ltda. joint venture is accounted for in the consolidated balance sheet using the equity method.

The accounting and valuation principles applied correspond to those of the parent.

Currency translation differences were recognized in other comprehensive income in the "Exchange differences on translating foreign operations" item in other reserves.

Intercompany profits and losses, intercompany revenues, expenses, and income, as well as all receivables and liabilities between consolidated companies were eliminated.

Transactions with non-controlling interests

The Group accounts for transactions with non-controlling interests as transactions with equity owners of the Group. If non-controlling interests are acquired, the difference between the amount paid and the share of the carrying amount of the net assets of the subsidiary acquired is recognized directly in equity. Gains or losses on purchases of non-controlling interests are also recorded in equity.

4. BASIS OF CONSOLIDATION

JOST Group

The consolidated financial statements include the financial statements of JOST Werke AG, the subsidiaries, and the following joint ventures:

List of shareholdings

Company	Interest held by JOST Werke AG	Nature of business
Consolidated companies		
Jasione GmbH Neu-Isenburg	100.00%	Holding company
JOST-Werke Deutschland GmbH* Neu-Isenburg	100.00%	Production company Sales company
JOST-Werke International Beteiligungsverwaltung GmbH* Neu-Isenburg	100.00%	Holding company
Rockinger Agriculture GmbH* Waltershausen / Germany	100.00%	Production company Sales company
Regensburger Zuggabel GmbH* Neu-Isenburg	100.00%	Shelf company
JOST France S.à r.l.* Paris / France	100.00%	Sales company
JOST Iberica S.A.* Zaragoza / Spain	100.00%	Production company Sales company
JOST Italia S.r.l.* Milan / Italy	100.00%	Sales company
JOST GB Ltd.* Bolton / United Kingdom	100.00%	Holding company
JOST UK Ltd.* Bolton / United Kingdom	100.00%	Production company Sales company
ooo JOST RUS* Moscow / Russia	100.00%	Production company Sales company
JOST Polska Sp. z o.o.* Nowa Sòl / Poland	100.00%	Production company
JOST Hungária BT* Veszprém / Hungary	100.00%	Production company
JOST TAT LLC* Naberezhyne Chelny / Russia	100.00%	Sales company
Tridec Holdings B.V.* Son / The Netherlands	100.00%	Holding company
Transport Industry Development Centre B.V.* Best / The Netherlands	100.00%	Production company Sales company
Tridec Ltda.* Cantanhede / Portugal	100.00%	Production company
JOST Achsen Systeme GmbH* Calden / Germany	100.00%	Sales company
JOST Axle Systems Southern Europe S.A.S.* Lattes / France	100.00%	Sales company
JOST (S.A.) Pty. Ltd.* Chloorkop / South Africa	100.00%	Production company Sales company
JOST Transport Equipment Pty. Ltd.* Chloorkop / South Africa	100.00%	Sales company
JOST Australia Pty. Ltd.* Seven Hills / Australia	100.00%	Sales company
JOST International Corp.* Grand Haven, Michigan / U.S.A.	100.00%	Production company Sales company
JOST (China) Auto Component Co. Ltd.* Wuhan, Hubei Province / PR China	100.00%	Production company Sales company
JOST (Shanghai) Auto Component Co. Ltd.* Shanghai / PR China	100.00%	Production company Sales company
JOST (Shanghai) Trading Co. Ltd.* Shanghai / PR China	100.00%	Sales company
JOST Far East Pte. Ltd.* Singapore	100.00%	Sales company
JOST India Auto Component Pte. Ltd.* Jamshedpur / India	100.00%	Production company Sales company
JOST Japan Co. Ltd.* Yokohama / Japan	100.00%	Sales company
Joint Ventures		
JOST Brasil Sistemas Automotivos Ltda.* Caxias do Sul / Brazil	49.00%	Production company Sales company

* Indirectly via Jasione GmbH

The liquidation of JOST Nederland B.V., Breukelen, the Netherlands was completed on December 21, 2017. Therefore the company has been removed from the basis of consolidation of the JOST Group. This liquidation had no material effect on sales, net income and balance sheet.

5. CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in EUR, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within the net finance result. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognized in other comprehensive income.

6. ACCOUNTING POLICIES IN THE CONSOLIDATED FINANCIAL STATEMENTS

Management judgment, estimates, and assumptions

Application of accounting policies under IFRSs as adopted in the EU requires the Group to make assumptions and exercise judgment affecting the reported amounts of assets, liabilities, income, and expenses in the financial statements. In certain cases, the actual amounts may differ from the assumptions and estimates made. Such changes are recognized in the income statement as soon as they become known. The most important assumptions about the future and other key sources of estimation uncertainty at the reporting date that entail a major risk that could result in a material adjustment of the carrying amounts of assets and liabilities within the next fiscal year are discussed in the following.

Measurement of shareholder loans

Specific management judgment is also required in connection with the valuation of the shareholder loans. As discussed further in note 13. management has to take into account changed expectations of future cash-outflows at each balance sheet date. Those assessments are based on the same assessments about future cash-flows for other purposes, e. g. when performing impairment tests.

Measurement of items of property, plant, and equipment, and intangible assets with finite useful lives

The measurement of items of property, plant, and equipment, and intangible assets, with finite useful lives requires the use of estimates to measure fair value at the acquisition date, especially in the case of assets acquired in the course of a business combination. The expected useful life of these assets must also be estimated. Measuring the fair value of such assets, estimating their useful lives, and performing impairment tests if there are indications of impairment are based on management judgment. For further details, see notes 9. “Goodwill and other intangible assets” and 10. “Property, plant and equipment.”

Pensions and similar obligations

Provisions and expenses for defined-benefit pension plans and other post-employment medical benefits are determined on the basis of actuarial calculations. The actuarial valuation is based on assumptions concerning discount rates, future wage and salary increases, mortality rates, future pension increases, and expected staff turnover. All assumptions are reviewed at the balance sheet date. The discount rate is based on high quality corporate bond yields for the currency in question at the reporting date. The mortality rate is based on publicly available mortality tables for the country in question. Future wage and salary increases, as well as pension increases, are based on expected future inflation rates for the country concerned, as well as on the structure of the defined-benefit pension plan. Such estimates are subject to significant uncertainties, in line with the long-term orientation of the pension plans. For effects using different actuarial assumptions on carrying amount of pension obligations, see note 19. "Pension obligations".

Other provisions

Other provisions are recognized and measured based on estimates of the probability of future outflows of payments and reflect past experience and circumstances known at the reporting date. For this reason, outflows of actual payments may differ from the recognized amount of other provisions.

Financial instruments

If the fair value of financial assets and liabilities recognized in the balance sheet cannot be measured using prices in an active market, it is determined using valuation techniques. The inputs used in the valuation model are based as far as possible on observable market data. If this is not possible, fair value measurement is subject to a degree of management judgment. This assessment by management mainly concerns liquidity risk, credit risk and volatility, and affects the recognized fair value of financial instruments.

Recognition of deferred taxes on interest losses carried forward

Regarding the future use of interest carryforwards at Jasione GmbH, it is assumed that there has been no "detrimental acquisition of an interest" (schädlicher Beteiligungserwerb) within the meaning of Section 8c of the Körperschaftsteuergesetz (German Corporate Income Tax Act – KstG) that can result in a (proportional) forfeiture of the existing interest carryforwards. Moreover, assumptions regarding future business performance are made for the five-year planning period that determine the amount of EBITDA for tax purposes and therefore the amount of interest carryforwards to be used in the future.

Goodwill and other intangible assets

Purchased intangible assets are recognized at cost and reduced by straight-line amortization over their useful lives. There are no intangible assets with indefinite useful life. Impairment losses are recognized if required. Goodwill is not amortized.

The useful lives specified in the accounting policies applied to the Group's intangible assets can be summarized as follows:

	Order backlog	Software	Patents	Customer list	Trademarks
Useful lives	1 year	3 years	6 – 13 years	15 – 22 years	20 years

Goodwill resulting from business combinations represents the excess of the consideration transferred over the acquirer's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For impairment testing purposes, goodwill acquired in the course of a business combination is allocated from the acquisition date to the Group's cash-generating units that are expected to benefit from the synergies generated by the business combination. JOST Werke AG has designated the geographic markets as its cash-generating units. The identified cash-generating units are Europe, South Africa and Australia, North America and Asia.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is tested for impairment at the level of the cash-generating unit to which it is allocated by comparing the carrying amount of the cash-generating unit with its recoverable amount. If the carrying amount is higher than the recoverable amount, the cash-generating unit is impaired and must be written down to the recoverable amount. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is defined as the present value of the future cash flows expected to be derived by the entity from the cash-generating unit. Value in use is calculated by discounting the estimated future cash flows to their present value by applying a pre-tax discount rate that reflects current market expectations of the time value of money and the risks specific to the cash-generating unit. An appropriate discounted cash flow model is used to measure fair value less costs to sell. Impairment losses on goodwill may not be reversed in future periods if the reasons for recognizing the impairment loss in previous periods no longer apply. The carrying value of the cash-generating unit containing the goodwill / intangible asset is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

Research and development expenses

In addition to the costs of the research departments and process development, this item includes third-party services and the cost of technical tests. Expenditure on research shall be recognized as an expense when it is incurred. Development expenses are expensed in full in the period in which they are incurred unless the recognition criteria in IAS 38 require the expenses to be capitalized. If development expenses are capitalized, the cost model is applied after initial recognition of the development expenses, under which the asset is recognized at cost less any cumulative straight-line amortization and any cumulative impairment losses. Capitalized development expenses are amortized over the period of the expected future revenues associated with the project in question of three to five years. The carrying amount of capitalized development expenses is tested for impairment once a year if the asset is not yet in use, or more frequently if there are indications of impairment during the course of the fiscal year.

Impairment of intangible assets with finite useful lives

In the case of intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Intangible assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date that will be booked if identified appropriately.

Property, plant, and equipment

Items of property, plant, and equipment are recognized at cost less cumulative depreciation and any cumulative impairment losses. Straight-line depreciation is based on the estimated useful lives of the assets. The carrying amounts of items of property, plant, and equipment are tested for impairment if there are indications that the carrying amount of an asset is higher than its recoverable amount. Costs subsequent to initial recognition, for example because of expansion or replacement investments, are only recognized as part of the cost of the assets or – if applicable – as a separate asset if it is probable that the Group will derive future economic benefits from them and the cost of the asset can be measured reliably. Expenses for repairs and maintenance that do not represent significant replacement investments (day-to-day servicing) are recognized as expenses in the financial year in which they are incurred. An item of property, plant, and equipment is derecognized when it is disposed of or if no future economic benefits are expected from its continued use or sale. The gains or losses on derecognition of the asset are determined as the difference between the net disposal proceeds and its carrying amount and are recognized in profit or loss in the period in which the asset is derecognized. The residual values of assets, useful lives, and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary. The useful lives specified in the accounting policies applied to the Group's property, plant, and equipment are summarized as follows (Land is not depreciated):

	Operating and office equipment	Technical equipment and machinery	Buildings
Useful lives	1 – 8 years	4 – 20 years	20 – 50 years

Borrowing costs that are directly attributable to the acquisition, construction, or production of an asset (qualifying asset) in cases where a substantial period of time (twelve months) is required to get the asset ready for its intended use or sale are capitalized as part of the cost of the asset in question. All other borrowing costs are recognized as expenses in the period in which they are incurred.

Investments accounted for using the equity method

Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Dividend payments reduce the equity interests' carrying amounts. The Group's investment in associates includes goodwill identified on acquisition. Joint ventures and associates of the Group are accounted for using the equity method.

The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount as impairment loss in the income statement.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. The cost of raw materials, consumables, and supplies is measured using a weighted average cost formula. The cost of finished goods and work in progress comprises the costs of raw materials, consumables, and supplies, direct labor, other direct costs, and indirect costs that can be directly attributable to the production process (based on normal capacity). The cost of inventories does not contain any borrowing costs because no inventories are purchased or acquired for which a substantial period of time is required to get them ready for their intended use or sale. Inventories are written down if necessary to reflect reduced marketability.

