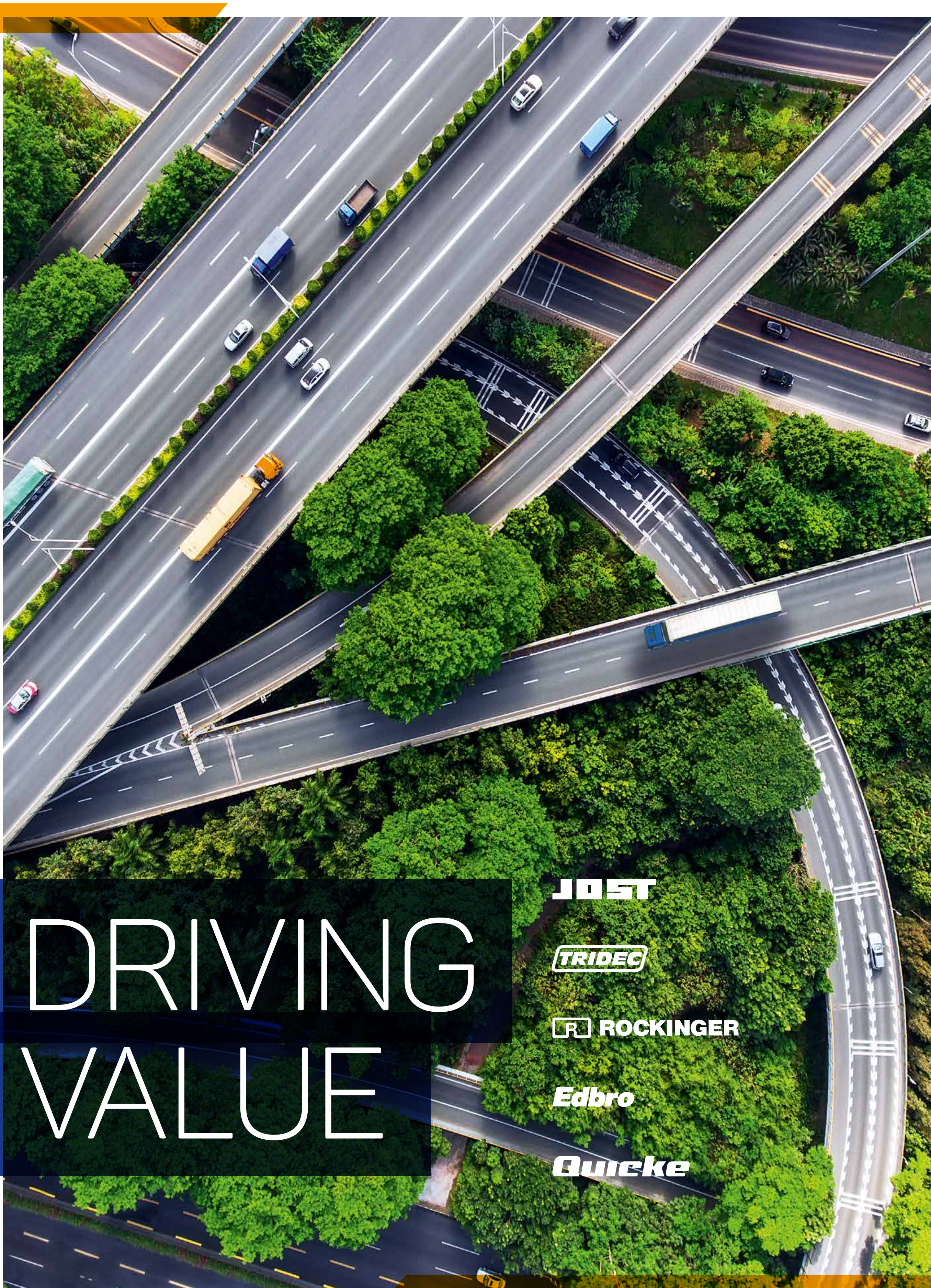
ANNUAL GROUP REPORT 2019
JOST Werke AG



DRIVING VALUE

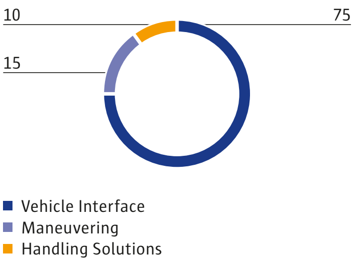
JOST AT A GLANCE

Key figures

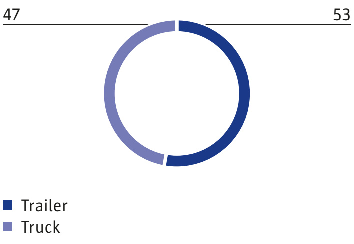
in € million	**2019**	2018	Change
Consolidated sales	**736.3**	**755.4**	**–2.5%**
thereof: Sales, Europe	431.7	463.8	–6.9%
thereof: Sales, North America	161.8	145.6	11.1%
thereof: Sales, Asia, Pacific and Africa (APA)	142.9	146.0	–2.1%
Adjusted EBITDA[1]	100.8	99.7	1.1%
Adjusted EBITDA margin (%)	13.7	13.2	0.5%-points
Adjusted EBIT[1]	76.8	81.2	–5.4%
Adjusted EBIT margin (%)	10.4	10.7	–0.3%-points
Equity ratio (%)	41.2	40.6	0.6%-points
Net debt[2]	46.3	85.2	–45.7%
Leverage[3]	0.46x	0.85x	–46.3%
Capex[4]	17.6	19.9	–11.3%
ROCE (%)[5]	18.4	20.2	–1.8%-points
Cash conversion rate (%)[6]	82.5	80.1	2.4%-points
Profit/loss after taxes	33.5	53.5	–37.3%
Proposed dividend (€ per share)	0.80	1.10	–27.3%
Earnings per share (in €)	2.25	3.59	–37.3%
Adjusted profit / loss after taxes[7]	50.8	51.6	–1.5%
Adjusted earnings per share (in €)[8]	3.41	3.46	–1.4%

1 Adjustments for PPA effects and exceptionals
2 Interest bearing loans (excl. accrued financing costs) – liquid assets
3 Net debt / adj. EBITDA, last 12 months
4 Gross presentation (capex; without taking into account divestments)
5 LTM adj. EBIT / interest-bearing capital employed; interest-bearing capital: shareholders' equity + financial liabilities (except for refinancing costs) – liquid assets + provisions for pensions
6 (Adj. EBITDA – capex) / adj. EBITDA
7 Profit after taxes adjusted for exceptionals in accordance with note 7
8 Adjusted profit after taxes / 14,900,000 (number of shares as of December 31, 2019)

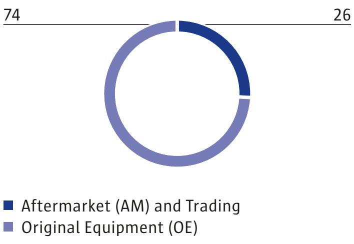
Sales by product system
2019, in %



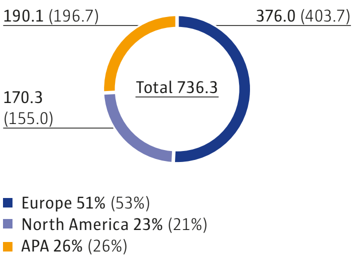
Sales by application
2019, in %



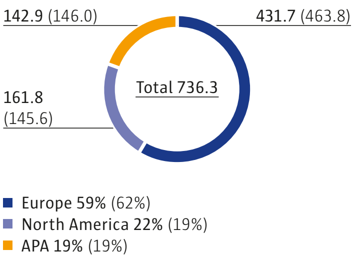
Sales by customer type
2019, in %



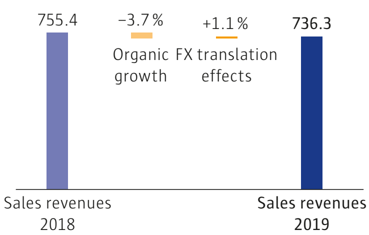
Regional sales by destination
2019 (2018), in € million



Regional sales by origin
2019 (2018), in € million



Organic sales development
2019, in € million, share in %



ABOUT JOST

JOST is a leading global producer and supplier of safety-critical systems for the commercial vehicle industry with the core brands JOST, ROCKINGER, TRIDEC, Edbro and Quicke.

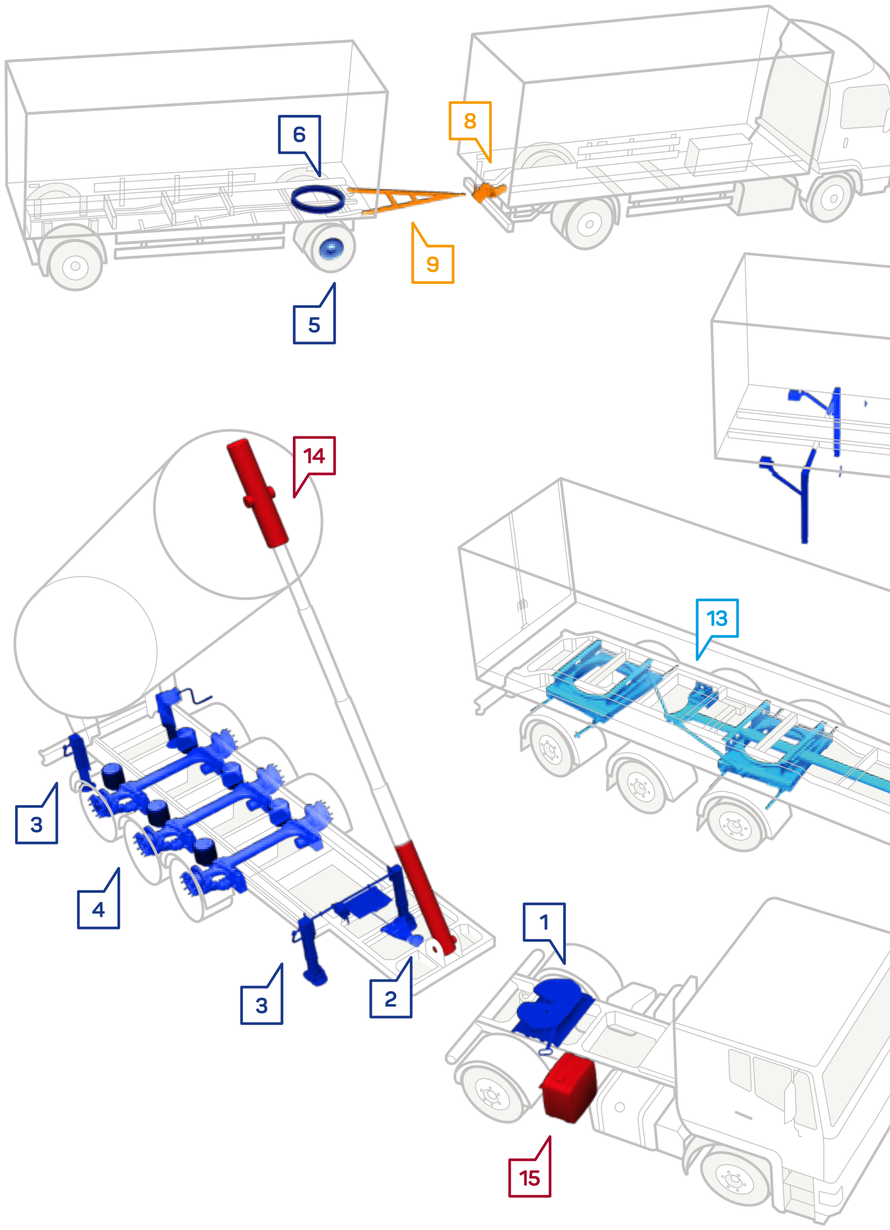
JOST's global leadership position is driven by the strength of its brands, its long-standing client relationships serviced through its global distribution network as well as by its efficient and asset-light business model. With sales and production facilities in more than 20 countries across five continents, JOST has direct access to all major truck, trailer and agricultural tractor manufacturers worldwide as well as relevant end customers in the commercial vehicle industry.