Receivables and other financial assets

Receivables and other financial assets are initially recognized at fair value including transaction costs and subsequently measured at amortized cost using the effective interest method, net of any impairment losses. Impairment losses are recognized in the "Selling expenses" item in the income statement. If there are indications that a receivable is uncollectible, it is written off against the allowance account for doubtful receivables. Other indications of impairment include significant financial difficulty of a debtor, an increased probability that a borrower will enter bankruptcy or other reorganization proceedings, as well as a breach of contract such as default or delinquency in interest or principal payments. Payments subsequently received on amounts that have been written off are credited against the impairment losses recognized on trade receivables in the "Selling expenses" item in the income statement.

Financial assets and financial liabilities

The categorization of financial instruments is based on the purpose for which the financial instruments were acquired. The Group categorizes its financial assets and the financial liabilities in the following categories: at fair value through profit or loss, loans and receivables, and other liabilities.

Financial assets and liabilities are not netted.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. A financial liability is recognized when the entity becomes a party to the obligation specified in the contractual provisions of the liability.

A financial asset is derecognized when, and only when, the contractual rights of the Group to the cash flows from the financial asset expires or when the Group transfers the financial assets and the transfer qualifies for derecognition. A financial liability (or a part of a financial liability) is removed from the statement of financial position of the Group when, and only when, it is extinguished – for example when the obligation specified in the contract is discharged or cancelled or expires.

Net gains and losses on financial instruments comprise measurement gains and losses, currency translation gains and losses, and interest and dividends.

LaR = Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. Loans and receivables (including trade receivables, other financial assets, bank balances, and cash funds) are measured at amortized cost net of any impairment losses using the effective interest method.

Interest income is measured using the effective interest method, with the exception of current receivables.

OL = other liabilities

Other liabilities are measured at amortized cost using the effective interest method. Other liabilities that mature in more than twelve months after the end of the reporting period are carried as non-current liabilities.

AFVP & L = at fair value through profit or loss

These comprise financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current.

Changes in the fair value of financial assets in this category are recognized in profit or loss at the time of the increase or decrease in fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, short-term deposits with original maturities of less than three months, and bank bills of exchange that can be converted into cash at any time and are not subject to significant fluctuations in value.

Pensions and similar obligations

Group companies operate various pension schemes. The schemes are for the most part for employees and managing directors of JOST-Werke Deutschland GmbH, Neu-Isenburg. Some schemes are funded through payments to insurance companies, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The major pension scheme is a final salary pension plan providing life-long payments in case of retirement, disability or death. Besides there are individual pension promises providing fixed amounts of life-long payments or lump sum payments in case of retirement, disability or death. Risks of the pension schemes, such as life expectancy and inflation, are in general borne by the Group companies.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In currencies where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and shall not be reclassified to profit or loss in a subsequent period.

Past-service costs are recognized as an expense immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other provisions

Provisions are recorded when a past event gives rise to a present legal or constructive obligation to a third party, utilization of the obligation is probable and the anticipated amount of the obligation can be estimated reliably. The measurement of these provisions is at the present best estimate of the expenses necessary to fulfill the obligation. If appropriate, the amount of the provisions corresponds to the present value of the expenditures expected to be necessary to meet the obligations. Refund claims are capitalized separately, if applicable. If the Group expects at least a partial refund for provisions, the refund is recognized under other assets if the return of the refund is expected.

Trade payables and other liabilities

Trade payables and other financial liabilities are initially measured at fair value less transaction costs. They are subsequently measured at amortized cost using the effective interest method.

Interest-bearing loans and borrowings and liabilities to shareholders

Interest-bearing loans and borrowings are initially measured at fair value less transactions costs. Borrowings are subsequently carried at amortized costs.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

The shareholder loan was contributed to equity as a non-cash contribution in the 2017 fiscal year. More information is presented in notes 18. and 22.

Derivatives

The Group uses derivatives to hedge existing interest rate risks. These are initially and subsequently measured at fair value.

The fair values of various derivate instruments used for hedging purposes are disclosed in note 15. and 24. Changes in the fair values of the hedges are recognized in the income statement and shown in notes 34. and 35. The full fair value of a derivate is classified as a non-current liability when the remaining maturity of hedged items is more than twelve months, and as a current liability when the maturity of the hedged item is less than twelve months. If the fair value of a derivative is positive, it is classified as an asset.

The fair values of the derivatives are determined using valuation techniques, as they are not traded in an active market. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs are observable, the instruments are included in level 2 in accordance with IFRS 13. In order to fair value an instrument JOST calculates the present value of the estimated future cash flows based on observable yield curves.

Revenue Recognition

Sales revenues are measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Sales revenues are reported net of value added tax, returns, rebates, and discounts, and after elimination of intercompany revenues. The Group recognizes sales revenues when the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity. The Group makes estimates on the basis of historical data that reflect customer-specific, transaction-specific, and contract-specific factors for the purpose of bonus and guarantee calculations.

Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognized for temporary differences between IFRS values and tax base. Deferred tax assets are also recognized for loss carry forwards in most cases. They are only recognized if it is probable that taxable profit will be available against which the tax asset can be utilized. Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Leases

Leases are classified as operating leases if substantially all the risks and rewards incidental to ownership remain with the lessor. Payments made in connection with an operating lease are recognized as expenses in the Statement of Comprehensive Income on a straight-line basis over the lease term, net of any incentive payments received from the lessor.

Leases of items of property, plant, and equipment for which the Group bears substantially all the risks and rewards incidental to ownership are classified as finance leases. Assets leased under finance leases are generally recognized at inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A lease liability is recognized in the same amount in noncurrent liabilities. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability. The net lease liability is reported in noncurrent liabilities. The finance charge is recognized as an expense in the Statement of Comprehensive Income so as to produce a constant periodic rate of interest over the term of the lease.

The property, plant, and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Share-based payment in accordance with IFRS 2

Share-based payment transactions are treated in accordance with IFRS 2, Share-based Payment, in the JOST Group. The standard encompasses all arrangements where an entity purchases goods or services in exchange for the issue of an entity’s equity instruments, or cash payments based on the fair value of the entity’s equity instruments, unless the transaction is clearly for a purpose other than payment for goods or services supplied to the entity receiving them. In accordance with IFRS 2, JOST Group distinguishes between equity-settled and cash-settled plans. The financial benefit from equity-settled plans granted on grant date is recognized in equity over the expected vesting period. Expenses from cash-settled plans are also allocated over the expected vesting period, but recognized as a liability.

7. EXCEPTIONALS

The following explanation of adjusted effects serves to clarify the information in the income statement.

In fiscal 2017, expenses amounting to €29,678 thousand (2016: €28,795 thousand) were adjusted within earnings before interest and taxes (EBIT).

The items adjusted within EBIT relate to selling expenses arising from the purchase price allocations (PPA depreciation and amortization) in the amount of €25,592 thousand (2016: €25,207 thousand). Furthermore, administrative expenses and other income were adjusted for costs relating to the stock listing and other effects totaling €4,086 thousand (2016: €3,588 thousand).

In fiscal 2017, the net finance result was adjusted for expenses totaling €134,033 thousand (2016: €–15,632 thousand) in connection with interest on and measurement of the shareholder loan which no longer exists.

Notional income taxes after adjustments were recognized in the amount of €19,118 thousand in 2017 (2016: €12,701 thousand).

The table below shows the earnings adjusted for these effects:

in € thousands	January 1 – December 31, 2017 Unadjusted	Stock listing and other	PPA depreciation and amortization	Shareholder loans	Adjustments, total	**January 1 – December 31, 2017 Adjusted**
Notes		(8)	(8), (12)	(12), (22), (35)		
Sales revenues	**701,308**				**0**	**701,308**
Cost of sales	**–507,962**	**95**			**95**	**–507,867**
Gross profit	**193,346**	**95**	**0**	**0**	**95**	**193,441**
Selling expenses	–85,070	47	25,592		25,639	–59,431
thereof: depreciation and amortization of assets	–26,464				0	–26,464
Research and development expenses	–10,386				0	–10,386
Administrative expenses	–53,226	3,911			3,911	–49,315
Other income	5,580	33			33	5,613
Other expenses	–5,703				0	–5,703
Share of profit or loss of equity method investments	2,178				0	2,178
Operating profit (EBIT)	**46,719**	**4,086**	**25,592**	**0**	**29,678**	**76,397**
Financial income	1,589					1,589
Financial expense	–148,291			134,033	134,033	–14,258
Net finance result	**–146,702**	**0**	**0**	**134,033**	**134,033**	**–12,669**
Profit / loss before tax	**–99,983**	**4,086**	**25,592**	**134,033**	**163,711**	**63,728**
Income taxes	37,136					–19,118
Profit / loss after taxes	**–62,847**					**44,610**
Weighted average number of shares	**7,475,000**					**7,475,000**
Basic and diluted earnings per share (in €)	**–8.41**					**5.97**
Number of shares as of December 31, 2017	**14,900,000**					**14,900,000**
Pro forma earnings per share (in €)						**2.99**

in € thousands	January 1 – December 31, 2016 Unadjusted	Stock listing and other	PPA depreciation and amortization	Shareholder loans	Adjustments, total	**January 1 – December 31, 2016 Adjusted**
Notes		(8)	(8), (12)	(12), (22), (35)		
Sales revenues	**633,947**				**0**	**633,947**
Cost of sales	**–456,054**	**6**			**6**	**–456,048**
Gross profit	**177,893**	**6**	**0**	**0**	**6**	**177,899**
Selling expenses	–82,120	15	25,207		25,222	–56,898
thereof: depreciation and amortization of assets	–26,121				0	–26,121
Research and development expenses	–10,710				0	–10,710
Administrative expenses	–54,363	2,738			2,738	–51,625
Other income	7,350	829			829	8,179
Other expenses	–6,289				0	–6,289
Share of profit or loss of equity method investments	1,371				0	1,371
Operating profit (EBIT)	**33,132**	**3,588**	**25,207**	**0**	**28,795**	**61,927**
Financial income	3,890				0	3,890
Financial expense	–39,112			15,632	15,632	–23,480
Net finance result	**–35,222**	**0**	**0**	**15,632**	**15,632**	**–19,590**
Profit / loss before tax	**–2,090**	**3,588**	**25,207**	**15,632**	**44,427**	**42,337**
Income taxes	–13,084					–12,701
Profit / loss after taxes	**–15,174**					**29,636**

8. SEGMENT INFORMATION

According to IFRS 8, the identification of operating segments to be included in the reporting process is based on the so-called management approach. External reporting should therefore be based on the Group's internal organization and management structure, as well as internal financial reporting to the Chief Operating Decision Maker. In JOST Group, the Managing Directors are responsible for assessing and controlling the success of the various segments.

Management reporting is organized into region-oriented segments. The following three operating segments are specified in the management reporting:

- Europe
- North America
- Asia, Pacific and Africa

The operating segments include all legal independent companies of the region. The product portfolio (truck parts and trailer parts) of the operating segments is broadly similar.

The Management Board monitors the operating segments based on the most important earnings figures and measures operating segment performance primarily on adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA). Adjusted EBIT is calculated based on the consolidated financial statements in accordance with IFRS of JOST Werke AG adjusted for exceptional items, depreciation and amortization of property, plant, and equipment and intangible assets from the purchase price allocation (PPA) and impairment and reversal of impairment of property, plant, and equipment and intangible assets from the purchase price allocation (PPA). The exceptionals comprise other non-recurring income and mainly relate to the IPO and the reallocation of an operation in China (2016: mainly integration costs for Edbro and the trailer axle business). The exceptionals have been allocated mainly to the operating segments Europe as well as Asia, Pacific and Africa. Share of profit or loss of investments accounted for using the equity method are not allocated to a segment and is therefore include in the reconciliation / other column.

Group financing (including finance expenses and finance income) and income taxes are not managed on operating segment level. Transactions between the business units are charged at market conditions. Profits and losses resulting from intrasegment transactions are eliminated in each segment; income and expenses resulting from internal transactions are eliminated in the reconciliation column.

In the reporting periods the JOST Group does not generate more than 10% of total external sales revenue with one customer.

The JOST Group generated external sales revenues in the amount of €291,542 thousand (2016: €280,267 thousand) with its companies registered in Germany. The JOST Group generated external sales revenues in the amount of €118,549 thousand (2016: €109,792 thousand) with its company registered in the USA.

The following tables show noncurrent assets by operating segments for December 31, 2017:

in € thousands	Asia, Pacific and Africa	Europe*	North America	Reconciliation	**Consolidated financial statements**
Noncurrent assets	29,422	267,920	25,398	0	322,740

* Of this amount, €49,817 thousand is attributable to non-current assets of companies registered in Germany. This does not include intangible assets recognized as part of the purchase price allocation as these figures are not available at the level of individual companies and the cost to determine them would be excessive.

The following tables show noncurrent assets by operating segments for December 31, 2016:

in € thousands	Asia, Pacific and Africa	Europe*	North America	Reconciliation	**Consolidated financial statements**
Noncurrent assets	29,431	295,847	30,214	0	355,492

* Of this amount, €53,657 thousand is attributable to non-current assets of companies registered in Germany. This does not include intangible assets recognized as part of the purchase price allocation as these figures are not available at the level of individual companies and the cost to determine them would be excessive.

Noncurrent assets consist of intangible assets, property, plant, and equipment, investments accounted for using the equity method, receivables from shareholders and other noncurrent financial assets (excluding financial instruments). Effects from purchase price allocation are allocated to each segment.

The impairment tests did not result in any impairments or reversals of impairments in 2017 and 2016.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

in € thousands	Goodwill	Internally generated intangible assets	Customer list	Other intangible assets	**Total other intangible assets**
Cost					
Balance at January 1, 2016	**74,267**	**7,675**	**394,287**	**85,935**	**487,897**
Additions	0	1,984	0	3,104	5,088
Currency and other changes	0	0	1,602	143	1,745
Reclassifications	0	0	0	832	832
Disposals	0	0	0	–14	–14
Balance as of December 31, 2016	**74,267**	**9,659**	**395,889**	**90,000**	**495,548**
Additions	0	1,612	0	765	2,377
Currency and other changes	0	0	–1,673	–252	–1,925
Reclassifications	0	0	0	21	21
Disposals	0	0	0	–21	–21
Balance as of December 31, 2017	**74,267**	**11,271**	**394,216**	**90,513**	**496,000**
Amortization and impairment					
Balance at January 1, 2016	**74,267**	**4,614**	**150,745**	**50,804**	**206,163**
Additions	0	1,466	20,655	6,557	28,678
Currency and other changes	0	0	–649	–173	–822
Disposals	0	0	0	–14	–14
Balance as of December 31, 2016	**74,267**	**6,080**	**170,751**	**57,174**	**234,005**
Additions	0	1,554	20,986	6,695	29,235
Currency and other changes	0	0	613	86	699
Disposals	0	0	0	–21	–21
Balance as of December 31, 2017	**74,267**	**7,634**	**192,350**	**63,934**	**263,918**
Carrying amount as of December 31, 2016	**0**	**3,579**	**225,138**	**32,826**	**261,543**
Carrying amount as of December 31, 2017	**0**	**3,637**	**201,866**	**26,579**	**232,082**

The goodwill presented above was impaired in 2009.

For further details regarding depreciation, amortization, impairments, and the reversal of impairments see note 37.

10. PROPERTY, PLANT, AND EQUIPMENT

in € thousands	Land, land and rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Cost					
Balance at January 1, 2016	**47,712**	**55,725**	**22,858**	**8,897**	**135,192**
Additions	546	6,206	3,947	2,583	13,282
Currency and other changes	–395	–5,754	265	–1,513	–7,397
Reclassifications	129	8,233	289	–9,483	–832
Disposals	–63	–6,094	–2,125	–162	–8,444
Balance as of December 31, 2016	**47,929**	**58,316**	**25,234**	**322**	**131,801**
Additions	338	3,815	5,294	7,448	16,895
Currency and other changes	–1,654	–962	–2,736	–50	–5,402
Reclassifications	–16	564	105	–674	–21
Disposals	–22	–2,059	–1,441	–28	–3,550
Balance as of December 31, 2017	**46,575**	**59,674**	**26,456**	**7,018**	**139,723**
Amortization and impairment					
Balance at January 1, 2016	**16,496**	**23,325**	**10,256**	**0**	**50,077**
Additions	1,936	6,081	4,556	0	12,573
Currency and other changes	–622	–3,681	315	0	–3,988
Disposals	–61	–5,318	–1,621	0	–7,000
Balance as of December 31, 2016	**17,749**	**20,407**	**13,506**	**0**	**51,662**
Additions	3,254	6,804	4,575	0	14,633
Currency and other changes	–550	–860	–2,100	0	–3,510
Reclassifications	0	–14	14	0	0
Disposals	–19	–1,923	–1,159	0	–3,101
Balance as of December 31, 2017	**20,434**	**24,414**	**14,836**	**0**	**59,684**
Carrying amount as of December 31, 2016	**30,180**	**37,909**	**11,728**	**322**	**80,139**
Carrying amount as of December 31, 2017	**26,141**	**35,260**	**11,620**	**7,018**	**80,039**

For further details regarding depreciation and amortization, see note 37.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method relate to JOST Brasil Sistemas Automotivos Ltda., Caxias do Sul / Brazil, which produces and markets JOST branded products in South America and is JOST's access into this market. The associate is an integral vehicle through which the Group conducts its operations and its strategy. This equity method investment has successfully operated for 20 years and is of strategic significance. This entity is under common control as all material decisions have to be agreed unanimously together between JOST and the other shareholder.

in € thousands	**2017**	2016
Noncurrent assets	7,094	8,031
Current assets	15,561	18,739
Noncurrent liabilities	1,149	1,106
Current liabilities	6,244	6,539
Equity	15,262	19,125
Sales revenues	43,004	29,062
Income	44,715	31,108
Expenses	40,271	28,310
Profit or loss for the period*	**4,444**	**2,798**
Interest (%)	49	49
Share of profit or loss for the period	2,178	1,371
Carrying amount of investment at 12/31	**10,534**	**13,778**

* For 2017 and 2016 there is no other comprehensive income; the profit for the year is therefore also the total comprehensive income.

Reconciliation of the summarized financial information presented to the carrying amount of interest in the joint venture is as follows:

in € thousands	**2017**	2016
Net assets at 12/31	**15,262**	**19,125**
Interest in joint venture	7,478	9,371
Goodwill (translated at current fx rate)	3,065	3,549
Fx effects on net assets	–9	858
Carrying amount	**10,534**	**13,778**

Additional information:

in € thousands	**2017**	2016
Cash and cash equivalents	4,676	10,930
Current financial liabilities	97	107
Noncurrent financial liabilities	385	535
Depreciation and amortization	963	827
Interest income	1,598	2,007
Interest expenses	668	792
Income tax expenses	1,550	831

Dividend income of €2,760 thousand (2016: €196 thousand) and interest received of €994 thousand (2016: €393 thousand) were recognized in fiscal year 2017.

An average of 219 people were employed in the reporting period (77 salaried employees and 142 hourly paid workers). In 2016, the headcount was 222 (78 salaried employees and 144 hourly paid workers).

As in prior years there were no contingent liabilities as at December 31, 2017.

12. DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

in € thousands	**2017**	2016
Deferred tax assets		
Deferred tax assets realized after more than 12 months	9,485	8,675
Deferred tax assets realized within 12 months	3,031	1,590
Total	**12,516**	**10,265**
Deferred tax liabilities		
Deferred tax liabilities realized after more than 12 months	42,001	118,706
Deferred tax liabilities realized within 12 months	7,562	7,500
Total	**49,563**	**126,206**
Deferred tax liabilities (net)	**37,047**	**115,941**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration of offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets in € thousands	Pensions*	Inventories	Interest carryforwards in Germany*,**	Tax exemption grant for profits in economic zones***	Other liabilities	Provisions and other	Total
Balance as of January 01, 2016	**10,269**	**3,688**	**0**	**2,518**	**499**	**5,863**	**22,837**
Amount recognized in profit or loss	–792	–603	0	–1,303	996	–1,393	–3,095
Amount recognized directly in equity	2,036	0	0	0	0	0	2,036
Balance as of December 31, 2016	**11,513**	**3,085**	**0**	**1,215**	**1,495**	**4,470**	**21,778**
Amount recognized in profit or loss	153	–132	8,060	2,593	425	–635	10,464
Amount recognized directly in equity	–452	0	0	0	0	0	–452
Balance as of December 31, 2017	**11,214**	**2,953**	**8,060**	**3,808**	**1,920**	**3,835**	**31,790**

* Deferred tax assets have been netted against deferred tax liabilities.
** The interest carried forward for the tax group of Jasione GmbH can be utilized for tax purposed from 2018.
*** Jost Polska Sp. z o.o. receives grants in the form of tax exemptions for investments and the creation of new jobs in the Nowa Sól special economic zone.

Deferred tax liabilities in € thousands	Intangible assets	Property, plant and equipment	Investment in associates	Liabilities to shareholders	Total
Balance as of January 01, 2016	**80,732**	**3,139**	**183**	**54,248**	**138,302**
Amount recognized in profit or loss	–6,176	–667	24	6,170	–649
Currency changes	66	0	0	0	66
Balance as of December 31, 2016	**74,622**	**2,472**	**207**	**60,418**	**137,719**
Amount recognized in profit or loss	–6,952	–666	–49	–34,416	–42,083
Amount recognized directly in equity	0	0	0	–26,002	–26,002
Currency changes	–797	0	0	0	–797
Balance as of December 31, 2017	**66,873**	**1,806**	**158**	**0**	**68,837**

Deferred taxes are calculated using the tax rates applicable when the temporary differences are expected to reverse. The effects of changes in tax rates or tax laws on deferred tax assets and liabilities are usually recognized in profit or loss. Changes relating to deferred taxes that were previously recognized in other comprehensive income are reported in other comprehensive income. The change is generally recorded in the period during which the material legislative procedure was completed.

Deferred taxes are measured using the income tax rates enacted or substantively enacted at the reporting date in the respective countries. The deferred taxes recognized mainly relate to Germany. For deferred taxes relating to Germany a tax rate of 30% (2016: 30%) has been used: In addition to corporate income tax of 15% (2016: 15%), the solidarity surcharge amounting to 5.5% of corporate income tax and the average trade tax rate of 14% (2016: 14%) were taken into account.

The changes in deferred taxes (net) are as follows:

in € thousands	2017	2016
Balance at 01/01 (net liability)	**115,941**	**115,465**
Expense (+) / income (–) in income statement	–52,547	2,446
Income taxes recognized in OCI (– profit / + loss) (pensions)	–25,550	–2,036
Currency changes	–797	66
Balance at 12/31 (net liability)	**37,047**	**115,941**

Taxes on income in € thousands	2017	2016
Current tax on profit before tax	15,411	10,638
Deferred taxes	–52,547	2,446
Taxes on income	**–37,136**	**13,084**

Current tax on earnings before taxes compromise expenses for other fiscal years with an amount of €386 thousand (2016: €576 thousand).

The reasons for the difference between the expected and reported tax expense and the expected and effective tax rate in the Group are as follows:

Reconciliation in € thousands	2017	2016
Profit / loss before tax	–99,983	–2,090
Expected tax rate in %	30.0%	30.0%
Expected income taxes	–29,995	–627
Taxes on distributed dividends	548	793
Differences due to deviating tax rates from Group tax rate	–2,227	–2,434
Recognition of deferred taxes on tax exemption grant for profits in economic zones	–2,593	1,303
Recognition of deferred taxes on interest carryforwards in Germany	–8,060	0
Income tax reduction for results from associates	–690	–49
Tax effects of expenses that are non-deductible	593	238
Tax effect of IPO costs deducted from equity	–2,070	0
Tax effects of interest expenses that are not tax-deductible immediately	5,801	10,571
Losses for which no deferred taxes were recognized	562	257
Expenses for other fiscal years	386	576
Other	609	2,456
Effective tax charges	–37,136	13,084
Effective tax rate in %	37.1%	–626.0%

As the expected tax rate, the tax rate of Germany has been used because the largest portion of business activities takes place in Germany and therefore the German tax rate is the most relevant tax rate.