JOST currently employs more 3,500 staff across the world. The holding company JOST Werke AG has been listed on the Frankfurt Stock Exchange since July 20, 2017.

CONTENT

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 and truck 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

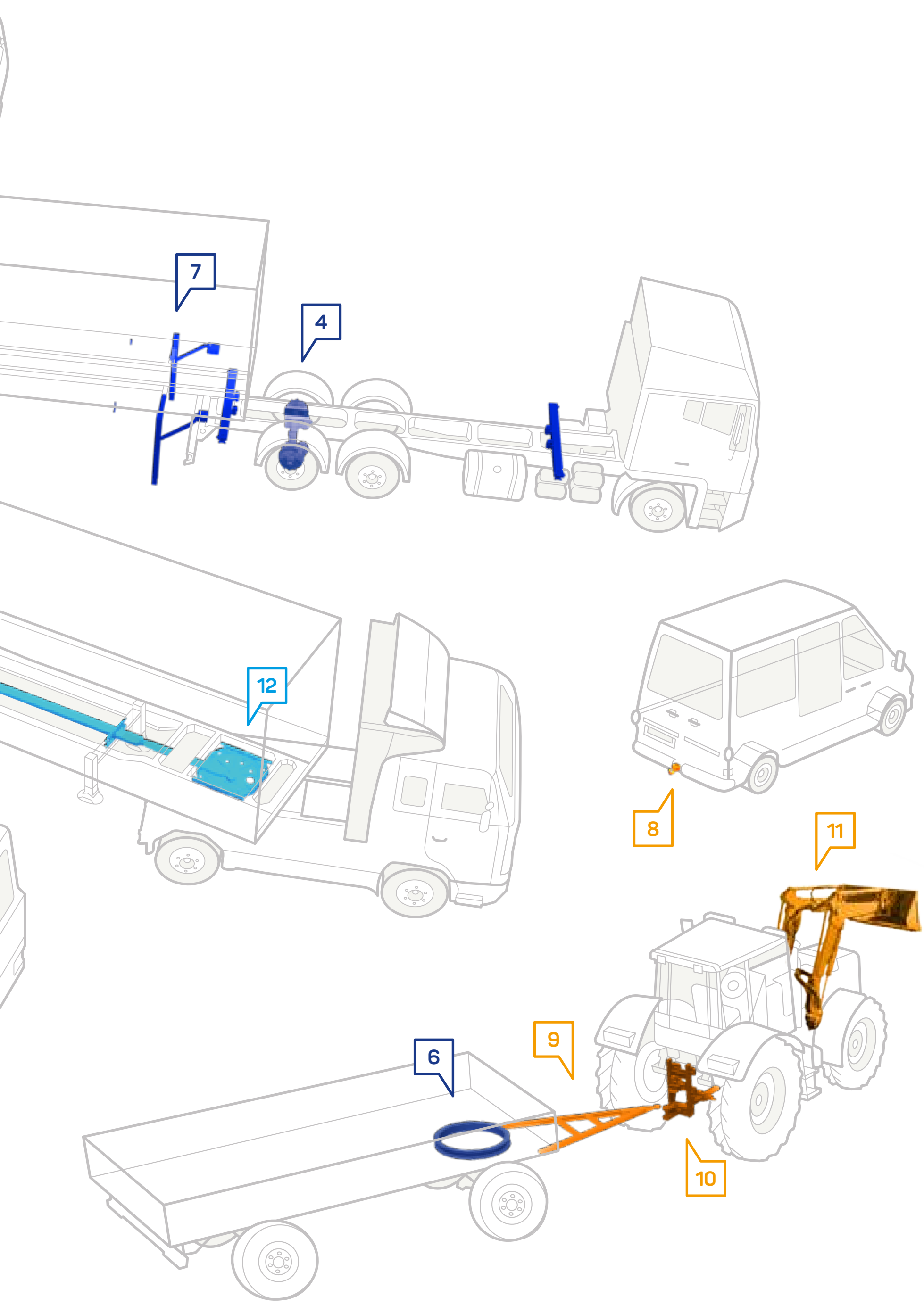
7 **Container technology**
Components for intermodal transports, supports, twist locks and bolsters, swap body lifting devices, guide roller bearings and bearings

Edbro

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

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

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, VARIOBLOCK 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

Quicke

11 Front loaders and implements
Front loaders for tractors of various performance classes including buckets, lifting, bale handling or special equipment

TRIDEC

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

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

INTERVIEW WITH THE MANAGE-MENT BOARD

ON 2019 AND THE FUTURE

THE INTERVIEW WAS CONDUCTED ON MARCH 5, 2020

The Management Board of JOST Werke AG (from top down):

Joachim Dürr, Chief Executive Officer:
Born 1964, since October 2019 chairman of the Management Board of JOST Werke AG, responsible for Sales, Product Management, Marketing and Product Development

Dr. Christian Terlinde, Chief Financial Officer:
Born 1972, since January 2019 member of the Management Board of JOST Werke AG, responsible for Finance, IT, Internal Audit, Investor Relations and Legal & Compliance

Dr. Ralf Eichler, Chief Operating Officer:
Born 1964, since July 2017 member of the Management Board of JOST Werke AG, responsible for Procurement, Production and Logistics

Mr. Dürr, 2019 was your first year at JOST and you took over as CEO in October 2019. How happy are you with the performance of the business?

Joachim Dürr: 2019 was an eventful and busy year for JOST. We achieved a lot. Although not all markets developed as we thought they would at the beginning of the year, we did perform well. Consolidated sales were €736 million, which is just 2.5% down on the previous year's record figure. That's something we can be proud of. Moreover, our acquisition of the Ålö Group in December 2019 has significantly strengthened our position in the agricultural commercial vehicles market. This was an important strategic move that opens up new growth opportunities for JOST.

Dr. Terlinde, how do you look back on the past year?

Dr. Christian Terlinde: We achieved a great deal in 2019. We were able to steadily improve our working capital performance. We ended the year with a ratio of 18.2% – much better than the 20% we originally forecast. We also increased free cash flow by 58% to €60 million. Thanks to our robust financial structure, we have been able to secure generous acquisition financing terms, which continue to allow us sufficient growth potential for the future. All things considered, 2019 was a successful year. We generated adjusted earnings after taxes of €50.8 million, just 1.6% below that of the previous year. We will therefore propose to the General Meeting that a dividend of €0.80 per share be paid. This represents an increase in our payout ratio from 31% to 36%. Just two years after the IPO, our payout ratio will therefore be within the medium-term target corridor of 25% to 50%.

Dr. Eichler, the rising cost of materials and supply bottlenecks were important issues for production in 2018. What were the challenges in 2019?

Dr. Ralf Eichler: 2019 was a year in which our operational flexibility was put to the test. We had regions, such as North America, in which demand for our products continued to grow. So we had to produce record quantities each month. At the same time, there were countries like India where the market almost ground to a halt. So we had to react quickly and adapt our process chain. Our staff there did an incredible job. In Europe, rising personnel expenses were a major challenge. Some of the important tasks in 2019 included finding the right level of automation and keeping our capacities flexible while defending our profitability in a shrinking market. In the end, we succeeded in keeping our year-over-year adjusted EBIT margin fairly steady at 10.4% – a figure that speaks for itself!

What do you think we can expect from 2020?

Joachim Dürr: We need to make a clear distinction here. In 2020, many fleets in Europe and North America will take a natural break in their investment cycle. This means that demand for new tractors and trailers will decline. Despite this, the demand for transport services will still be there. The figures for the total number of kilometers driven in Europe and North America are not very different to those for the previous year. That is a good sign for the transport industry and for our customers. It means that the spare parts market remains strong. And it will have a stabilizing effect on our business.

At the same time, our acquisition of the Ålö Group has improved our access to the agricultural market. This will enable us to generate additional growth by replicating our business model in other commercial vehicle markets. We currently anticipate a high single-digit to low double-digit percentage increase in sales compared to 2019. This assumes that the current situation brought about by the coronavirus epidemic will normalize during the second quarter of 2020 in Asia and that its effect on the real economy in Europe and North America will not get any worse.

Dr. Ralf Eichler: There will not be less uncertainty in 2020. The situation with the coronavirus affects us directly and indirectly. So far, we have been able to secure our supply chain outside China by organizing replacement suppliers. Within China, we are in close contact with our customers and are working with them to try to find solutions.

Flexibility remains the key success factor. We operate in a cyclical industry in which adaptability is an extremely important factor for business success. In 2020, we will have to adjust our processes and capacities to meet the reduced demand. However, we also want to further strengthen our market position. Doing this will require investment and innovation. We will continue to invest around 2.5% of our sales in the business in 2020. As part of our integration planning with Ålö, we will review and jointly optimize our global supplier network in order to achieve further operational synergies.

Dr. Christian Terlinde: We intend to further optimize our working capital and also to further reduce net debt, which is up due to the acquisition. The high cash generation of JOST and Ålö will make this possible. Our aim is to be below the target mark of 2.5x by the end of 2020.

In 2020, our adjusted EBIT should grow in the high single-digit to low double-digit percentage range compared to 2019. The adjusted EBIT margin will decline slightly, however, due to – among other things – the negative impact of the coronavirus epidemic, especially in Asia-Pacific and Africa, the regions in which JOST has its highest margins.

The integration of Ålö 2020 will, of course, be a top priority for us. However, we will also step up our efforts to optimize our existing processes and structures. Our goal remains to keep outperforming the market in all segments in which we operate, and to grow profitably.

What factors do you consider important for the successful integration of the Ålö Group?

Joachim Dürr: We must listen to and learn from each other. It is vital that we understand the business and its customers. In Ålö's Quicke, we have acquired a strong brand that will enhance our product portfolio. We must make the most of this advantage to create sales synergies for our ROCKINGER products. At the same time, we will deploy our expertise to give Ålö access to new markets and position it even more strongly in the agricultural market. The customer must, of course, remain the top priority. We have to work together to anticipate trends, drive innovation and win over customers with our solutions.

Dr. Christian Terlinde: We are currently reviewing and adapting our reporting structures to reflect the presence of the Ålö business within the Group and to enable its control. We also need to harmonize our governance organizations and integrate the new group into our risk and opportunity management system. The next steps have been agreed. Our job now is to implement them quickly and effectively. Our employees are already enthusiastically supporting the integration and are committed to delivering it. We, the Management Board, are very grateful to them for this.