Taxable temporary differences amounting to €174,387 thousand at December 31, 2017 (December 31, 2016: €122,595 thousand) associated with investments in subsidiaries are not recognized as deferred tax liabilities, since the respective parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. These undistributed earnings of subsidiaries could become subject to additional tax if they were remitted as dividends or if the Group were to sell its shareholdings in the subsidiaries.

Deferred tax assets for tax loss carryforwards are recognized in the amount at which the related tax benefits are likely to be realized from future taxable profits. No corresponding deferred tax assets were recognized by the JOST Group in 2017 and 2016, with the exception of interest loss carryforwards. Deferred tax assets amounting to €8,060 thousand (2016: €0 thousand) were recognized on previously unrecognized tax interest loss carryforwards in the reporting year. Unused loss carryforwards for which no deferred tax assets were recognized in the consolidated balance sheet amount to €4,406 thousand (2016: €1,876 thousand). Deferred tax assets that relate to entities which experienced a history of losses or realized a loss this year amount to €2,289 thousand (2016: €1,550 thousand).

Tax loss carryforwards in € thousands	2017	2016
Loss carryforwards in Germany	13,733	2,882
Interest carryforwards in Germany	306,896	289,186
Loss carryforwards outside of Germany	955	3,370
Total	**321,584**	**295,438**

The losses can be carried forward indefinitely and have no expiry date.

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts, fair values, categories and classes of financial assets and financial liabilities are as follows:

in € thousands	Category in accordance with IAS 39	Carrying amount 12/31/2017	Fair Value 12/31/2017	Carrying amount 12/31/2016	Fair Value 12/31/2016	Level
Assets						
Cash and cash equivalents	LAR	66,313	66,313	47,189	47,189	n / a
Trade receivables	LAR	105,932	105,932	90,050	90,050	n / a
Other financial assets	LAR	705	705	1,117	1,117	n / a
Derivative financial assets	AFVP & L	0	0	20	20	2
Total		**172,950**	**172,950**	**138,376**	**138,376**	

Cash and cash equivalents, trade receivables, receivables from shareholders, loans to shareholder as well as other financial assets have in general short durations. The fair value therefore roughly corresponds to the carrying amount.

in € thousands	Category in accordance with IAS 39	Carrying amount 12/31/2017	Fair Value 12/31/2017	Carrying amount 12/31/2016	Fair Value 12/31/2016	Level
Liabilities						
Trade payables	OL	72,562	72,562	57,714	57,714	n/a
Interest-bearing loans and borrowings*	OL	179,568	179,568	320,025	320,025	2
Shareholder loans	OL	0	0	132,474	327,331	3
Other financial liabilities	OL	748	748	351	351	n/a
Derivative financial liabilities	AFVP & L	22	22	138	138	2
Total		**252,900**	**252,900**	**510,702**	**705,559**	

* excluding accrued financing costs (see note 23)

Trade payables and other liabilities have expected short duration, therefore carrying amount and fair value do not differ.

in € thousands		Net gains / losses 2017	Carrying amount 12/31/2017	Fair value 12/31/2017	Net gains / losses 2016	Carrying amount 12/31/2016	Fair value 12/31/2016
Of which aggregated by measurement categories in accordance with IAS 39							
Loans and receivables	LAR	–23	172,950	172,950	–316	138,356	138,356
Other liabilities	OL	–146,441	252,878	252,878	–36,312	510,564	705,421
Financial assets and liabilities at fair value through profit or loss	AFVP & L	0	22	22	35	158	158

The net losses of the OL category include total interest expense of €10,424 thousand (2016: €18,919 thousand), which is calculated using the effective interest method and included in financial expense (see note 35).

The JOST Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

There were no transfers between the levels of the fair value hierarchy during 2017 and 2016.

The fair value of the interest-bearing loans and borrowings is determined in 2017 and 2016 considering actual interest curves and classified as level 2 of the fair value hierarchy.

The fair value of the shareholder loans as at December 31, 2016 was calculated by discounting the (changed) expected future cash flows with corresponding market interest rates, taking into account the Company's credit risk and the subordination of the loan.

The measurement of derivatives is described in notes 6., 15. and 24.

14. INVENTORIES

in € thousands	12/31/2017	12/31/2016
Raw materials, consumables, and supplies	45,715	43,665
Work in process	14,166	11,840
Finished goods and merchandise	37,029	34,910
Total	**96,910**	**90,415**

As at December 31, 2017 impairments on inventories amounting to €9,280 thousand (December 31, 2016: €12,256 thousand) were recognized. The Group reversed €2,976 thousand of previous impairments on inventories as the Group sold the respective goods. They are included in cost of sales.

15. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables

Trade receivables amounted to €105,932 thousand at the closing date (2016: €90,050 thousand).

Allowances for doubtful accounts changed as follows:

in € thousands	2017	2016
Balance at 01/01	**2,112**	**1,900**
Additions	274	426
Utilization	–251	–103
Currency and other changes	–57	–111
Balance at 12/31	**2,078**	**2,112**

The aging of receivables is as follows:

in € thousands	Carrying amount before impairment	Of which neither impaired nor past due at the closing date	Of which not impaired but past due at the closing date				Of which impaired at the closing date
			up to 3 months*	3 – 6 months	6 – 12 months	more than 12 months	
December 31, 2017	108,010	82,302	21,939	897	669	125	2,078
December 31, 2016	92,162	77,215	9,004	2,104	1,249	478	2,112

* The figures in the column "up to 3 months" include receivables due immediately.

As of December 31, 2017, trade receivables of €2,078 thousand (2016: €2,112 thousand) were impaired. The aging of these receivables is as follows:

in € thousands	Total	up to 6 months	more than 6 months
December 31, 2017	2,078	523	1,555
December 31, 2016	2,112	515	1,597

As of the reporting date, all receivables are due within one year. Furthermore, there is no indication that the debtors will default on their obligations with regard to trade receivables that are neither past due nor impaired.

Other financial assets

Other financial assets primarily include overpayments to suppliers in the amount of €161 thousand (2016: €532 thousand) and deposits in the amount of €375 thousand (2016: €296 thousand).

Future interest rate volatility is hedged via an interest rate swap and three interest rate caps (see also note 24.). Overall, the interest rate caps have a positive fair value of €0 thousand (2016: €20 thousand) as of December 31, 2017 (mark-to-market valuation) which is recognized in the balance sheet under other current financial assets. As of December 31, 2017, approximately 76% (2016: 51%) of interest-bearing loans and borrowings were hedged by these derivative financial instruments. For details regarding the maturities of loans see note 21.

As in the previous year, the Group did not apply hedge accounting in accordance with IAS 39 in the reporting period.

16. OTHER ASSETS

As of the end of the year, other assets amounted to €13,389 thousand (2016: €6,392 thousand). Other noncurrent assets consist of pension liability insurance claims (2017: €84 thousand; 2016: €80 thousand). Other current assets primarily include VAT receivables (2017: €4,647 thousand; 2016: €2,340 thousand), prepaid expenses (2017: €3,867 thousand; 2016: €2,289 thousand), recoverable taxes from business operations (2017: €985 thousand; 2016: €722 thousand), and current liability insurance claims (2017: €2,655 thousand; 2016: €0 thousand). The remaining amount is composed of a large number of individually immaterial items at the subsidiaries. The Company did not record any losses on other assets in the year under review. Other assets do not include any overdue items as of the reporting dates. Due to the short-term character, the fair value does not material fluctuates to the book value as of the balance sheet dates.

17. CASH AND CASH EQUIVALENTS

in € thousands	**12/31/2017**	12/31/2016
Cash on hand and bank balances	58,252	37,288
Bank bills of exchange	8,061	9,901
Total	**66,313**	**47,189**

The development and application of cash and cash equivalents is stated in the Consolidated Financial Cash Flow Statement.

18. EQUITY

The JOST Group's subscribed capital of €25 thousand as of December 31, 2016 was fully paid up.

By resolution of the Company's extraordinary shareholders' meeting held on June 23, 2017, equity was increased by €40.0m (thereof €10.0m concerning subscribed capital and €30.0m concerning capital reserves) through a contribution in kind of a shareholder loan (also see note 22) by assignment.

By way of another contribution and assignment agreement dated June 23, 2017, the Company's capital reserves were further increased through a contribution of other shareholder loans (see note 22) by assignment in the aggregate amount of €312.5m.

As the carrying amount of the shareholder loan differed from the amount of the total loans contributed (€352.5m; see also note 22), the merger of receivables and liabilities in the amount of the difference reduced retained earnings by €60.7m (including a positive deferred tax effect of €26.0m).

The reorganization of the GmbH (German private limited company) into an Aktiengesellschaft (German stock corporation) resulted in conversion of the GmbH shares into stock.

According to the resolution of the shareholders' meeting on June 23, 2017, management was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to €5,000,000 on one or more occasions by issuing up to 5,000,000 new shares against cash or non-cash contributions by June 1, 2022 (Authorized Capital 2017). Further details of Authorized Capital 2017 can be found in Article 5 of the Articles of Association. The Company's extraordinary General Meeting held on July 18, 2017, adopted a resolution to increase the Company's share capital by €4,875,000 from €10,025,000 to €14,900,000 against cash contributions while disapplying the pre-emptive rights of shareholders by way of the issue of 4,875,000 new, no-par value bearer shares with an notional value of €1.00 each.

The shares of the JOST Group began successfully trading on the Prime Standard segment of the Frankfurt Stock Exchange on July 20. The issue price for JOST Werke's shares was €27.00 (price range of €25.00 to €31.00). In the course of the stock listing, the Company carried out a capital increase by 4.875 million shares amounting to €131.625m (with €4.875m attributable to subscribed capital and €126.75m to capital reserves).

Transaction costs directly associated with the stock listing of €6.9m were recognized net of tax in capital reserves.

The capital reserves in fiscal year 2017 included share-based payments of €650 thousand. For additional information, see the remuneration report in the management report.

An amount of €20,304 thousand was taken from capital reserves in fiscal year 2017.

As of December 31, 2017, the subscribed capital of the JOST Group amounted to €14,900 thousand, which is fully paid-up and divided into 14,900,000 no-par value shares.

The retained earnings include the net loss for the period of €–62,847 thousand (2016: net loss of €–15,174 thousand) and the net accumulated losses from the previous years.

The other comprehensive income for the fiscal year 2017 includes exchange differences on translating foreign operations of €–8,709 thousand, remeasurements from defined benefit plans with an amount of €1,505 thousand and deferred taxes relating to remeasurements from defined benefit plans of €452 thousand, and recognized in other reserves with an amount of €–7,656 thousand. The unrealized gains / losses on exchange rate differences on translating foreign operations which are currently recognized in other reserves in equity might be reclassified to profit and loss in case of disposal of a foreign operation according to IAS 21.

19. PENSION OBLIGATIONS

Some of the JOST Group entities, particularly in Germany, have established pension plans for their employees. As of December 31, 2017, the defined benefit obligations amounted to €65,984 thousand in total as calculated pursuant to IAS 19 with a discount rate of 1.5%, which were not covered by underlying plan assets. The majority of these pension liabilities are derived from an unfunded pension plan for the employees of JOST-Werke Deutschland GmbH (JOST Versorgungsordnung). Although this pension plan was established in 1977 and was closed for new entries in 1992, it continues to apply to active employees, former employees and pensioners of the company who received a pension promise prior to the scheme closure. This pension scheme provides for a pension upon reaching a certain age of life as well as an individual payment for invalidity and survivor's pension benefits, all of which depend on the employee's duration of service and the monthly gross salary at the end of his / her employment with the Group. Further, some of our companies make contributions to external pension providers for their employees. For example, our UK entities participate in a pension plan where the company makes certain statutory contributions in addition to the contributions made by the employee. Plan assets are held by pension liability insurers and are endowed annually. Remeasurements that could result from differences between the calculated expected changes and actual changes in the number of employees and the calculation assumptions are recognized in full in the period in which they occur. They are presented in other comprehensive income reported in the Statement of Comprehensive Income.

in € thousands	Defined benefit obligation	Plan assets	Total
Balance at 01/01/2016	**62,237**	**–6,614**	**55,623**
Current service cost	474	0	474
Interest cost	1,360	–149	1,211
Remeasurements on obligation	6,908	–121	6,787
thereof: experience adjustments	–412	0	–412
thereof: changes in financial assumptions	7,320	0	7,320
thereof: return on plan assets	0	–121	–121
Benefits paid	–1,674	145	–1,529
Employer contributions	0	–167	–167
Balance at 12/31/2016	**69,305**	**–6,906**	**62,399**
Current service cost	251	0	251
Past service cost	1,097	0	1,097
Interest cost	1,041	–105	936
Reclassification to other assets	0	2,655	2,655
Remeasurements on obligation	–1,436	–8	–1,444
thereof: experience adjustments	–1,436	0	–1,436
thereof: return on plan assets	0	–8	–8
Benefits paid	–4,274	0	–4,274
Employer contributions	0	–46	–46
Balance at 12/31/2017	**65,984**	**–4,410**	**61,574**

The past service cost results from increases in pension commitments made in 2017.

in € thousands	2017	2016
Recognized provision (unfunded pension obligation)	61,574	62,399
Funded pension obligation	4,410	6,906
Total pension obligations	**65,984**	**69,305**
Total pension obligations	65,984	69,305
Net of plan assets	–4,410	–6,906
Carrying amount (corresponds to underfunding)	**61,574**	**62,399**
Reimbursement rights	**84**	**80**
Expense reported in the income statement	**2,283**	**1,684**
consisting of		
Service cost	251	474
Past service cost	1,097	0
Interest cost	1,041	1,360
Interest income on plan assets	–105	–149
Interest income on reimbursement rights	–1	–1
Total	**2,283**	**1,684**

In addition, the Company incurred expenses for employer contributions to the statutory pension insurance system in the amount of €2,769 thousand in fiscal year 2017 (2016: €2,724 thousand).

The defined benefit obligation and the fair value of plan assets developed as follows:

in € thousands	2017	2016
Income and expenses from remeasurements recognized in OCI	–1,444	6,787
Changes in the defined benefit obligation in the fiscal year		
Balance at 01/01	**69,305**	**62,237**
Current service cost	251	474
Past service cost	1,097	0
Interest cost	1,041	1,360
Remeasurements on obligation	–1,436	6,908
Benefits paid	–4,274	–1,674
Balance at 12/31	**65,984**	**69,305**
Fair value of plan assets		
Balance at 01/01	**6,906**	**6,614**
Interest income	105	149
Reclassification to other assets	–2,655	0
Return on plan assets	8	121
Employer contributions	46	167
Benefits paid	0	–145
Balance at 12/31	**4,410**	**6,906**

The plan assets only relate to Germany and include with 100% (2016: 100%) pension liability insurances with guaranteed return and are not quoted in an active market. The total amount of expenses recognized in the Statement of Comprehensive Income was included in administrative expenses. The reclassification of plan assets to other assets relates to plan assets for which the corresponding pension provision was paid out before the reporting date. As it was no longer possible to offset these plan assets, they were reclassified to other assets.

Fair values of reimbursement rights

in € thousands	2017	2016
Balance at 01/01	**80**	**76**
Interest income	1	1
Employer contributions	3	3
Balance at 12/31 (fair value)	**84**	**80**

This relates to claims under pension liability insurance policies that did not qualify as plan assets due to a lack of insolvency protection. The reimbursement rights are therefore reported under other noncurrent assets on the asset side of the balance sheet.

The following significant actuarial assumptions were made:

Assumptions	2017	2016
Discount rate	1.5%	1.5%
Inflation rate / future pension increases	2.0%	2.0%
Future salary increases	2.0%	2.0%

The Heubeck 2005 G mortality tables are used as a basis for biometric calculation in Germany. Otherwise, the underlying mortality probabilities are based on statistics and historical data in the respective countries. The staff turnover rate was set to 0% as many of the beneficiaries are no longer actively employed.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2017

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 8.0%	Increase by 9.1%
Salary growth rate	0.5%	Increase by 1.2%	Decrease by 1.2%
Pension growth rate	0.5%	Increase by 6.5%	Decrease by 5.9%
Life expectancy	1 year	Increase by 4.2%	Decrease by 3.9%

2016

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.9%	Increase by 9.0%
Salary growth rate	0.5%	Increase by 1.3%	Decrease by 1.3%
Pension growth rate	0.5%	Increase by 6.3%	Decrease by 5.7%
Life expectancy	1 year	Increase by 4.1%	Decrease by 3.7%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

Expected maturity analysis of undiscounted pension benefits:

2017

in € thousands	Up to 1 year	1 to 2 years	2 to 5 years	5 to 10 years	**Total**
	2,226	1,877	6,348	13,467	**23,918**

2016

in € thousands	Up to 1 year	1 to 2 years	2 to 5 years	5 to 10 years	**Total**
	1,744	4,341	6,163	13,099	**25,347**

Expected undiscounted pension benefits over 10 years are not presented in the table.

The weighted average duration of the defined benefit obligation is 17 years (2016: 17 years).

Expected contributions to plan assets and reimbursement rights for the year ending December 31, 2018 are €46 thousand (2017: €46 thousand).

20. OTHER PROVISIONS

Other provisions changed as follows:

in € thousands	Warranties	Customer commissions and bonuses	Personnel-related provisions	Other Legal disputes and other costs	**Total**
Balance at 01/01/2017	**4,165**	**4,592**	**1,663**	**7,530**	**17,950**
of which current	3,282	4,592	977	6,107	14,958
of which noncurrent	883	0	686	1,423	2,992
Additions	2,673	4,103	556	3,284	10,616
Utilization	–1,162	–3,551	–747	–870	–6,330
Reversal	–71	–543	–23	–106	–743
Unwinding of discount	0	0	9	0	9
Currency and other changes	–135	–155	–17	–124	–431
Balance at 12/31/2017	**5,470**	**4,446**	**1,441**	**9,714**	**21,071**
of which current	4,524	4,446	738	8,813	18,521
of which noncurrent	946	0	703	901	2,550

in € thousands	Warranties	Customer commissions and bonuses	Personnel-related provisions	Other Legal disputes and other costs	Total
Balance at 01/01/2016	**3,660**	**5,179**	**649**	**3,097**	**12,585**
of which current	2,269	5,170	573	3,084	11,096
of which noncurrent	1,391	9	76	13	1,489
Additions	1,377	5,490	1,214	6,171	14,252
Utilization	–1,290	–5,086	–246	–1,554	–8,176
Reversal	–20	–96	–29	–270	–415
Unwinding of discount	0	0	7	0	7
Currency and other changes	438	–895	68	86	–303
Balance at 12/31/2016	**4,165**	**4,592**	**1,663**	**7,530**	**17,950**
of which current	3,282	4,592	977	6,107	14,958
of which noncurrent	883	0	686	1,423	2,992

Warranties

Based on specific circumstances for which no final agreement has been reached yet and based on past experience (complaint rate and amount of loss, etc.), this provision was recognized for products that were sold in prior periods. The warranties are limited to free repairs and replacements. Warranty provision is due within two years.

Customer commissions and bonuses

Provisions for sales transactions mainly include expected bonuses and commissions that were granted to contractual partners in the year under review or earlier, but are only paid out in subsequent years. Bonus payments depend on the final agreement with the customers.

Personnel-related provisions

Provisions for personnel costs mainly comprise jubilee benefits as well as salary bonus payments. The average duration of the jubilee benefits obligation is 15 years. Salary bonus payments depend on the final approval of the management.

Other legal disputes and other costs

Above and beyond specific circumstances arising from warranty claims, JOST is involved in other legal disputes in and out of court arising from the Group's general business activities. The outcome of these disputes cannot be predicted with certainty. In such cases, provisions are recognized to the extent utilization of the provision is probable and the anticipated amount of the necessary provision can be estimated reliably. Because this process is based on assumptions, the recognition and measurement of provisions for other legal disputes are associated with a degree of uncertainty. The provisions recognized for other legal disputes as of the reporting date mainly relate to cases involving taxes and claims for damages. The provision amounts are reviewed regularly and adjusted as necessary. In most cases, utilization of the provisions is expected only in the medium term.

21. FINANCIAL LIABILITIES

The following overview shows the maturity of financial liabilities and derivative financial instruments as of December 31, 2017. The undiscounted contractual cash outflows are presented:

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
Financial liabilities	76,005	188,018	0	264,023
Derivatives	22	0	0	22
Total	**76,027**	**188,018**	**0**	**264,045**

The fixed cash outflows during the next year are €0 thousand, while cash outflows relating to trade payables are expected in the amount of €72,562 thousand (note 24.) while variable cash outflows are expected for interest payments in an amount of €2,693 thousand. The expected cash outflows within a period of one to five years comprise a fixed amount of €179,566 thousand for repayment of the senior loan and a variable amount of €8,452 thousand for interest payments. No fixed or variable cash outflows are expected within the period of more than five years.

In the reporting period, the shareholder loan was contributed to equity as a non-cash contribution by way of an assignment agreement (see note 18). No outflows of cash are expected as a result.

Undiscounted cash outflow as of December 31, 2016:

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	**Total**
Financial liabilities	79,838	100,187	1,706,352	1,886,377
Derivatives	138	0	0	138
Total	**79,976**	**100,187**	**1,706,352**	**1,886,515**

In 2016, liabilities to banks were collateralized by senior land charges and the pledge of assets of some subsidiaries. These liabilities were repaid in full in the reporting period and replaced with a new loan (see note 23).

Liabilities to banks in fiscal year 2017 were uncollateralized.

22. LIABILITIES TO SHAREHOLDERS

Up until its IPO in July 2017, the Group was also financed through shareholder loans. As of December 31, 2016, shareholder loans B and C with the following terms prevailing at the time were still in place:

	Initial nominal amount in € thousands	Interest rate	Maturity
Shareholder loan B	80,000	14.375%	08/28/2023
Shareholder loan C	93,400	7.50%	08/27/2038

Interest on shareholder loans was accrued until maturity.

In the previous year, Shareholder Loan C was reduced early in the amount of €4,682 thousand (thereof €2,956 thousand by cash settlement and €1,906 thousand by offsetting).

The lender of the shareholder loans agreed that any payment may be made only from freely available funds in a certain order of priority. In order to avoid overindebtedness of the Company within the meaning of Section 19 (2) Sentence 1 of the German Insolvency Regulation ("Insolvenzordnung") the parties agreed that the claims of the lender against the Company for repayment of the loans and for payment of interest thereon shall in the event that insolvency proceedings are commenced be subordinated and rank behind other claims and receivables.

In the reporting period, the shareholder loan was contributed to equity as a non-cash contribution by way of an assignment agreement (see note 18).

The carrying amount and the nominal value of the liabilities to shareholder loans developed as follows from January 1, 2016 to December 31, 2017:

in € thousands	Notes	Carrying amount	Nominal value
01/01/2016		**121,704**	**302,530**
Partial repayment		–4,862	–4,862
Accrued interest	(35), (41)	18,919	36,199
Financial expense from remeasurement of shareholder loans based on revised expected cash outflows according to IAS 39	(34), (41)	–3,287	0
12/31/2016		**132,474**	**333,867**
Partial repayment		–700	–700
Accrued interest	(35), (41)	10,262	19,312
Financial expense from remeasurement of shareholder loans based on revised expected cash outflows according to IAS 39	(35), (41)	123,771	0
Contributions of the shareholder loan by assignment based on extraordinary shareholders' meeting as of June 23, 2017 respectively assignment agreement dated June 23, 2017, with the consolidation effect (of shareholder loan receivables (€352,479 thousand) and liabilities (€86,672 thousand before tax)) having been recognized directly in equity	(18)	–265,807	–352,479
12/31/2017		**0**	**0**

23. INTEREST-BEARING LOANS AND BORROWINGS

Effective July 19/24, 2017, the Company cancelled the existing credit agreement and signed a Multicurrency Term and Revolving Facility Agreement with a volume of up to €260.0m (€180m of drawn debt and €80m of revolving cash facility). The new financing matures on July 23, 2022. The margin of the current financing was significantly reduced compared to the prior financing.

Based on this new facilities agreement, the JOST Group is able to use Loan A in the amount of €171,228 thousand and the USD tranche in the amount of USD 10,000 thousand. Furthermore, the JOST Group is able to use a revolving facility amounting to €80,000 thousand to finance its operating business. For details regarding the maturities of loans see note 21.