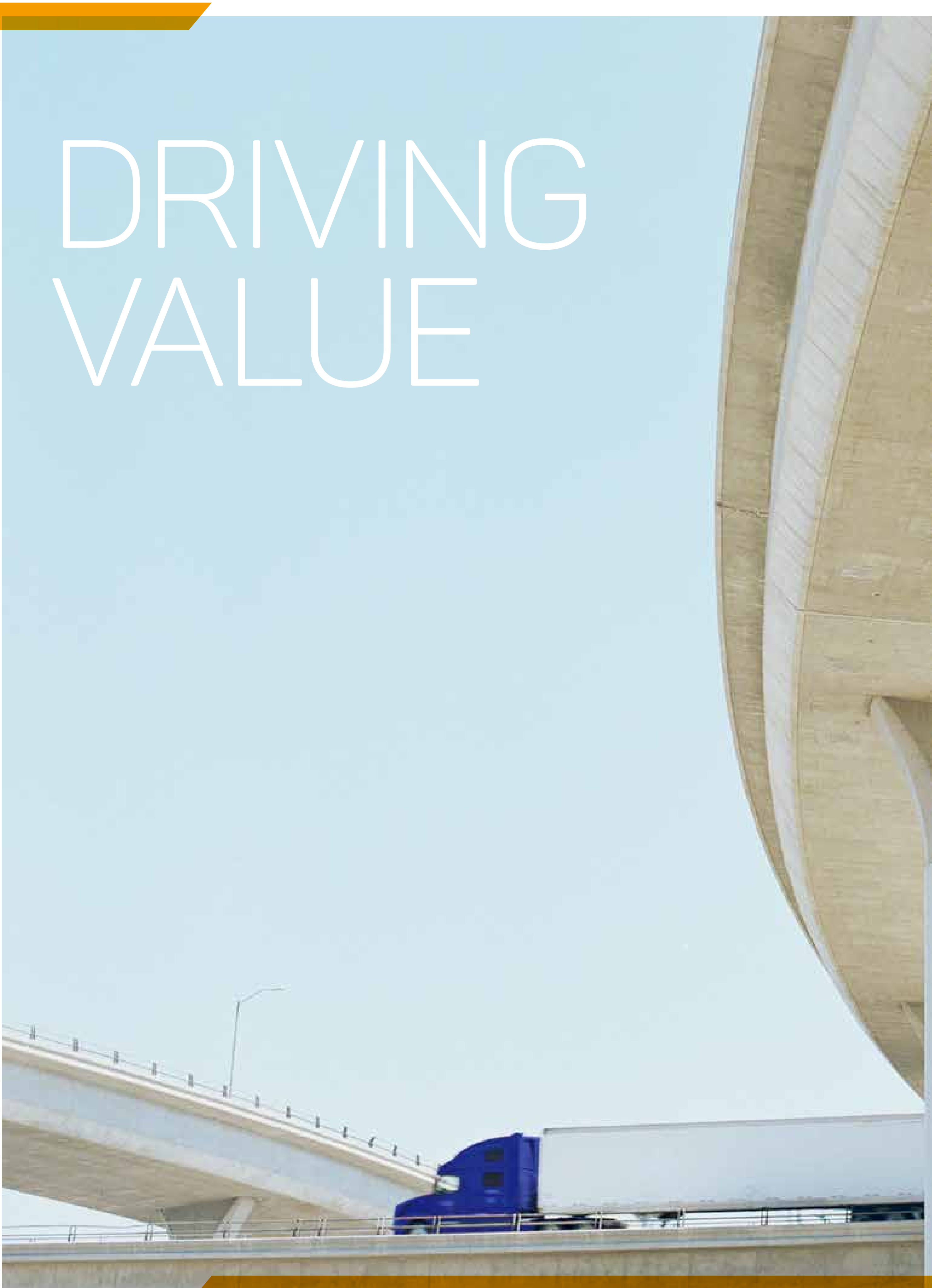
Dr. Ralf Eichler: We have big plans in the areas of operations and supply chain. Together, we intend to identify best practices worldwide and seek out potential areas for improvement. I personally find the willingness to change of both JOST and Ålö employees very motivating. This is something that has always made JOST strong in the past, and I am pleased to see that the staff at Ålö have brought a similar spirit along with them.

The Management Board (left to right)
Dr. Christian Terlinde (Chief Financial Officer), Joachim Dürr (Chief Executive Officer) and Dr. Ralf Eichler (Chief Operating Officer)

Final question, Mr. Dürr: The current industry situation is changing dramatically. Is JOST ready for these changes?

Joachim Dürr: Absolutely. In the past, we have shown that JOST can handle challenges with determination and a focus on results. We have been active in a cyclical market for seven decades, during which we have succeeded in gaining a clear competitive advantage. I am convinced that we are operating in the right markets. The commercial vehicle industry faces big changes, but these changes also present new opportunities. The demand for transport and food is there and our customers need solutions that will help them stay competitive and become more efficient. With our products, we can and will offer them the solutions they need. I am confident that JOST has set the right strategic course to ensure its long-term success in the market.

DRIVING VALUE



FIVE STRONG BRANDS UNDER ONE ROOF

JOST, ROCKINGER, TRIDEC, Edbro and Quicke – these are the brands to which we owe our international leadership position. From axles to fifth wheels to tipping cylinders, the JOST product portfolio offers a flexible solution to suit virtually any transport situation.

Despite the diversity of the products marketed under our five brands, they all share key characteristics: high quality, consistent reliability and strong customer relationships. These are top priorities for JOST.

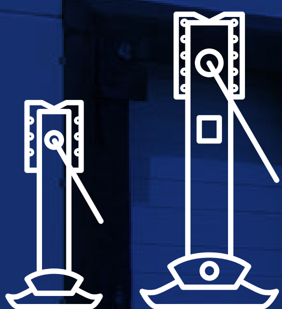
Our well-established brands combine decades of expertise and experience with product innovations and new developments that deliver significant added value to the customer.

JOST
TRIDEC
ROCKINGER
Edbro
Quicke

HIGH-TECH ON-ROAD SYSTEMS

Anyone travelling by road in the world today cannot help but notice that almost all the trailers they see are fitted with landing gear from JOST. This is not a coincidence. Thanks to our decades of experience, we understand the needs of our customers. And to make things even easier for them, we created the OPTIMA landing gear – the ideal solution for long-distance transport applications.

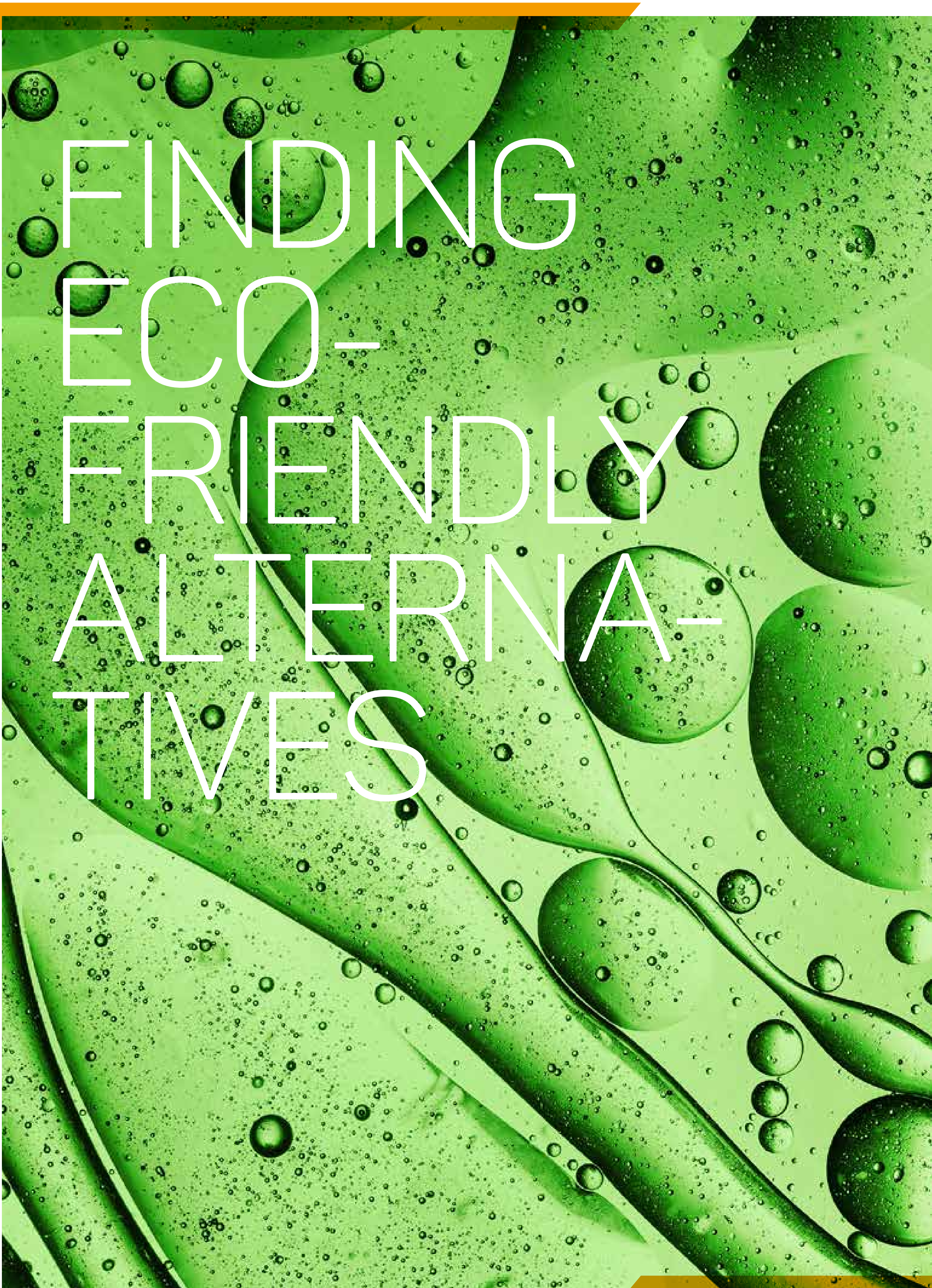
OPTIMA is an especially lightweight design based on tried-and-tested components from our Modul family that have already proven themselves a million times over. But OPTIMA is not just lightweight; it also offers superior efficiency and flexibility. As with all the landing gear in the Modul family, the patented internal drive is well protected from the effects of the environment, thereby contributing to the durability and quality of the products.



Light, efficient, reliable – landing gear from JOST.

ANY LIGHTER, AND IT WOULD FLY

FINDING ECO-FRIENDLY ALTERNATIVES



INNOVATIVE AND ENVIRONMENTALLY FRIENDLY SOLUTIONS

“Green on the road” was the slogan for the 2019 launch of our new, fully biodegradable, high-performance lubricant for fifth wheels, king pins and ball bearing turntables. Our JOST LubeTronic system actively reduces the quantity of lubricant needed during operation.

This innovative and environmentally friendly lubrication solution contributes to minimizing the ecological footprint of our products and that of the commercial vehicle industry as a whole.

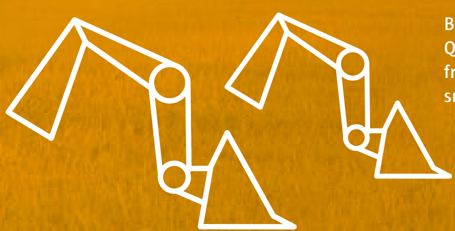
Our steering systems for commercial vehicles also help to reduce tire wear, fuel consumption and emissions while at the same time increasing transport capacities.

Readily biodegradable: the new JOST bio-lubricant protects the environment and the roads.

MORE GROWTH WITH AGRICULTURE

We are the partner of choice not only on the road but also on fields and farmland. With our acquisition of the Ålö Group and its Quicke brand, agricultural products have now become the JOST Group's second significant business sector, alongside truck and trailer components.

Modern agriculture demands a high level of experience, reliability and digitalization. Sustainability is another important requirement, especially when it comes to the production of food. With Quicke front loaders and equipment, together with trailer systems from our well-established ROCKINGER brand, we can satisfy these requirements while at the same time improving efficiency, environmental friendliness and intelligent technology in agriculture.



Bucketfuls of knowledge – Quicke is a specialist in front loaders equipped with smart technology.

TREADING NEW PATHS OFF-ROAD

TO OUR SHAREHOLDERS

EQUITY MARKETS AND SHARE PRICE PERFORMANCE

2019 was a good year for the capital markets. Despite many concerns about the global economy and Brexit, as well as continuing fears caused by the US-China trade conflict, investor interest in equities remained high. The DAX rose by 25.2% during the 2019 fiscal year, while the MSCI World Index improved by 25.7% over the same period. The SDAX, where the shares of JOST Werke AG are listed, also gained 30.8%.

Basic data for the JOST Werke share

Issuer	JOST Werke AG
IPO	July 20, 2017
Index	SDAX, CDAX, PRIME ALL
Share symbol	JST
Bloomberg ticker symbol	JST GY
ISIN	DE000JST4000
WKN	JST400
Number of shares outstanding as of December 31, 2019	14,900,000
Stock exchanges	Frankfurt Stock Exchange, XETRA
Trading segment	Regulated market (Prime Standard)
Sector	Industrial
Industry	Automotive supplier, industry

Equities in the automotive sector came under considerable pressure in the summer and fall months. Falling demand for cars and the emerging downturn in commercial vehicle cycles led to a correction in many automotive stocks. However, many of these stocks rallied during the fourth quarter of 2019, with the STOXX EU 600 Auto & Parts index closing 2019 up 18.1%.

JOST Werke's shares also recorded a strong performance during the 2019 fiscal year. Although they were unable to escape the sector trend along the way, the Group's positive operating results in a challenging market environment convinced investors of the future viability of its business model. The announcement of the acquisition of Ålö – one of the world's leading manufacturers of front loaders for agricultural tractors – was also well received. This acquisition enables JOST to significantly bolster its position in the agricultural business and open up new growth opportunities in this highly promising market. As a result, the JOST Werke stock rose by 40.8% in 2019, closing at €37.30 on the last trading day of the year.

We also succeeded in significantly improving the stock's liquidity during the 2019 fiscal year, increasing the average trading volume of the shares on XETRA by 26.2% to 35,926 shares per day (2018: 28,473). At 64.9%, off-market exchanges (OTC and so-called darkpools) still accounted for the majority of the trading volume for our shares, while just 35.1% of traded shares were placed via XETRA.

Capital structure

The share capital of JOST Werke AG did not change in the course of 2019. At the reporting date, it amounted to €14,900,000.00, divided into 14,900,000 no-par-value bearer shares (December 31, 2018: €14,900,000.00). The nominal value per share is €1.00.

2019 dividend

The truck and trailer markets declined during the 2019 fiscal year, particularly in Asia and Europe. Nevertheless, JOST performed well in operational terms, even though sales and earnings were slightly down on the previous year's record level. As the Management Board and Supervisory Board want shareholders to continue participating in the Company's success, they are proposing a dividend for the third successive year. The proposed dividend is €0.80 per share (2018: €1.10).

Key figures for the JOST Werke share

		2019	2018
Equity per share	€	17.7	16.9
Adjusted consolidated earnings per share*	€	3.41	3.46
Consolidated earnings per share	€	2.25	3.59
Dividend per share**	€	0.80	1.10
Number of shares entitled to participate in dividends (Dec. 31)	million	14.9	14.9
Amount distributed**	€ million	11.9	16.4
Dividend yield***	%	2.1	3.8
Share price at year-end***	€	37.30	26.40
High	€	39.60	44.30
Low	€	23.55	25.10
Market capitalization*** (Dec. 31)	€ million	555.8	393.4
Average daily trading volume	shares	35,926	28,473

* For a detailed presentation of the adjustments made, see note 7 "Exceptionals" in the consolidated financial statements.

** Subject to approval by the General Meeting

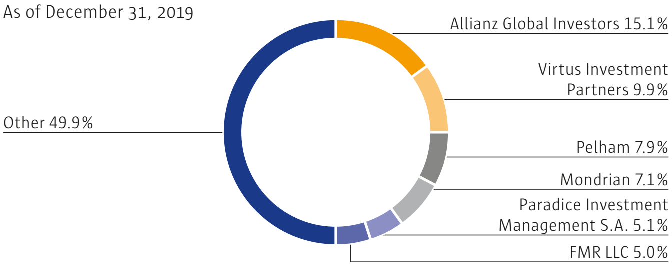
*** XETRA closing price; source: Bloomberg

This proposed distribution amounts to €11.9m and represents a year-over-year increase in the payout ratio of almost 5.0 to 35.6% (2018: 30.6%). Two years after the IPO, the payout ratio in 2019 will therefore be within the medium-term target corridor of 35% to 50%. In the previous year, consolidated net profit had been lifted by a tax exceptional of €17.2m, which means that the dividend per share was higher in 2018 despite the lower payout ratio. Based on the proposal for 2019 and calculated using the year-end closing price, the dividend yield amounts to 2.1%. As the JOST Werke AG dividend will be paid entirely from the contribution account for tax purposes as set out in Section 27 of the Körperschaftsteuergesetz (German Corporate Income Tax Act – KStG), the payment is made without deducting withholding tax or the solidarity surcharge. This dividend is tax-free for shareholders who are resident in Germany. There is no tax refund or tax credit option associated with the dividend.

Shareholder structure

Our shares are primarily held by institutional investors such as funds, asset management companies and banks. According to Deutsche Börse's definition, 100% of the JOST Werke AG shares are held in free float. As of December 31, 2019, Allianz Global Investors GmbH was the largest shareholder of JOST Werke AG, holding 15.1% of the shares carrying voting rights. The six largest investors held a combined total of around 50.1% of the share capital. More information on voting rights notifications pursuant to the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG) is available at → **http://ir.jost-world.com/voting-rights-notification**

Shareholder structure of JOST Werke AG
As of December 31, 2019



As of the reporting date, the members of the Management Board held a total of 0.3% of the Company's share capital (December 31, 2018: 2.5%). This figure has declined because the shares held by Lars Brorsen are no longer taken into account due to the fact that he retired from his post as Chief Executive Officer (CEO) of JOST Werke AG effective September 30, 2019. → **Significant events in 2019**

No members of the Management Board or Supervisory Board sold their shares during the 2019 fiscal year. The current CEO, Joachim Dürr, acquired shares in JOST Werke AG on August 22, 2019. All transactions with JOST Werke AG shares or related financial instruments reported by the Management Board and Supervisory Board in 2019 can be found at → **http://ir.jost-world.com/directors-dealings**.

General Meeting

The second Annual General Meeting of JOST Werke AG was held on May 9, 2019 in Neu-Isenburg, Germany. Approximately 66.4% of the share capital was represented there. The shareholders unanimously approved management's proposal to distribute a dividend of €1.10 per share for the 2018 fiscal year. The Management Board and Supervisory Board were both discharged of their responsibilities for the 2018 fiscal year with 98.7% and 95.9% shareholder approval respectively. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed as the auditor of the annual and consolidated financial statements for the 2019 fiscal year. All documents and information on the General Meeting as well as the results of the voting are available on our website at → **http://ir.jost-world.com/agm**

Investor relations

We continued our intensive dialog with the capital markets during the 2019 fiscal year with the aim of communicating in a timely, comprehensive and transparent manner with all interested capital market participants. In addition to holding telephone and web conferences, JOST also visited the most important financial centers in Europe and the USA. We met existing and interested investors in London, New York, Paris, Lyon, Frankfurt, Hamburg, Munich, Madrid and Copenhagen. During 2019, we participated in 13 international investor conferences and held 5 roadshows. We also further expanded our regular dialog with the capital markets by holding numerous individual calls with institutional investors, private shareholders and analysts.

Interested investors also had the opportunity to visit our production site in Neu-Isenburg on a 'field trip' to experience our products and production processes close-up. Our discussions with the capital markets focused on JOST's positioning and growth prospects for the Company, the expected development of truck and trailer markets, JOST's corporate strategy and the flexibility of our business model. The changes to the Management Board were another important issue for the majority of investors. After the acquisition of the Ålö Group was announced in December 2019, the focus shifted to JOST's future plans and strategy, particularly in the agricultural business.

Nine analysts covered our stock during the 2019 fiscal year. At the end of 2019, six issued a Buy recommendation, two recommended holding JOST's shares, and one analyst issued a Sell recommendation. The Investor Relations pages on our website keep investors and the public abreast of developments at JOST at all times. There you will find all of our financial publications, our financial calendar, scheduled investor events and our financial analysts' latest expectations and recommendations for the performance of JOST and the shares of JOST Werke AG → **http://ir.jost-world.com**

The Supervisory Board of JOST Werke AG

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The change in Chief Executive Officer in 2019 from Lars Brorsen to Joachim Dürr was an important event for JOST that had a major impact on the Supervisory Board's work.

In spite of the difficult market environment, especially in Europe and Asia, 2019 was another successful year for JOST. From a sales and earnings perspective, it was the second-best year in the history of the JOST Werke Group. The Group's solid performance in North America continued, building on the strong growth momentum in the United States. The sharp decline of the Indian market dragged on sales and earnings in the Asia-Pacific-Africa region, but was mostly compensated by higher sales in other countries in the region. In Europe, the abrupt slowdown of the truck markets caused sales shortfalls in the fourth quarter, which ultimately led to the forecast for the 2019 fiscal year being revised downwards. On the whole, however, JOST coped well with the growing challenges in the industry, also defining key milestones for the Group's future growth. In December 2019, for example, JOST signed a contract to take over the Ålö Group – a strategic investment that will enable the Group to give its business with components for agricultural vehicles a significant boost internationally. This takeover was closed in January 2020.

Composition of the Supervisory Board and its Committees

The Supervisory Board of JOST Werke AG has been composed of six members since it was established in 2017: Prof. Dr. Bernd Gottschalk, Natalie Hayday, Rolf Lutz, Jürgen Schaubel, Klaus Sulzbach and myself, Manfred Wennemer. 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 Deputy Chairman of the Supervisory Board and I was elected 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 elected 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 Aktiengesetz (German Stock Corporation Act – AktG). As Chairman of the Audit Committee he is also independent as required by the German Corporate Governance Code.

Supervisory Board activities in the 2019 fiscal year

In the past fiscal year, the Supervisory Board 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. The Supervisory Board was informed regularly and comprehensively of the committees' work by the respective committee Chairmen. 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. In addition, the Chairman of the Supervisory Board met monthly with the Management Board to discuss the current business situation.

Corporate strategy, human resources policies, 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 held a total of fourteen meetings during the 2019 fiscal year, including six face-to-face meetings and seven conference calls. One resolution was adopted by way of written circulation. The overall participation rate was 89%; in the face-to-face meetings this rate was 100%. Every member of the Supervisory Board attended more than half of the meetings and conference calls held by the Supervisory Board and the committees of which they are members. Specifically, the Supervisory Board primarily addressed the following issues in its meetings and conference calls:

In its meeting on March 20, 2019, the Supervisory Board primarily focused on the consolidated and single-entity financial statements for the 2018 fiscal year, which it subsequently approved and adopted, as well as the proposed dividend for the 2018 fiscal year. It also dealt in detail with the non-financial report and the Group's compliance and risk management activities.

At its meeting immediately prior to the Annual General Meeting on May 9, 2019, the Supervisory Board dealt with the general economic environment and the Company's performance.

The meeting on July 3, 2019, was dedicated to the corporate strategy in the individual business units and regions. In addition, the Supervisory Board also discussed changes in the market environment.

In the conference call held on August 21, 2019, the Supervisory Board voted on the succession plan for former CEO Lars Brorsen.

The topic of the meeting on September 11, 2019, followed on from the discussion of the corporate strategy at the preceding meeting. Furthermore, the Supervisory Board dealt in detail with the results for the first half of the year and the outlook for the year as a whole in light of the worsening market conditions and the efficiency measures implemented in the Group.

The main topic discussed at the meeting on October 7 and in the conference calls on October 17 and 25 as well as on November 1, 8 and 15 was provision of support for the ongoing acquisition of the Ålö Group.

This planned acquisition was also a major topic of discussion at the meeting on December 3. In addition, the meeting largely served as an opportunity to start discussing the Group budget for 2020.

On December 12, the Supervisory Board passed a final resolution on the acquisition of the Ålö Group by way of circulation, which was agreed on the same date (subject to approval by the antitrust authorities).

In a conference call held on December 20, the Supervisory Board again addressed the budget for 2020.

Work of the Executive and Nomination Committee

In accordance with their duties, the members of the Executive and Nomination Committee in 2019 dealt with personnel planning for the Management Board and discussed this matter in one plenary meeting and two telephone meetings. The deliberations mainly concerned the move of Chief Sales Officer Joachim Dürr to the position of CEO, a post held by Lars Brorsen until September 30.

Work of the Audit Committee

The Audit Committee held a total of ten meetings, including five face-to-face meetings and five conference calls. In keeping with its role, the Committee regularly dealt with issues relating to the preparation and audit of the financial statements, risk management, and compliance and sustainability activities.

In its conference call on February 22, 2019, the Audit Committee discussed the status of the ongoing audit of the consolidated and single-entity financial statements for the fiscal year ended on December 31, 2018, with the relevant auditors at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main ("PwC").