All of the loans under the previous and new facilities agreement subject to variable interest rates. The Group hedges a portion of the interest rate risk with interest swaps and interest caps. For further details see note 15. and 24.

The following table shows the loans under the new facilities agreement as of December 31, 2017:

in € thousands		12/31/2017	12/31/2016
Senior loans	Facility A	171,228	0
	Facility A (USD tranche)	8,338	0
	Facility A	0	47,000
	Facility B1	0	262,965
	Facility B2	0	10,058
Senior loans		**179,566**	**320,023**
Other		**2**	**2**
Interest bearing loans		**179,568**	**320,025**
Accrued financing costs		**–1,788**	**0**
Total		**177,780**	**320,025**

As of December 31, 2017, the Group has not drawn the available revolving facility (2016 reporting period: €17.5m) and interest payments on the old facilities were made in the amount of €10,427 thousand (2016 reporting period: €16,903 thousand). Furthermore, repayments of tranches A and B of the previous senior loan were made in the amount of €319,261 thousand (2016 reporting period: €10,500 thousand).

The costs incurred under the financing agreement are spread evenly until mid-2022 in accordance with the effective interest method.

24. TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES

Trade payables recognized at the reporting date are non-interest bearing and are settled within one month. The fair value therefore corresponds to the carrying amount. As of the end of the year, trade payables amount to €72,562 thousand (2016: €57,714 thousand).

Other financial liabilities primarily include overpayment from customers in the amount of €748 thousand (2016: €351 thousand).

Future interest rate volatility is hedged via an interest rate swap and three interest rate caps (see also note 15.). Overall, the interest rate swap as of December 31, 2017 had a negative fair value of €22 thousand (2016: €138 thousand) (mark-to-market valuation), which is shown in the balance sheet under other financial liabilities. As of December 31, 2017, approximately 76% (2016: 51%) of interest-bearing loans and borrowings were hedged by these derivative financial instruments. For details regarding the maturities of loans see note 21.

As in the previous year, the Group did not apply hedge accounting in accordance with IAS 39 in the reporting period.

25. OTHER LIABILITIES

Other liabilities amount to €24,191 thousand (2016: €21,399 thousand). They primarily include €13,313 thousand in employee benefits (2016: €12,260 thousand) and €2,257 thousand in other liabilities from social insurance contributions (2016: €1,768 thousand). Furthermore, other liabilities include VAT liabilities in the amount of €1,607 thousand (2016: €849 thousand) and wage taxes in the amount of €1,974 thousand (2016: €942 thousand).

26. OTHER FINANCIAL OBLIGATIONS

The Group's other financial obligations include, in particular, financial obligations and warranty commitments of €42,254 thousand (2016: €39,678 thousand) under lease and rental agreements relating primarily to the production sites in Poland and China, two robot welding facilities, IT systems, various forklifts, and passenger vehicles. The payment obligations are generally minimum lease obligations. As of December 31, 2017, lease agreements have lease terms of up to ten years. For most of the leases, the Company does not have the option to purchase the assets at the end of the lease agreement. The lease agreements relieve the Company from capital expenditure payments. The Company recognized €7,801 thousand (2016: €9,584 thousand) in rental and lease expenses in 2017.

The Group expects the following minimum lease payments from non-cancellable rental and lease agreements in the coming years.

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
2017	7,780	17,877	7,804	33,461
2016	7,080	15,936	6,482	29,498

27. SALES REVENUES

The consolidated sales revenues are as follows, broken down by sales origin:

in € thousands	2017	2016
Europe	441,190	420,920
North America	118,549	109,792
Asia, Pacific and Africa	141,569	103,235
Total	**701,308**	**633,947**

Sales revenue mainly results from the sale of products. The increase in sales revenues mainly relates to the increased sales activity in Asia, Pacific and Africa, which mainly results from positive market developments as well as regulatory changes in favor of our products.

The consolidated sales revenues are as follows, broken down by product area:

in € thousands	2017	2016
Truck	250,193	220,872
Trailer	276,009	253,647
Trading	175,106	159,428
Total	**701,308**	**633,947**

28. COST OF SALES

Cost of sales mainly comprise the following: cost of materials of –€375,678 thousand (2016: –€338,780 thousand), personnel expenses of €57,573 thousand (2016: –€59,868 thousand), depreciation and of property, plant and equipment of –€10,071 thousand (2016: –€8,271 thousand), amortization of intangible assets of –€62 thousand (2016: –€150 thousand). Reversals of impairments on inventories amounting to €2,976 thousand (2016: €2,082 thousand) had an offsetting effect.

29. SELLING EXPENSES

Selling expenses mainly comprise the following: Staff costs of –€25,969 thousand (2016: –€25,880 thousand), depreciation of property, plant and equipment of –€3,092 thousand (2016: –€3,131 thousand) and amortization of intangible assets –€23,372 thousand (2016: –€22,990 thousand).

30. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly comprise personnel expenses of –€7,300 thousand (2016: –€7,625 thousand) and amortization of intangible assets of –€1,654 thousand (2016: –€1,466 thousand).

31. ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise the following: Personnel expenses of –€27,147 thousand (2016: –€25,020 thousand), purchased services of –€9,002 thousand (2016: –€8,294 thousand), rent of –€1,304 thousand (2016: –€1,131 thousand), insurance of –€1,675 thousand (2016: –€1,766 thousand), depreciation of property, plant and equipment of –€1,323 thousand (2016: –€1,164 thousand) and amortization of intangible assets of –€4,147 thousand (2016: –€4,079 thousand).

32. OTHER INCOME / OTHER EXPENSES

As of the end of the year, other income amounted to €5,580 thousand (2016: €7,350 thousand) and other expenses to –€5,703 thousand (2016: €–6,289 thousand).

In 2017 and 2016, other income mainly compromises currency gains of €2,744 thousand. Also included is income from the reversal of provisions and government grants. Other expenses mainly compromise currency losses in the amount of €4,264 thousand.

33. SHARE OF PROFIT OR LOSS OF EQUITY METHOD INVESTMENTS

The share of the profit or loss of equity method investments (2017: €2,178 thousand; 2016: €1,371 thousand) relates to JOST Brasil Sistemas Automotivos Ltda.

34. FINANCIAL INCOME

Financial income is composed of the following items:

in € thousands	**2017**	2016
Interest income	299	302
Realized and unrealized currency gains	1,185	224
Other financial income	105	77
Revaluation shareholder loans	0	3,287
Total	**1,589**	**3,890**

35. FINANCIAL EXPENSE

Financial expense is composed of the following items:

in € thousands	**2017**	2016
Interest expenses	–21,729	–37,322
thereof: shareholder loan interests	–10,262	–18,919
Realized and unrealized currency losses	–810	–1,441
Other financial expenses	–1,981	–349
Revaluation shareholder loans	–123,771	0
Total	**–148,291**	**–39,112**

Prior to the stock listing, the shareholder loans were converted in June 2017; such effects are not to be expected anymore going forward.

36. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are composed of the following items:

in € thousands	**2017**	2016
Employee benefit expenses	–101,905	–102,590
Social security contributions*	–14,735	–15,329
Pension expenses	–1,348	–474
Total	**–117,989**	**–118,393**

* The Company incurred expenses for employer contributions to the statutory pension insurance system in the amount of €2,769 thousand in fiscal year 2017 (2016: €2,724 thousand).

37. DEPRECIATION, AMORTIZATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT

Depreciation, amortization, and impairments charge for the year is recognized in the following line items in the income statement:

in € thousands	Depreciation / impairment of property, plant and equipment	Amortization / impairment of intangible assets
Cost of sales	–10,071	–62
Selling expenses	–3,092	–23,372
thereof: depreciation and amortization from PPA*	–2,221	–23,371
Research and development expenses	–147	–1,654
Administrative expenses	–1,323	–4,147
Total	**–14,633**	**–29,235**

* PPA: Purchase Price Allocation

Depreciation, amortization, and impairments charge for 2016 is recognized in the following line items in the income statement:

Amounts in € thousands	Depreciation / impairment of property, plant and equipment	Amortization / impairment of intangible assets
Cost of sales	–8,271	–150
Selling expenses	–3,131	–22,990
thereof: depreciation and amortization from PPA*	–2,221	–22,986
Research and development expenses	0	–1,466
Administrative expenses	–1,164	–4,079
Total	**–12,566**	**–28,685**

* PPA: Purchase price allocation

38. INCOME TAXES

Taxes on income reported in the consolidated financial statements comprise domestic corporate income and trade income tax as well as the comparable foreign taxes. They are calculated using the tax regulations governing the individual companies. The total amount of €37,136 thousand (2016: €–13,084 thousand) includes deferred tax income the from origination and reversal of temporary differences of €41,894 thousand (2016: tax expense of €1,143 thousand), deferred tax income from the recognition of tax exempt grants of €2,593 thousand (2016: tax expense of €1,303 thousand), deferred tax income from interest loss carryforwards of €8,060 thousand (2016: €0 thousand) and current tax expenses on profit for the year at an amount of –€15,411 thousand (2016: –€10,638 thousand).

Deferred taxes in the 2017 reporting period mainly comprise effects from the derecognition of deferred tax liabilities due to the revaluation of shareholder loans prior to the IPO.

In fiscal year 2017, the Group made income tax payments of €12,980 thousand (2016: €9,884 thousand).

39. EARNINGS PER SHARE

On June 23, 2017, JOST Werke AG changed its legal form to a stock corporation. In connection with the capital contribution (see note 18), the number of shares increased to 10,025,000. On July 18, 2017, an additional 4.875 million shares were issued. As of December 31, 2016, there were still 25,000 GmbH shares. As the Company was not listed, it was not required to make disclosures in the previous year. Due to the limited comparability resulting from the capital increase, no prior-year figures are provided retrospectively, either.

The diluted earnings per share (in €) correspond to basic earnings per share. In addition to the basic and diluted earnings per share, which are calculated on the basis of the weighted average number of shares, “pro forma earnings per share” were calculated based on the shares outstanding as of December 31, 2017:

Earnings per share

	01/01/–12/31/2017	01/01/–12/31/2016
Profit / loss after taxes (in € thousand)	–62,847	–15,174
Weighted average number of shares	7,475,000	–
Basic and diluted earnings per share (in €)	**–8.41**	**–**
Number of shares as of December 31, 2017	14,900,000	
Pro forma earnings per share (in €)	**–4.22**	

40. NUMBER OF EMPLOYEES

The average number of employees broken down by functional area was as follows in the reporting period:

Average number of employees	**2017**	2016
Production	1,985	1,956
Sales	444	402
Research and development	100	91
Administration	261	242
Total	**2,790**	**2,691**

For details on personnel expenses see notes 28. to 31.

41. CASH FLOW STATEMENT

The consolidated cash flow statement was prepared in accordance with IAS 7 and classifies cash flow into operating, investing and financing activities. Cash flow from operating activities was determined using the indirect method, whereas cash flow from investing activities was calculated on the basis of the direct method. Investing activities relate to the acquisition and disposal of noncurrent assets that are not included in cash equivalents. Cash flow from financing activities is also determined using the direct method. Financing activities are activities that affect the extent and composition of equity items and the Company's borrowings. The other noncash expenses mainly compromise accrued interest expense on the shareholder loans (2017: €10,262 thousand; 2016: €18,918 thousand) and losses from the remeasurement of the shareholder loans (2017: €123,771 thousand; 2016: €0 thousand). The previous year's figure included gains from the remeasurement of the shareholder loans in the amount of €3,287 thousand. The shareholder loans were contributed to equity as a non-cash contribution, which made it a non-cash transaction.

Net debt is as follows:

in € thousands	**12/31/2017**	12/31/2016
Cash and cash equivalents	66,313	47,189
Interest-bearing loans and borrowings, repayable within one year*	0	–6,000
Interest-bearing loans and borrowings, repayable after one year*	–177,780	–314,025
Shareholder loans	0	–132,474
Net debt	**–111,467**	**–405,310**
Cash and liquid assets	66,313	47,189
Gross debt – at fixed interest rates	0	–132,474
Gross debt – at variable interest rates*	–177,780	–320,025
Net debt	**–111,467**	**–405,310**

* including refinancing costs

Net debt is reported to the Management Board without taking into account accrued refinancing costs and shareholder loans and amounts to €113.3m (2016: €272.8m).