The meetings on March 12 and 20, 2019 primarily dealt with providing support for the audit of the annual financial statements by PwC. Furthermore, the recommendations of the Supervisory Board on the approval and adoption of the annual and consolidated financial statements of JOST Werke AG for the 2019 fiscal year and the proposal for the election of the auditor for the 2020 fiscal year were prepared. Another topic of discussion was the findings of the review of the non-financial report by SPALL & KÖLSCH GmbH Wirtschaftsprüfungsgesellschaft, Kronberg im Taunus. In addition, the Audit Committee set the priorities in the area of compliance for 2019. It also addressed the Working Capital Management and Management Reporting projects as well as the selection of a software package for risk management.

The conference call on May 24, 2019, was held to discuss the results for the first quarter of 2019.

At its meeting on July 3, 2019, the Audit Committee discussed in depth the fees for the audit of the 2018 and 2019 annual financial statements, utilization of the tax interest and loss carryforwards of the German tax group, and the compliance activities. In addition, it addressed the Purchase-to-Pay (P2P), Working Capital Management, Order-to-Cash and Management Reporting projects.

On August 20, 2019, the half-year results for the year intended for publication were explained to the Audit Committee by phone.

The meeting held on September 11, 2019, focused once more on utilization of the tax interest and loss carryforwards of the German tax group, risk management, compliance activities and the P2P, Working Capital Management, Order-to-Cash and Management Reporting projects. The schedule for preparing the annual financial statements as of December 31, 2019, was discussed.

In its conference call on October 10, 2019, the Audit Committee discussed the upcoming audit of the consolidated and single-entity financial statements for the fiscal year ending on December 31, 2019 with the relevant auditors at PwC.

The conference call held on November 19, 2019 focused on the results for the third quarter of 2019.

The Audit Committee meeting on December 3, 2019, was again dedicated to compliance activities, risk management and the P2P, Working Capital Management, Order-to-Cash and Management Reporting projects.

In addition, the Chairman of the Audit Committee and the Chief Financial Officer discussed the current business situation at least once per month.

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 six 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

The Supervisory Board and Management Board firmly believe that good corporate governance is an important foundation for the Company's success and act accordingly. Together with the Management Board, the Supervisory Board closely examined the applicability of the recommendations of the German Corporate Governance Code (GCGC) to JOST Werke AG and the JOST Werke Group in fiscal year 2019. On December 3, 2019, 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, and will be in compliance in the future. The full text of the declaration can be read at → **http://ir.jost-world.com/corporate-governance-statement**

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-statement**. Management Board and Supervisory Board remuneration can be found in the Group Management Report in the "Remuneration report" section.

Composition of the Management Board

Lars Brorsen retired from his post as Chief Executive Officer (CEO) effective September 30, 2019. At its meeting on August 21, 2019, the Supervisory Board unanimously appointed former Chief Sales Officer Joachim Dürr to succeed him as CEO from October 1, 2019. A resolution was also adopted at this meeting to reduce the size of the Company's Management Board again to three members.

Lars Brorsen supported the JOST Werke Group in an advisory capacity until December 31, 2019, in keeping with the remaining term of his Management Board contract.

Review of the non-financial report

In its meeting on March 20, 2019, the Supervisory Board unanimously appointed SPALL & KÖLSCH GmbH Wirtschaftsprüfungsgesellschaft, Kronberg im Taunus, to provide a limited assurance opinion on the non-financial report for the fiscal year ending on December 31, 2019.

The non-financial report was drafted in line with the German Sustainability Code and the requirements of the Handelsgesetzbuch (German Commercial Code – HGB). The report was presented to all members of the Supervisory Board in a timely manner. All documents were discussed in detail with the Management Board and auditor at the Audit Committee meeting on March 11, 2020, and the Supervisory Board meeting on March 19, 2020. SPALL & KÖLSCH GmbH reported in detail about the subject matter, process, and key findings of the audit and was available for additional questions and information.

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

Audit of the Annual and Consolidated Financial Statements

Based on a resolution adopted by the General Meeting on May 9, 2019, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC) was appointed as the auditor of the financial statements for the fiscal year of JOST Werke AG ending on December 31, 2019. This appointment also includes the appointment as auditor of the consolidated financial statements for the fiscal year ending on December 31, 2019. The auditor responsible for the audit is Stefan Hartwig. This is the third year he has held this position.

The annual financial statements and management report combined with the Group management report were prepared in compliance with the HGB and the 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 11, 2020, and the Supervisory Board meeting on March 19, 2020. 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 19, 2020, 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 2019 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 €0.80 per share.

We would like to thank the members of the Management Board and all employees of the JOST Werke Group for their hard work and commitment during the past fiscal year. This performance enabled us to make 2019 another successful fiscal year.

Neu-Isenburg, March 19, 2020

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: Ottmarsbocholt, Germany

Current seats in supervisory board / control committees besides JOST Werke AG:
- Member of the advisory council of Brückner Technology Holding GmbH, Siegsdorf, Germany
- Chairman of the board of TI Fluid Systems plc, UK
- Member of the board of PIAB International AB, Täbi, Sweden

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 supervisory board of Haldex AB, Landskrona, Sweden
- Chairman of the advisory council of, Facton GmbH, Potsdam, Germany
- Member of the advisory council of Serafin Unternehmensgruppe GmbH, Munich, Germany
- Member of the advisory council of BLG Logistics Group AG & Co. KG, Bremen, 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:
- Chairman of the audit committee, Optimum Maritime Holding, Limassol, Zypern

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, United Kingdom

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 / Consultant
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

SUSTAINABILITY REPORT

Corporate social responsibility is a prerequisite for achieving sustained commercial success against international competition. This means that both the Company and its managers and employees must comply with the laws applicable in their part of the world, respect fundamental ethical values, use ecological resources responsibly and demonstrate a high standard of conduct at all times. Maintaining a link between economic value creation and ecological and social responsibility is therefore vital. We expect sustainability to help us stay competitive, drive innovation and, as a result, keep evolving in the future.

Operating a commercially viable business while taking responsibility for our employees, society and environment has been at the heart of the JOST Werke Group's philosophy for more than 60 years. We are conscious of the impact that our business activity has on the environment and on society. We use our values and governance structures to steer the Group so that we can implement our growth strategy in a sustainable way. We are convinced that our focus on sustainability issues not only serves society and the environment but also makes a decisive contribution to JOST's long-term commercial success.

In this Sustainability Report, we would like to explain what effect we have on the economy, people and the environment and which role JOST plays in society.

In accordance with Section 289d of the Handelsgesetzbuch (German Commercial Code – HGB), we have examined the national, European and international frameworks for the preparation of this non-financial report and have chosen to base our sustainability report on the German Sustainability Code (DNK). This report supplements and enhances our non-financial reporting, and includes all Group companies over which JOST exercises control – in other words, 100% of consolidated sales. We therefore collect and report key figures in such a way that they are representative of the JOST Werke Group as a whole. We make mention of special circumstances and exceptions. This report covers the 2019 fiscal year, which is the same as the calendar year.

We have only been able to include the upstream and downstream parts of our value chain and outsourcing activities to a limited extent because our influence over these areas is limited. We exercise control when we maintain influence over a company's financial and operating decisions and receive services.

BUSINESS MODEL

JOST is a leading global producer and supplier of safety-critical systems for the commercial vehicle industry. Our significant position in international markets is driven by strong brands, long-standing client relationships and a flexible and capital-efficient business model. The product portfolio is divided into Vehicle Interface, Handling Solutions and Maneuvering systems. Further information about the business model can be found in the 2019 combined management report of JOST Werke AG in the section entitled "Fundamental information about the Group".

Our value chain requires us to purchase mostly prefabricated steel and iron products from foundries and forges, which we then process in our own production facilities to strict quality and safety standards. We focus on machining and assembling quality-critical parts while outsourcing standard upstream processes. Different versions of our products therefore emerge at a relatively late stage in our production process. Our finished products are sold to manufacturers of trucks and trailers for the heavy vehicle industry and agriculture, and to wholesalers servicing the spare parts market. JOST has an extensive worldwide distribution network that supports original equipment manufacturers (OEMs), spare parts companies and wholesalers. JOST products are installed in both trucks and trailers and are used mainly by logistics companies and fleet operators. After having acquired the Quicke brand, JOST will supply even more manufacturers and dealers in the agricultural sector going forward.

SUSTAINABILITY STRATEGY AND GOALS

More and more of our OEM customers and the end users of our products, the fleets, are insisting on sustainable operations and sustainable products. It is becoming increasingly important to make logistics services more sustainable as worldwide demand for transport continues to grow as a result of globalization. With its sustainability strategy, JOST therefore aims to configure and develop its business operations and products in such a way that they contribute to sustainable value creation in the heavy goods transport industry.

Our production has set itself the target of minimizing the use of energy and resources. This enables us not only to generate cost advantages but also to make our production processes more environmentally friendly. When it comes to the various possible applications of our products, our product development efforts also aim to create new solutions that minimize their environmental impact when in use. And when we select our direct suppliers, we pay attention not only to commercial and quality factors but also to compliance with human rights, social and ecological standards and the existence of mechanisms for the strict exclusion of child and forced labor.

In 2019 we carried out a review of sustainability issues (environmental, social, compliance) by sending out a survey to our production sites. The aim of this analysis was to recognize the sites' individual strengths and weaknesses in order to identify potential areas requiring action. Next year, we want to bring all sites up to the same level by way of best practice examples.

Internally, our goal is to ensure that our employees are satisfied and feel a strong bond with JOST. To ensure employee satisfaction, we continue to invest in our workforce by introducing and maintaining high standards of occupational health and safety and in promoting employee health. We ensure compliance with human rights and the avoidance of all forms of discrimination in all our subsidiaries and investees. The details of our concrete goals and measures will be explained in detail over the course of the Sustainability Report.

VALUES

During the 2019 fiscal year, JOST identified and specified our company's core values in a dialog between employees and managers. As part of a future-focused program, employees linked these values with JOST's vision and mission in group discussions with managers and used this to identify specific action areas for their respective areas of work. The following core values guide our conduct within the JOST Werke Group and form the DNA of our corporate culture:

The JOST DNA

THE JOST DNA IN OUR CORE VALUES

Customers
We put the customer first

Organization
Our approach is cross-functional

Solutions
We develop solutions

Employees
Our employees make the difference

Added value
We create long-term added value

The identified core values, vision and mission were discussed with employees at 26 of our 33 sites in 2019. This process is set to be rolled out across the remaining sites in 2020 and will also continue in the future. Our values are designed to help employees to make decisions, prioritize appropriately and carry out their roles for the benefit of the Company. We want our employees to understand what motivates us worldwide and where we want to go as a company in the future.

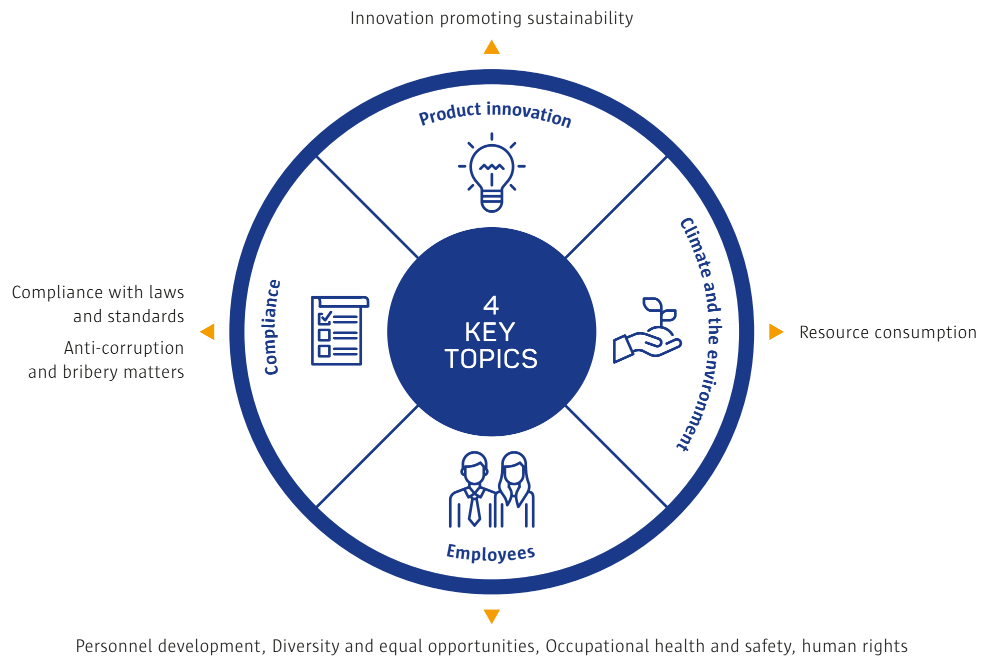
KEY SUSTAINABILITY ISSUES

We see it as our corporate responsibility to strengthen the trust of our stakeholders by creating sustainable values and dealing proactively with the impact of our actions. To do this, we need to identify, evaluate and actively manage the positive and negative effects as well as the opportunities and risks of our business activities.

We carry out a materiality analysis once every two years that lays the groundwork for our sustainability reporting. This analysis is based on interviews with specialists and those in positions of responsibility within Environmental and Quality Management, Sales, Purchasing, Human Resources, the Works Council, Product Management, PR, Investor Relations, and Legal and Compliance. As these individuals are in close contact with JOST's relevant stakeholders, they can report on their priorities and concerns. At the same time, questions and feedback from our dialog with external stakeholders are continually being incorporated into the analysis. The ecological, economic and social issues confronting JOST in the course of its business activities were analyzed and evaluated and prioritized according to their relevance.

The key topics for the Sustainability Report that according to the experts are particularly important to our stakeholders were derived from this materiality analysis. The Management Board and the Supervisory Board subsequently confirmed the key non-financial issues selected for inclusion in the report. The key topics identified are:

Core sustainability topics at JOST



INTEGRATING SUSTAINABILITY INTO CORPORATE GOVERNANCE

In order to act sustainably, the right values, action guidelines and organizational structures must be firmly embedded within the Group. This will enable JOST to help its employees and managers to act responsibly in the interests of a values-based and safety-conscious corporate management. If our business is to be sustainable, our strategy must successfully balance the requirements of business, ecology and society.

The Management Board has overall responsibility for all matters relating to sustainability in the Group. To ensure that our strategy as well as our policies and standards are both maintained and further developed, the Management Board has delegated certain tasks to a number of functional areas within the Group, as in previous years.

Environment and quality

Our quality and environmental management system is responsible for compliance with and continual improvement of the environmental, safety and quality standards within JOST. Our strategy is to create an integrated quality and environmental management system worldwide. QHSE departments have been set up at local level to support all our production sites and assist them with implementation. It is also responsible for the environmental, safety and quality certification of all JOST sites. We rely on internationally accepted standards and certifications to help us develop consistent corporate policies and directives and to maximize the standardization levels of processes and action guidelines at our various sites.

Employees

Human Resources is responsible, among other things, for personnel strategy, employee development and compliance with regulations on employee rights at JOST. The management of Human Resources Global organizes, manages and coordinates our strategic objectives globally, with responsibility for local implementation delegated to each individual site. The Group currently has no financial incentive systems in place for achieving sustainability targets.

Compliance

In addition to the Chief Compliance Officer (CCO), who is appointed by the Management Board, all subsidiaries have local compliance officers who help the CCO to communicate compliance-related matters at the local level and to implement and execute particular compliance measures in the subsidiaries. Our compliance program allows for the timely development and implementation of measures to counteract unlawful or unethical activities within the Group and thereby prevent improper conduct. Details of our compliance organization are provided in the "Compliance" section of this Sustainability Report.

Risk management

Direct responsibility for identifying and managing business risks at an early stage lies with the risk owners in each of our operating areas. Their responsibility also extends to risks in the areas of the environment, human resources, products and compliance. Each risk owner is responsible for carrying out risk monitoring on a decentralized basis. The general control and consolidation of information is handled by central risk management. The Management Board will be informed promptly of any acute risks and opportunities. Details can be found in the section "Report on opportunities and risks" of the combined management report.

INNOVATION AND PRODUCT MANAGEMENT

JOST produces and supplies safety-relevant systems for the heavy goods transport industry. We generate 75% of our sales from truck-trailer interfaces such as fifth wheels, king pins, landing gear and towing hitches. JOST also offers systems for handling different goods in transport, including container technology and hydraulic cylinders that belong to the Handling Solutions product category and make up around 10% of consolidated sales. JOST's portfolio also includes products for commercial vehicles on the move, including forced steering systems and modular axle systems that comprise the remaining 15% of sales.

With all of our products, we place considerable emphasis on product safety, quality and reliability, as connecting devices such as fifth wheels and towing hitches are safety components subject to maximum stress. The failure of any of our products in service could result in a traffic accident. Depending on the cargo, an accident could not only cause personal injury, but it could also seriously effect the environment if hazardous goods are involved. In addition to ensuring the high levels of quality and reliability of our products, our innovation and product management also aims at enhancing JOST's competitiveness. To ensure that we remain competitive, we are continually developing our products and expanding our product portfolio with innovations and acquisitions. We introduced 21 product innovations to the market during the past fiscal year.

An important aspect of our product innovation efforts is to make the production and use of our systems and solutions more sustainable. We involve our customers in our innovation processes at an early stage so that we can develop products that address their needs. This approach helps them to make their businesses more sustainable too.

We were able to market our bio-lubricant, which we developed in-house, for the first time during the 2019 fiscal year. This product is a high-performance lubricant that biodegrades quickly in accordance with the OECD 301 B development test and is thus classified as "readily biodegradable". Our goal is to convert our lubricant portfolio to sustainable alternatives within two years. We have already been able to fully convert the LubeTronic 5-Point lubrication system to the new product within the first year.

Significantly reduced grease pollution of roads and the environment

- **Reduction to 1.6 KG instead of 10 KG grease per year** for lubricating fifth wheels and towing hitches by developing and marketing the LubeTronic© minimum lubrication system
- **0.0 KG residues – Development of a fully biodegradable high performance lubricant in 2018**

Another environmentally-friendly development is the introduction of our new tire inflation system. This system is used to control the pressure of tires and can top them up to maintain a constant pressure. This reduces fuel consumption when driving, which has a positive effect on CO_2 emissions.

We also contribute to improving sustainability in the agricultural sector. We have launched a lubrication-free calotte with a replaceable plastic insert, which eliminates the need for manual lubrication and significantly reduces maintenance times. This innovation also reduces wear and tear, considerably extending the products' useful lives.

Our research and development activities are also focused on reducing the carbon footprint and weight of our products. This includes the development of the OPTIMA weight-optimized landing gear for long-distance transport during the 2019 fiscal year.

Another important objective of our research effort is improving the safety and speed of the coupling process, with innovations like the KKS automatic coupling system, for example. Automating the coupling process not only increases the safety of drivers and the efficiency of the fleet; it also greatly reduces the physical effort needed to carry out the coupling operation and therefore has a beneficial effect on the health of the drivers. The project is at the end of its development phase in the 2019 fiscal year. Trials and validation have started and first field tests with different freight forwarders are being carried out.

Climate and the environment

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 quality and environmental management is part and parcel of the culture of JOST. It is our goal is to make our production sites safe and sustainable. Our quality and environmental management teams are responsible for making sure that this goal is met.

JOST operates a total of 19 production plants worldwide and is represented in 21 countries. A structured program of employee training, combined with regular appraisals of health, safety, quality and environmental management, supports the implementation of established standards and policies and helps with the early identification of any areas in need of intervention. As part of our risk management system, we systematically identify and seek to minimize risks and potential hazards. On-site experts check compliance with local standards and the regulations that govern the safe operation of the plant. In addition, regular external audits are carried out for the purposes of certification in accordance with the DIN ISO 9001 quality management standard, the DIN ISO 14001 environmental management standard, the OHSAS 18001 occupational health and safety management standard and the IATF 16949 automotive industry standard. If the results of the audits show potential for improvement, we implement the appropriate measures.

We are committed to increasing the scope of certification in our plants and we plan to certify all our production sites in accordance with the ISO 14001 environmental management standard. At least one new plant will be added each year. At present, 68% of our production plants are currently ISO 14001-certified, which equates to 13 of our 19 sites (2018: 63%). TRIDEC BV in the Netherlands was ISO 14001-certified for the first time during the 2019 fiscal year, which meant that we reached our target for the year under review.

We again received no environmental complaints related to our activities during the 2019 fiscal year (2018: 0). There were no environmental offenses and no sanctions.

Materials used

Because the commercial and environmental impacts of resource consumption are closely linked, they often point in the same direction. For example, efficiency measures often have a positive impact on the environment by minimizing the consumption of resources. The greatest environmental risks in the production of our products are to be found in the upstream value chain, in iron smelting or in forges and foundries that generate high climate-relevant emissions during the production of steel products.

Approximately 64 percent of the materials we use are pre-processed steel and iron products. A detailed study carried out in 2018 by "Drive Sustainability, the Responsible Minerals Initiative" on the sustainability risks of various raw materials assessed the environmental damage from the introduction of hazardous chemicals or acids into the environment during steel extraction and processing as low. In contrast, it judged the environmental damage from carbon emissions to be high. It also rated the risk of endangering nature reserves during iron smelting as high.

JOST has only limited control over these risks, as our influence is restricted to our choice of direct suppliers and we have no reliable overview of and only limited control over the suppliers of our suppliers. However, our Code of Conduct for suppliers does require them to uphold sustainability standards and to exercise control over their own supply chain. We also visit our top 5 suppliers at regular intervals.

Ecological indicators

The general goal of our climate and environmental responsibilities is to continually improve our environmental performance indicators.

Our environmental management system tracks and monitors our performance with regard to energy consumption, waste volume, water consumption and climate-relevant emissions on an annual basis. In doing so, we focus on the following core indicators:

Core ecological indicators

5 CORE INDICATORS OF ENVIRONMENTAL MANAGEMENT

Electricity consumption | Natural gas consumption | Water consumption | Total waste | Carbon footprint

Our relevant key figures have developed as follows:

Indicator	Unit	2019 figure*	2018 figure	Change vs. previous year (2018)
Total electricity consumption	kWh / production hour	7.47	8.43	–11.4%
Total natural gas consumption	kWh / production hour	7.03	7.10	–1.0%
Total water consumption	m³ / production hour	0.03	0.02	50.0%
CO_2 – total emissions	Kg CO_2eq / production hour	6.20	7.60	–18.4%
Total waste	t	17,402.8	20,074	–13.3%
Scrap	% of total waste	73.3	77.0	–4.8%
Hazardous waste	% of total waste	8.1	7.4	9.5%
Non-hazardous waste	% of total waste	18.6	15.6	19.2%

* Direct comparison with the figures in the previous years' reports is not possible as the group of consolidated companies changed slightly in 2018 and 2019. In 2019, the new production company in Turkey has been added.

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

CO_2-emissions 2019

▶ **Carbon emissions of 0.23 KG CO_{2eq}**
per production unit for fifth wheels

▶ **Carbon emissions of 0.09 KG CO_{2eq}**
per production unit for landing gears

On average, direct and indirect greenhouse gases emissions for the production of one fifth wheel totaled 0.23 kg CO_{2eq} (2018: 0.23 kg CO_{2eq}) in 2019, while for one landing gear this figure was 0.09 kg CO_{2eq} (2018: 0.09 kg CO_{2eq}). The greenhouse gas emissions of the German production plants in Neu-Isenburg and Wolframs-Eschenbach were used for the calculation, as these plants exclusively manufacture fifth wheels and landing gears, so that the greenhouse gases emitted can be allocated to the individual products.

Certifications

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.