The change in liabilities from financing activities and financial assets whose cash flows are attributable to financing activities is as follows:

	Other assets	Liabilities from financing activities				
in € thousands	Cash and cash equivalents	Short-term interest-bearing loans and borrowings*	Long-term interest-bearing loans and borrowings*	Accrued refinancing costs	Shareholder loans	**Total**
Net debt at 01/01/2016	**40,410**	**–11,573**	**–319,704**	**0**	**–121,704**	**–412,571**
Changes from financing cash flows	6,353	5,571	6,001	3,823	2,956	24,704
Effect of changes in foreign exchange rates	426	0	–320	0	0	106
Other changes	0	0	0	–3,823	–13,726	–17,549
Net debt at 12/31/2016	**47,189**	**–6,002**	**–314,023**	**0**	**–132,474**	**–405,310**
Changes from financing cash flows	21,326	6,000	133,448	1,950	700	163,424
Effect of changes in foreign exchange rates	–2,202	0	1,009	0	0	–1,193
Other changes	0	0	0	–162	131,774	131,612
Net debt at 12/31/2017	**66,313**	**–2**	**–179,566**	**1,788**	**0**	**–111,467**

* Gross presentation without taking into account refinancing costs

42. RELATED PARTY DISCLOSURES

IAS 24 defines related parties as those persons and companies that have control or a significant influence over the other party.

With the exception of the disposal of JOST Nederland B.V., Breukelen, the Netherlands, the structure of the JOST Group, including the subsidiaries and the joint venture, as of December 31, 2017 is unchanged compared to December 31, 2016 and is presented in note 4.

The shareholder structure of JOST Group changed as a result of the IPO on July 20, 2017.

As of December 31, 2017, the largest shareholders, NIBC MBF Equity IB B.V. (Netherlands) and Black Diamond Capital Management, L.L.C. (USA) each held an indirect equity interest of 12.8% in the Company. 57.5% of the shares were held in free float.

Shortly after the expiration of the lock-up period, the shareholders sold just over half of their remaining equity interest to institutional investors on January 30, 2018. The lock-up period for the shares after the IPO in July 2017 had expired shortly before that date. This transaction lifted free float to 85.1%.

The Management Board comprises the following members, who are all related parties within the meaning of IAS 24:

Lars Brorsen, cand.oecon., Heubach
Chairman of the Management Board
Chief Executive Officer

Dr.-Ing. Ralf Eichler, Diplom-Ingenieur, Dreieich
Chief Operating Officer

Christoph Hobo, Diplom-Kaufmann, Frankfurt am Main
Chief Financial Officer

The total cash benefits (= total benefits) of the Management Board members in accordance with HGB amounted to €3,627 thousand in the reporting period (2016: €3,658 thousand). Total remuneration in accordance with IFRSs in the reporting period amounts to €5,838 thousand (2016: €3,590 thousand) and comprises short-term benefits of €3,478 thousand (2016: €3,418 thousand), long-term employee benefits of €560 thousand (2016: €150 thousand), post-employment benefits of €1,150 thousand (2016: €22 thousand), and share-based payments of €650 thousand (2016: €0 thousand). Provisions and liabilities for remuneration amounted to €7,804 thousand (2016: €9,212 thousand).

The Supervisory Board consists of the following persons, including a list of further posts held on supervisory / control bodies outside JOST Werke AG:

Manfred Wennemer (Chair)
Occupation: Member of the supervisory and advisory boards of several companies
- Member of the supervisory board, Allianz AG, Munich, Germany
- Member of the advisory board, Brückner Technology Holding GmbH, Siegsdorf, Germany
- Chairman of the shareholder committee, Hella KGaA Hueck & Co., Lippstadt, Germany
- Chairman of the supervisory board, Apleona GmbH, Neu-Isenburg, Germany
- Member of the board, TI Fluid Systems plc, United Kingdom
- Member of the board, PIAB International AB, Täby, Sweden
- Member of the board of directors, Eurochem AG, Zug, Switzerland

Prof. Dr. Bernd Gottschalk (Deputy Chair)
Occupation: Management consultant, Managing Partner of AutoValue GmbH
- Member of the supervisory board, Schaeffler AG, Herzogenaurach, Germany
- Member of the supervisory board, Plastic Omnium S.A., Paris, France
- Member of the advisory board, Plastic Omnium Auto Components GmbH, Hörselberg-Hainich, Germany
- Chairman of the advisory board, WOCO Franz Josef Wolf Holding GmbH, Bad Soden-Salmünster, Germany
- Chairman, Schlemmer Holding GmbH, Poing, Germany
- Chairman of the advisory board, Facton GmbH, Potsdam, Germany
- Member of the advisory board, Serafin Unternehmensgruppe GmbH, München, Germany
- Member of the advisory board, BLG Logistics Group AG & Co. KG, Bremen, Germany
- Member of the economic advisory board, Bankhaus Lampe, Düsseldorf, Germany
- Managing Director, AutoValue GmbH, Frankfurt / M., Germany

Natalie Hayday
Occupation: Management consultant
- Member of the supervisory board and audit committee, LEG Immobilien AG, Düsseldorf, Germany

Rolf Lutz
Occupation: Graduate engineer, retired
- No other posts on supervisory / control bodies

Jürgen Schaubel
Occupation: Consultant, Oaktree Capital Management
- Member of the board of directors, Veridis Environment Israel Ltd. Herzliya, Israel
- Chairman of the board of directors, InMEDiG Holding AG, Baar, Switzerland
- Managing Director, JS Consultants, Baar, Switzerland

Klaus Sulzbach
Occupation: Auditor / tax advisor
- No other posts on supervisory / control bodies

The Supervisory Board received remuneration of €246 thousand in the 2017 fiscal year (2016: €0 thousand).

For more information on the remuneration of Management Board and Supervisory Board members see the remuneration report in the combined management report.

Due to the appointment of the Supervisory Board on June 23, 2017 and the change in the legal form, the Conseil de Gérance (Board) of the previous Group parents Jost-Global GP S.à r.l., Luxembourg, Cintinori S.à r.l., Luxembourg, Jantinori 1 S.à r.l., Luxembourg and Jantinori 2 S.à r.l., ceased to have decision-making powers. Up until that date, the Conseil de Gérance had the following members:

Danièle Arendt-Michels, Luxembourg
David Konings, Luxembourg
Jan Schönfeld, Frankfurt am Main
Robert Jan Schol, Luxembourg
John Dercksen, Luxembourg
Manfred Wennemer, Bensheim
Prof. Dr. Bernd Gottschalk, Esslingen
Jürgen Schaubel, Baar / Zug, Switzerland

In connection with their work on the Board, Prof. Dr. Gottschalk and Mr. Schaubel charged the JOST Group €21 thousand and €28 thousand, respectively, for consulting services in 2017 (2016: €43 thousand each). Mr. Wennemer charged the JOST Group €102 thousand for consulting services in 2017 (2016: €40 thousand). As of December 31, 2017 no payments were outstanding (December 31, 2016: €11 thousand).

Dr. Bleyer, the former Board chairman, charged the JOST Group €0 thousand for consulting services in 2017 (2016: €116 thousand). The consulting services invoiced by the former Managing Director Mr. Schmidt amounted to €500 thousand in 2017 (2016: €200 thousand).

Related party transactions as of December 31, 2017

in € thousands	Proceeds from sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
JOST Brasil Sistemas Automotivos Ltda., Caxias do Sul / Brazil	1,145	276	322	38

Related party transactions as of December 31, 2016

in € thousands	Proceeds from sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
JOST Brasil Sistemas Automotivos Ltda., Caxias do Sul / Brazil	1,110	173	428	11

For further details regarding dividends from JOST Brasil Sistemas Automotivos Ltda. see note 11.

The loan to Jantinori 1 S.à r.l., Luxembourg, the shareholder of Jantinori 2 S.à r.l., Luxembourg, which was a shareholder of JOST Werke AG until the IPO, in the amount of €300 thousand was repaid in 2016.

For details on the development of the former shareholder loan see notes 6., 18. and 22.

The loan to Jantinori 2 S.à r.l., Luxembourg, in the amount of €769 thousand was repaid in 2016; the loan was extended to Jantinori 2 S.à r.l., Luxembourg, the immediate parent entity, in December 2015 with an interest rate of 7.5% p.a.

43. FINANCIAL RISK MANAGEMENT

As an internationally operating Group, JOST Werke AG is exposed to a variety of risks. Management is aware of both the risks and the opportunities and deploys suitable measures to manage them so as to be able to react quickly to changes in the competitive environment and the general market environment.

The Group has identified market risk, credit risk, and liquidity risk as material risks.

Financial risk factors

Market risk / exchange rate risk

Certain of the Group's transactions are denominated in foreign currencies, exposing the Group to the risk of changes in exchange rates. As in previous years the Group does not in general hedge this risk. To mitigate the risk of exchange rate movements, the subsidiaries conduct their operating business largely in their local currency. Further, on an ongoing basis the company reviews the exchange rate exposures in the various currencies.

In 2017, JOST International Corp. had long-term bank liabilities denominated in USD of €8,338 thousand (2016: €10,058 thousand) corresponding to USD 10,000 thousand as part of the A Tranche (2016: USD 10,602 thousand as part of the B Tranche of the former loan). Caused by the dollar fluctuation against the euro compared with December 31, 2016, the long-term bank liabilities decreased by approximately €1,009 thousand in fiscal year 2017 due to the change of exchange rates (after deducting the repayment of USD 602 thousand due to the new facilities agreement; see note 23). This effect will reverse if the euro devalues against the dollar. A change in the exchange rate by 5%, with all other variables remaining constant, in fiscal year 2017 corresponds to a €22 thousand (2016: €26 thousand) change in interest expenses on the USD tranche of the senior loans. Such a change in the exchange rate will have an impact of €–397 thousand or €439 thousand (2016: €–479 thousand or €529 thousand) on total bank liabilities. Fx changes do only have an effect on equity, but no effect on income statement. To avoid major risk concentration (fx and interest risk) the company hedges the interest.

Further balance sheet items where fx changes could have a significant influence are trade receivables as well as payables. A 5% change in the year-end rate of all fx rates against the euro, with all other parameters remaining constant, will change trade receivables by €2,710 thousand and trade payables by €2,386 thousand.

Exchange rate gains totaling €375 thousand (2016: losses of €1,217 thousand) were recognized in fiscal year 2017 due to exchange rate movements. The Group transacts a significant portion of its sales revenues in euros. Subsidiaries in non-eurozone countries mainly invoice in their local currency and also procure their supplies largely on the local market, with the result that exchange rate risk from operating activities in the Group is low.

The exchange rates of the major currencies developed as follows:

Exchange rate €1 =	ISO CODE	Closing rate 12/31/2017	Closing rate 12/31/2016	Average rate for the year 12/31/2017	Average rate for the year 12/31/2016	Net gain sensitivity € thousand	Equity sensitivity € thousand
Australia	AUD	1.53	1.46	1.47	1.49	–131.43	–574.00
Brazil	BRL	3.97	3.43	3.61	3.86	–103.69	–356.12
China	CNY	7.80	7.32	7.63	7.35	–206.64	–1,164.44
Great Britain	GBP	0.89	0.86	0.88	0.82	163.39	–322.73
Hungary	HUF	310.33	309.83	309.19	311.44	0.00	0.00
India	INR	76.61	71.59	73.53	74.37	–80.13	–428.60
Japan	JPY	135.01	123.40	126.71	120.20	–2.34	–11.63
Poland	PLN	4.18	4.41	4.26	4.36	–364.58	–1,009.77
Russia	RUB	69.39	64.30	65.94	74.14	–33.14	–111.20
Singapore	SGD	1.60	1.52	1.56	1.53	–56.64	–161.34
United States	USD	1.20	1.05	1.13	1.11	–340.29	–886.23
South Africa	ZAR	14.81	14.46	15.05	16.26	–187.69	–632.88

The table above shows the influence on net profit and equity caused by an fx rate change of 5%.