Overview of certifications worldwide

		ISO 9001: 2015	IATF 16949: 2016	ISO 14001: 2015	KBA Confirmation	OHSAS 18001*: 2007
Europe	JOST-Werke Deutschland GmbH, Neu Isenburg	✓	✓	✓	✓	
	JOST-Werke Deutschland GmbH, Wolframs-Eschenbach	✓	✓	✓		
	ROCKINGER Agriculture GmbH	✓		✓	✓	
	JOST – Hungária Kft	✓	✓	✓	✓	
	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.	✓		✓		
	JOST OTOMOTIV SANAYI TICARET ANONIM SIRKETI	✓				
North- and South America	JOST Brasil Sistemas Automotivos Ltda.	✓	✓	✓		✓
	JOST International Corporation, Grand Haven, Michigan	✓				
	JOST International Corporation, Greeneville, Tennessee		✓	✓		
Asia, Pacific and Africa	JOST Australia Pty Ltd	✓				
	JOST (China) Auto Component Co., Ltd., Economic & Technological Development Zone, Wuhan	✓	✓	✓		✓
	JOST India Auto Component Pvt. Ltd.		✓	✓		
	JOST (Thailand) Co., Ltd	✓			✓	
	JOST South Africa (Pty) Ltd	✓				

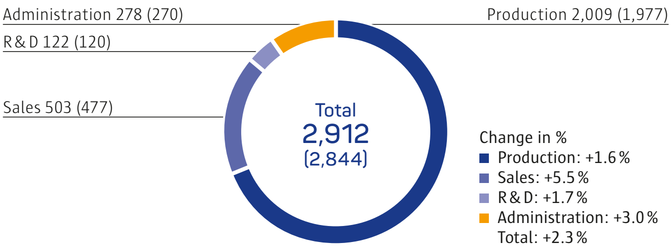
* We have refrained from obtaining additional OHSAS 18001 certification in countries that already have stringent statutory occupational health and safety requirements such as those in Europe and North America.

EMPLOYEES

Treating all employees responsibly and respectfully is a key aspect of our business operations. Dedicated employees are the key to strong company performance, successful change and ultimately sustainable corporate success. As a result, employee recruitment and retention is very important at JOST. We want to be an attractive employer to employees and young talent. JOST believes in the importance of having employees with a long-term commitment to the Company. Our mission is to motivate our workforce, to treat them fairly and to help them develop professionally.

In the 2019 fiscal year, we employed an average of 2,912 employees worldwide – a year-over-year increase of 2.4% (2018: 2,844). The strongest growth was recorded in sales, while the number of production and R & D employees increased only slightly year-over-year. The Group-wide employee turnover rate was 14.4% (previous year: 8.7%).

Average number of employees by function 2019 (2018)



Personnel development

One of JOST's aims is to position the Group as an attractive employer to help us to rapidly recruit skilled employees in every area. By doing this we can ensure that open positions are filled effectively with suitably qualified staff. Our corporate values help us to go beyond professional qualifications to find the right employees and identify, develop and make optimum use of the talent within the Group. We firmly believe that an attractive, respectful corporate culture boosts our staff's commitment and sense of loyalty to the Company, as only enthusiastic and inquisitive people can achieve great things.

Long-term employee development is a vital part of this. To promote our employee's development, we place significant emphasis on providing our staff with opportunities for continuing professional development, as their knowledge is a key building block for JOST's lasting success. In 2019, 64% of staff members working in Germany received training. These development needs are identified in detail as part of regular performance reviews to ensure that we can support the potential and interests of our employees appropriately. With this in mind, we improved the annual appraisal process and made it easier to understand in staff training sessions during 2019. As a result, 66.8% of our employees in Germany had a personal appraisal during 2019.

International JOST training modules

- **The average amount spent on continued professional development** per employee in 2019 increased from €248 to €388 year-over-year across the Group.
- **The JOST International Talent Program** has established itself as a permanent fixture in the Group's potential development efforts.

The amount spent on continued professional development per employee increased to €388 across the Group during the 2019 fiscal year (previous year: €248).

We also actively developed our high performers. The international JOST Talent Program has established itself as a permanent fixture in the Group's potential development efforts. The program runs once every two years. The first intake of young talent will complete the JOST Talent Program in spring 2020. The last 12 months of the JOST Talent Program have focused on strategic and entrepreneurial thinking, leadership and conflict and change management across three modules. The final module in January 2020 focused on intercultural communication skills and ended with a Leadership Summit. At the same time, the application phase for the start of the next program began in winter 2019. The second intake will begin the 24-month Talent Program in summer 2020, when 15 talented youngsters will be individually supported by JOST's experienced managers as part of a mentor program and by Talent Program alumni.

In 2019, a new development program was launched in the United States while local programs based on Group-wide management development guidelines continued in the Netherlands, Portugal and Poland. Additional local developments programs are currently being planned.

In the 2019 fiscal year, our German sites trained eleven commercial apprentices and two industrial apprentices. In keeping with our target of offering an additional training role in 2019, there has been an IT apprentice specializing in system integration at JOST since August 2019. We continue to pursue the goal of eventually offering our commercial and industrial apprentices permanent jobs upon completion of their training. Three of the four apprentices who completed their training in 2019 were then employed by the Group (75%).

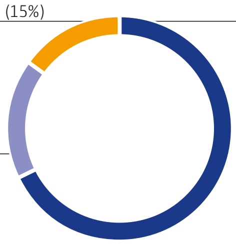
Diversity and equal opportunities

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

In Germany alone, the site of our headquarters, we employed staff from more than 33 different nationalities in 2019 (previous year: 30), which demonstrates the rich diversity of our workforce. The average age of these employees is 44.3 years. The average length of service in Germany is 12.6 years (previous year: 11), which highlights our employees' strong sense of loyalty to the JOST Werke Group. Our large diversity is also reflected by the fact that we employ people in 124 different professions in Germany (previous year: 121).

On a worldwide basis, the average age of our employees is 41 years and the average length of service is 8 years.

Average number of employees by region as of December 31, 2019 (December 31, 2018)



We are particularly committed to gender equality. It is important to us that we offer women and men in our company the same opportunities. We are striving to achieve a balance between genders at all employee levels. However, increasing the number of women employed in the Group is a challenge as JOST's business focuses heavily on technical professions, in which women are still underrepresented in both higher education and the application process. In fiscal year 2019, the Group-wide share of women was 13.2% (previous year: 12.4%).

Women in management positions in 2019 (2018)

- 10.5 % (10 %) **share of women in the Group** in management roles at the two levels below the Management Board
- 25 % (50 %) **share of women** in management positions at **JOST Werke AG**

We increased the Group-wide proportion of women in management roles at the two management levels below the Management Board to 10.5% (previous year: 10%). As a result, we again achieved our goal in 2019 of increasing the proportion of women in management positions to at least 10%. Going forward, the Management Board will continue to take diversity into account when hiring senior management and, in doing so, consider female candidates in particular. However, the professional and personal qualifications of each candidate remain our primary focus when making the final selection.

As of the reporting date of December 31, 2019, the proportion of women in management positions at JOST Werke AG fell to 25% (previous year: 50%). This means that JOST Werke AG has slightly missed its target of at least 30%.

Having successfully conducted a workshop on group-related misanthropy and discrimination in Germany in the previous year, we held training sessions on tackling workplace bullying and discrimination at our Polish site during the 2019 fiscal year. More than 200 employees were trained by lawyers in two-hour interactive workshops. Line managers also took part in an additional three-hour training session.

Occupational health and safety

Occupational health and safety are essential elements of our business activities. As a manufacturing company in which production and warehouse staff are exposed to an increased health risk, we have a responsibility to provide a safe working environment for our entire workforce.

Prevention – stopping workplace accidents from happening in the first place – is particularly important to JOST. We therefore set high safety standards across the Group when dealing with dangerous substances and other potential hazards. We also believe in the importance of raising the safety awareness of our employees and adding to their skills. Regular information, instruction, training and further education courses, whether legally required or voluntary, help us to achieve high safety standards and enable us to maintain and encourage safe working practices in all areas of the Group, both industrial and commercial, and in all of our sites.

In addition to statutory first aid courses for all employees and annual forklift training for individuals working with this machinery, JOST also offers training on pedestrian-controlled 'walkie' pallet trucks that is not required by law in order to improve safety across the entire plant. This training was conducted for the first time in 2019 and will also take place at regular intervals in 2020. The Group also expects to offer crane operation training in 2020.

In order to identify hazards, we carry out regular workplace inspections, which also include risk assessments, at our production sites. These inspections are conducted by the head of the department, the works council, the company doctor, the safety officer and an employee from the operational area being inspected. Various types of risk, such as mechanical or physical hazards, are identified and evaluated during the inspection. If a potential hazard is discovered, the same group carries out a joint risk assessment and initiates effective preventative or remedial action.

Near-accidents must also be reported to a line manager in order to enable an immediate direct response, such as providing additional sensitization training for employees. In the event of an accident, JOST produces an accident analysis immediately and initiates measures designed to prevent a future re-occurrence. Guidelines are often re-drafted and re-issued for the specific purpose of preventing another similar accident. These procedures rely on active communication and discussion between our employees and the divisional managers.

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 18001 (occupational safety). We have refrained from obtaining additional OHSAS 18001 certification in countries that already have stringent statutory occupational health and safety requirements such as those in Europe and North America. We have obtained OHSAS 18001 certification at our sites in China and Brazil in order to establish comparable occupational health and safety standards across the Group. More detailed information is available on our website under → **https://www.jost-world.com/en/corporate/responsibility/certificates.html**

Workplace accidents 2019 (2018)

▶ 18.4 / 1,000 (20 / 1,000)
Improved Group-wide rate of reportable accidents
per 1,000 employees.

We record and evaluate work-related accident figures at regular intervals. In the 2019 reporting year, the Group-wide rate of reportable accidents per 1,000 employees again improved to 18.4 (2018: 20). Our aim is to continually reduce the number of accidents at work.

During the 2019 fiscal year, examples of innovations and activities in the area of occupational health and safety included:

- monthly safety inspections in the plant logistics department to identify and rectify any shortcomings in a timely manner
- external support from an occupational safety expert in the area of risk assessments in order to optimize our risk assessments and train employees
- optimizing workplace lighting, which is designed to have a positive impact on the health of our employees while also saving energy. We are planning to forge ahead with these efforts in 2020
- training from the company doctor and plant manager on lifting correctly to minimize or completely avoid back problems

Occupational health management

Occupational health management is also a key issue for JOST. A company doctor visits all of our German sites at regular intervals to offer medical check-ups and prescribed examinations as well as additional benefits such as vaccinations. An ergometer will be purchased for the Neu-Isenburg site so that examinations can be carried out on site.

The Neu-Isenburg site also offers all of its employees pilates courses that are held twice a week. We also have a cooperation with a fitness studio that applies to all studios across Germany and for which memberships are subsidized. A time management training was offered this year again to help prevent mental illness. The aim is to offer these training courses regularly.

Fostering a good working environment

Skip level meetings have helped us to create a platform where employees can interact with the CEO directly. In these meetings, both parties can ask and answer questions in a friendly atmosphere.

To improve interdepartmental contact among employees, a new format called 'Mystery Lunches' was introduced in 2019 alongside the existing after-work activities that have been offered for the past two years. On a voluntary basis, employees can get to know randomly selected colleagues from other departments in person over lunch for two. Initiatives like these are designed to promote better cross-functional collaboration.

Once a year, colleagues from sales, purchasing and finance from all around the world meet as part of a workshop to share experiences and ideas, set new targets and inspiration for the coming year, recognize sector trends at an early stage and identify best practice examples at different sites.

The aim of this program is to further enhance mutual understanding and create additional platforms that encourage dialog. After all, we firmly believe that international and interdepartmental collaboration gives JOST a crucial competitive edge. With this in mind, we want to offer job shadowing in 2020 to give our employees a chance to spend a day in another department.

Human rights

Our materiality analysis has emphasized the importance of the observance of human rights and the prevention of forced and child labor. We comply with national and international human and labor rights as a matter of course. Protecting and respecting every human being is of the utmost importance for JOST and becomes an essential aspect of our responsibility as a company with global operations.

We condemn all forms of discrimination for any reason including ethnic origin, religion, political views, gender, physical constitution, appearance, age or sexual orientation. To underline our commitment, clear anti-discrimination rules are included in our JOST Code of Conduct, which is applicable worldwide. Our employees as well as customers, suppliers and other external stakeholders can anonymously report violations of human and employee rights using our whistleblowing system (for more information, see “Compliance”).