Market risk / interest rate risk

The Group is exposed to interest rate risk because it has borrowed funds at variable rates of interest. Interest rate risk arises in particular from the variable interest rate portion of its interest rate exposure, which is pegged to current market interest rates and affects cash flow from financing activities. A 10 basis point change in the variable interest rate (EURIBOR / LIBOR), with all other variables remaining constant, in fiscal year 2017 results in a €74 thousand and USD 11 thousand (2016: €68 thousand / USD 11 thousand) increase / decrease in the Group's interest expense.

Cash flow risk arises primarily from changes in market interest rates. Higher market interest rates result in an increase in cash outflow from financing activities, while lower rates result in a decrease. To mitigate the risk of changing cash flows, the Company has hedged about 76% of its senior bank loans as of December 31, 2017 using interest rate swaps and caps. The Company incurred interest income of €0 thousand (2016: €20 thousand) and interest expense of €161 thousand (2016: €182 thousand) in fiscal year 2017 for these hedging transactions. The Group did not apply hedge accounting in accordance with IAS 39 in fiscal year 2017.

in € thousands	Type	Maturity	Nominal amount at 12/31/2017	Negative fair value at 12/31/2016	Change in fair value	**Negative fair value at 12/31/2017**
BNP	SWAP	08/28/2017	0	67	–67	0
Societe Generale	SWAP	08/28/2017	0	62	–62	0
IKB	SWAP	12/30/2018	0	4	–4	0
Unicredit Bank	SWAP	12/30/2018	47,000	5	17	22
Total			**47,000**	**138**	**–116**	**22**

In addition, the three interest rate caps have a positive fair value of €0 thousand (2016: €20 thousand).

Credit risk / Default risk

Credit risk denotes the risk to the Group that a party to a contract will fail to discharge its obligations. To minimize this risk, the Group pays close attention to the credit quality of its contractual partners and, wherever possible, takes out credit insurance to protect against the default of all receivables from third parties. In the event that a customer is unable to discharge its payment obligations, receivables are secured up to an amount of 90% of the net amount receivable €105.9m. The default risk resulting from receivables is estimated at a maximum of €10.6m. There is no major credit risk, due to the wide customer Base. If the Group cannot take out credit insurance, the goods are delivered against advance payment or the receivables are secured by a documentary letter of credit.

Appropriate credit limits have been established for all customers.

Liquidity risk

Liquidity risk describes the risk that an entity will not have sufficient cash to discharge its existing or future payment obligations, due to the fact that each of our subsidiary has its own cash management we have no concentrated liquidity risk to certain regions.

In addition to daily monitoring of the liquidity position, liquidity is monitored and managed by rolling liquidity and cash flow projections.

In fiscal year 2017, the Company discharged all of its payment obligations under the bank liabilities. The total amounts in fiscal year 2017 were:

Interest payments: €10,427 thousand (2016: €16,903 thousand)
Principal repayments: €319,261 thousand (2016: €10,500 thousand)

The interest payments and principal repayments shown above are undiscounted cash outflows.

The contribution of the shareholder loan to equity in the form of a non-cash contribution and the proceeds from the IPO in July 2017 improved the Company's liquidity position as it has significantly reduced borrowings.

Furthermore, the JOST Group is able to use a revolving facility amounting to €80,000 thousand to finance its operating business; the facility has not been drawn as of the reporting date.

44. CAPITAL MANAGEMENT

The primary objective of the Group's capital management activities is to ensure that the Company can discharge all of its financial obligations in the future and secure the Group as a going concern. The Group's capital management activities cover the whole group. Strategies for controlling and optimizing the existing financing structure, in addition to the EBITDA earnings figure include monitoring the development of working capital and cash flow.

The various financial covenants are monitored at the level of JOST Werke AG. Therefore the following table shows net debt and net debt to equity ratio based on the consolidated financial statements of JOST Werke AG. Up until the IPO of JOST Werke AG in 2017, the monitoring mentioned above was carried out at the level of the former shareholder Jantinori 2 S.à r.l., Luxembourg. The comparative figures from the 2016 fiscal year therefore represent the amounts determined at the level of the former shareholder Jantinori 2 S.à r.l. Net debt largely comprises long-term loans from banks less refinancing costs and from other lenders.

in € thousands	**12/31/2017**	12/31/2016
Interest-bearing Loans	177,780	320,025
Cash and cash equivalents	66,313	47,367
Net debt	**111,467**	**272,658**
Equity	209,333	54,574
Net debt to equity ratio	53%	500%

As in previous years, the ultimate parent company (2017: JOST Werke AG; 2016: Jantinori 2 S.à r.l., Luxembourg) was required to comply with various financial covenants relating to long-term liabilities. The bank loans are subject to compliance with various financial covenants derived from the consolidated financial statements of the ultimate parent company. In case of non-compliance with those financial covenants bank loans may be called to be paid back immediately.

JOST Werke AG, Neu-Isenburg complied with the relevant covenants at all times in 2017 (as did Jantinori 2 S.à r.l., Luxembourg, in the previous year).

45. AUDITOR'S FEES

Fees paid to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, for services are composed of the following items:

in € thousands	**2017**	2016
Audit services	628	318
Other assurance services	564	22
Tax advisory services	318	354
Total	**1,510**	**694**

The fees for the audit services related primarily to the audits of the consolidated financial statements and the audits of the single-entity financial statements of JOST Werke AG and JOST-Werke Deutschland GmbH. Other assurance services mainly comprise services for issuing a letter of comfort as part of the prospectus audit. The fees for tax advisory services mainly include fees for the preparation of tax returns, assistance with tax audits and advice on transfer pricing issues.

46. GERMAN CORPORATE GOVERNANCE CODE

The Management Board and the Supervisory Board of JOST Werke AG issued a declaration in accordance with Section 161 of the Aktiengesetz (German Stock Corporation Act – AktG) on the German Corporate Governance Code and made it permanently available to shareholders by publishing it on the Internet on the JOST Werke AG website.

http://ir.jost-world.com/websites/jost_world/German/2840/declaration-of-compliance

47. APPROPRIATION OF PROFITS OF JOST WERKE AG

A proposal will be made to the Annual General Meeting to distribute €0.50 per share from the net retained profit of €7.45m shown by the parent company, JOST Werke AG, for the period ended December 31, 2017.

48. EVENTS AFTER THE REPORTING DATE

There were no significant, reportable events after the reporting date.

Neu-Isenburg, March 14, 2018

Lars Brorsen | Dr. Ralf Eichler | Christoph Hobo

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the company.

Neu-Isenburg, March 14, 2018

Lars Brorsen	Dr. Ralf Eichler	Christoph Hobo

INDEPENDENT AUDITOR'S REPORT

To JOST Werke AG, Neu-Isenburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of JOST Werke AG (former Cintinori Holding GmbH), Neu-Isenburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31. December 2017, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1. January to 31. December 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of JOST Werke AG, which is combined with the Company's management report, for the financial year from 1. January to 31. December 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315e paragraph 1 German Commercial Code and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31. December 2017, and of its financial performance for the financial year from 1. January to 31. December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to Article 322 paragraph 3 sentence 1 German Commercial Code, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- Accounting treatment of the contribution of the shareholder loan
- Accounting treatment of the costs of issuing shares
- Recognition of deferred taxes on interest carryforwards

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matters:

Accounting treatment of the contribution of the shareholder loan

- In JOST Werke AG’s consolidated financial statements shareholder loans with a carrying amount of EUR 132 million were recognized as at 31 December 2016 (settlement amount as at 31 December 2016: EUR 334 million). Prior to the issuance of JOST Werke AG’s shares on 20 July 2017, these shareholder loans were contributed as an in-kind contribution. This in-kind contribution resulted in an increase in equity by a total of EUR 291.8 million, including an increase in share capital by EUR 10 million and the free capital reserves by EUR 342.5 million and a reduction in retained earnings by EUR 60.7 million. Since the in-kind contribution was influenced to a significant degree by the executive directors’ judgment in the context of the measurement and has significant impacts on the capital structure and consolidated earnings of the JOST Group, this matter was of particular significance during our audit.

- As part of our audit, we firstly evaluated the respective contractual agreements critically and assessed the method used for accounting for the in-kind contribution. We also evaluated, among other things the usability of the valuation report on the contributed shareholder loans prepared by an external expert as at the date of the contribution. This also involved evaluating the professional qualification of the external expert. Furthermore, we gained in particular an understanding of the data underlying the valuation report, the assumptions made or applied and the measurement method, and assessed their appropriateness. Given the special features of the process for determining the interest parameters, the measurement assumptions and the calculation, we received assistance from our internal specialists for business valuation. Finally, we examined the accounting treatment for the transaction. Overall, taking into consideration the information available, in our view the measurement parameters and assumptions used by the executive directors are appropriate for the purpose of accounting for the in-kind contribution of the shareholder loans.

- The Company’s disclosures pertaining to the accounting treatment of the contribution of the shareholder loans are contained in sections 18 and 22 of the notes to the consolidated financial statements.

Accounting treatment of the costs of issuing shares

- In the Company’s consolidated financial statements costs incurred in direct connection with the stock market listing and issuance of shares in the JOST Group were recognized. The issuance of shares by JOST Werke AG and the arrangement for such issuance resulted in various costs being incurred, which in part were charged on to the previous parent Jantinori 2 S.à r.l, Luxembourg, on the basis of relevant contractual arrangements, and which in part were either directly offset against equity (EUR 6.9 million) or recognized through profit or loss (EUR 1.4 million) as costs to be borne by the JOST Group. The deduction of these costs from equity is only permissible to the extent that these costs are directly attributable to the issuance of new equity instruments and otherwise would have been avoided. In light of the significant influence that the estimates made by the executive directors have on the attribution of costs and the associated significant impact on profit / loss and equity, this matter was of particular significance for our audit.

- As part of our audit, we assessed on the basis of the cost calculations provided to us, the contractual arrangements relating to the reimbursement and the information provided to us by the executive directors, whether the conditions had been met for deducting from the Company’s equity the costs incurred in the context of the issuance of shares and the arrangement for issuing shares. In addition, we evaluated the accounting treatment of the costs attributable to former shareholders and the reimbursement payments from former shareholders. We evaluated the recognition in profit or loss of all other costs not classified as transaction costs. On the basis of our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were substantiated and sufficiently documented to justify the accounting treatment of the costs incurred in the context of the issuance of shares and the arrangement of such issuance.

- The Company's disclosures on the transaction costs incurred in direct connection with the issuance of new equity instruments and recognized in the capital reserves are contained in section 18 in the notes to the consolidated financial statements.

Recognition of deferred taxes on interest carryforwards

- In JOST Werke AG's consolidated financial statements a EUR 8.1 million gain on the first-time recognition of deferred taxes on interest carryforwards is recognized. The first-time recognition was due to the contribution during the financial year of shareholder loans, which made the utilization of the interest carryforwards possible for the first time. Deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable EBITDA will be available in the foreseeable future which will enable the unused interest carryforwards to be utilized. From our point of view, the recognition of deferred taxes in relation to interest carryforwards was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

- As part of our audit, we assessed the method used for the calculation, recognition and measurement of the deferred taxes. In addition, we assessed the amount of the deferred taxes recognized on the basis of internal projections as to the future amount of taxable EBITDA generated by the Company and evaluated the appropriateness of the underlying estimates and assumptions. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors were substantiated and sufficiently documented.

- The Company's disclosures on deferred taxes are contained in sections 12 and 38 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance" of the group management report

- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the publication „Annual Group Report 2017 JOST Werke AG"– excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the extraordinary shareholder meeting on 23. June 2017. We were engaged by the supervisory board on 30. October 2017. We have been the group auditor of the JOST Werke AG, Neu-Isenburg, without interruption since the financial year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Hartwig.

Frankfurt am Main, March 14, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Hartwig	ppa. Benedikt Goldschmidt
Public Auditor	Public Auditor

Financial Calendar

Date	Current events
May 04, 2018	Annual General Meeting
May 24, 2018	Interim Report Q1 2018
August 28, 2018	Half-year Financial Report H1 2018
November 22, 2018	Interim Report 9M 2018

Legal disclaimer

PUBLISHING INFORMATION

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