In addition to monitoring compliance at our own sites, we are also keen for our suppliers to comply with sustainability standards and human rights. In 2018, we prepared a comparable code of conduct for our suppliers.

Overall, we wish to point out that, according to the analysis of the sustainability risks of raw materials carried out by “Drive Sustainability, the Responsible Minerals Initiative” in 2018, the risks of child labor, forced labor or human rights violations in connection with the production and processing of steel – our principle raw material – are considered to be low.

COMPLIANCE

In the structure of a German stock corporation (Aktiengesellschaft – AG), the Supervisory Board supervises the Management Board, which in turn 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 Werke AG Executive 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. 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.

Our compliance management efforts are aimed at ensuring that all of the Group’s activities comply with the law. Both lawful and responsible conduct and respect for human rights are firmly rooted within our company. By living out our corporate values, we create trust among our customers, business partners, shareholders and the general public. This is vital for the long-term success of our company.

Compliance with laws and standards

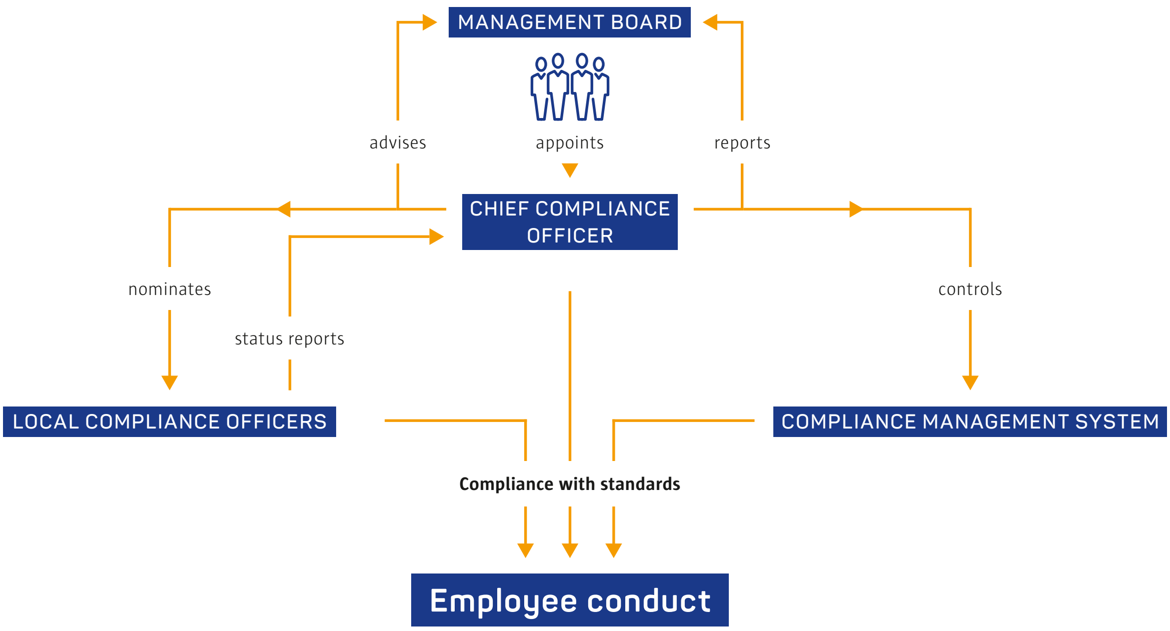
Overall responsibility for the Group’s compliance with laws, standards and policies rests with the Management Board, who reports to the Supervisory Board in this context. In order to perform its duties, the Management Board has delegated certain relevant tasks to various functional areas within the JOST Werke Group.

The Chief Compliance Officer (CCO) monitors and controls compliance with laws, standards and internal Group policies and, with the aid of our compliance management system, supports employees in their efforts to maintain regulatory compliance. The CCO is appointed by the Management Board and reports directly to the Chief Financial Officer. He is also responsible for the compliance management system and advises the Management Board on all matters related to compliance.

The CCO recommends compliance officers for the subsidiaries, continuously reviews compliance at JOST and advises the Management Board on general compliance goals as well as specific compliance measures that need to be implemented at JOST and the subsidiaries. If potential compliance incidents are reported or detected, he also supervises the procedure and any possible investigative measures.

The local compliance officers support the CCO in all compliance-related communications carried out at the local level and in the introduction of specific compliance measures in the subsidiaries. The local compliance officers report regularly to the CCO on the status and progress of compliance measures introduced in their subsidiaries and on the occurrence of any compliance incidents. An important responsibility of the local compliance officers and the CCO is advising employees in the respective local unit on compliance-related issues.

Compliance with laws and standards



Anti-corruption and bribery matters

The JOST Werke Group's internal Code of Conduct, and the legal requirements and ethical principles it contains, are key components of the compliance management system. The Code provides an essential basis for the day-to-day actions of our employees and executives.

Eight reports were filed in the 2019 fiscal year (2018: 2) primarily relating to the conduct of staff or line managers. All of these cases were investigated by the Compliance department and local (HR) departments within a reasonable period of time and either clarified or resolved. One case reported shortly before the end of the year was still being investigated as of the December 31, 2019 reporting date.

JOST Supplier Code

Available on the Internet at:
https://www.jost-world.com/en/corporate/responsibility/compliance.html

We expect all of our business partners along the entire value chain to comply with the law and act with integrity and consider this to be a prerequisite for successful, long-lasting business relationships. With this in mind, we developed a code of conduct for suppliers in 2018 that is now mandatory as standard for all new contractual relationships and is increasingly being introduced to existing relationships. This is particularly important for JOST as a steel processing company, as corruption in iron smelting presents a high risk to sustainability according to analysis from "Drive Sustainability - the Responsible Minerals Initiative". This is because many steel-producing countries have weak governmental structures and exhibit shortcomings when it comes to the rule of law and/or suffer from high levels of corruption. Our suppliers are therefore also exposed to this risk. The Supplier Code was distributed to other suppliers in 2019. The proportion of signed and returned Supplier Codes worldwide was 44.4% (as of October 2019). JOST also visits its top 5 suppliers at regular three-year intervals.

Prevention of corruption

▶ **19.2% of consolidated sales produced to countries with a corruption index of < 60%** (previous year: 17.9%)

JOST's share of consolidated sales generated in countries with a corruption index of <60% was 19.2% in the 2019 fiscal year (2018: 17.9%). Initiatives for the early detection and prevention of corruption are therefore particularly important.

In 2019, e-learning courses on the topics of compliance and data protection / IT security were conducted and plans made for their further rollout across European sites. Local compliance officers around the world also conducted classroom training sessions about the Code of Conduct and distributed information cards about JOST's existing whistleblower system. Our aim was to refamiliarize salaried employees and hourly paid workers with the Code of Conduct and whistleblower system and increase their awareness of this issue. Important questions on issues such as the protection and anonymity of whistleblowers were also addressed directly as part of these training sessions. These initiatives made a greater effort to address employees who do not have computer access as part of their role.

A classroom training session on competition law was held in 2019 as part of an annual global meeting attended by various managers and employees from sales.

POLITICS AND COMMUNITY

The JOST Werke Group or its local units again did not exercise political influence in fiscal year 2019. The expenditure for this was €0 (2018: €0).

JOST is involved in voluntary social projects at local level to strengthen communities. However, our social activities are not subject to any overarching central management process and there is no integrated Group-wide approach to actively manage dialog at a local and regional level. Instead, activities are organized locally on a case-by-case basis and implemented by our sites. As an employer, we make an indirect contribution to the positive economic development of the communities where we operate by creating local jobs.

Our site in Poland was particularly active in terms of community and social activities during the 2019 fiscal year. Donations were made to local institutions such as the local hospital, fire department and cultural center, as well as to sports clubs attended by our employees' children. JOST employees were also able to participate in local sport and cultural events and received support from the Company to do so.

Our subsidiary in Australia also engaged in community activities in 2019 and made donations to community groups and local charitable organizations. This site also enabled one of its staff to take part in a charity event. The employee in question participated in a fund-raiser for disadvantaged children called the Postie Bike Ride 2019. He was given the time off work needed to complete the ride by JOST Australia.

JOST Goes Green – the Neu-Isenburg site becomes more environmentally friendly

JOST employees have also been active in the area of environmental sustainability. Within Germany, they have taken care to use trains instead of planes and cars to get to various appointments.

The JOST Goes Green initiative introduced in summer 2019 aims to make the Neu-Isenburg site greener – or to put it another way, more sustainable. Employees were called upon to contribute their ideas to further reduce the ecological footprint at the Neu-Isenburg site. The appeal looked at ways in which environmental, sustainability and health issues could be further improved at the site.

The collected ideas were then discussed with employees who voluntarily formed a working group, and decisions were then made about which proposals they could implement. This initiative took the form of a pilot project and was assessed to determine whether the same thing could be rolled out at the Group's other sites in future.

NEGATIVE IMPACT AND RISKS ARISING FROM BUSINESS ACTIVITIES

As part of the reporting process, we have checked whether there are any risks associated with our own business activities, relationships, products and services that are highly likely to have serious negative consequences for non-financial aspects stipulated by law, either now or in the future. We have not identified any risks as defined by the German CSR Directive Implementation Act (CSR RUG) based on this net risk assessment as well as general legal regulations relating to the selection of significant report contents.

As this assessment forms part of the Company's risk reporting, a more detailed description of the non-financial risks can be found in the "Risk Report" section of the Annual Report.

The Management Board of JOST Werke AG

Neu-Isenburg, March 13, 2020

JOST WORLDWIDE

JOST

Production unit | Sales unit | Production and Sales unit

Ålö

Production unit | Sales unit | Production and Sales unit

COMBINED MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Business model and organizational structure

JOST Werke AG is a listed corporation headquartered in Neu-Isenburg, Germany. It is the parent company of the JOST Werke Group ("JOST"), a leading global producer and supplier of safety-critical systems to the commercial vehicle industry. JOST's position as a market leader is underpinned by its strong brands JOST, ROCKINGER, TRIDEC and Edbro. Its core operations are structured by region, and accordingly split into the three geographical segments of Europe, North America, and Asia-Pacific-Africa (APA). These segments are also used to structure the Group's internal organization, control and reporting.

On the reporting date of December 31, 2019, the JOST Werke Group consisted of 31 companies. JOST also holds a 49% stake in a joint venture in Brazil, which is accounted for using the equity method.
→ **See note 4 of the notes to the consolidated financial statements**

In the 2019 fiscal year, JOST posted sales of €736.3m and employed an average of 2,912 people worldwide. With 19 production facilities in 21 countries worldwide (including the joint venture in Brazil), JOST is an international company with access to truck and trailer manufacturers, and to all relevant end customers. The Group's strong global presence is reflected in sales by product destination: As in previous years, the strongest sales region in 2019 was Europe, where JOST generated 51% of sales, followed by Asia-Pacific-Africa (APA) and North America with 26% and 23%, respectively, of total sales. Latin American is mainly served by the Group's joint venture in Brazil. The sales generated by this joint venture do not form part of consolidated sales: in 2019, sales revenues posted by the joint venture rose by 13% to €65.0m (previous year: €57.6m).

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 it uses 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 and applications in transit and transport, e. g. container technology, intermodal transport and hydraulic cylinders.

Maneuvering – products for maneuvering commercial truck and trailer systems, e. g. axles with or without modular suspension systems for trucks and trailers, plus forced steering.

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

Group strategy

The objectives of the Group strategy are long-term operating success and the continuous increase in enterprise value this entails. For this purpose, we strive to grow our business sustainably and to achieve above-market revenue growth accompanied by strong profitability and cash flows. To achieve these core goals, JOST concentrates on the following strategic action areas:

Product innovations: As one of the world's leading producers of safety-critical systems for the commercial vehicle industry, we have introduced a large number of high-quality, robust and durable branded products to the market over the last few decades. We reinforce our market position and brand awareness and offer our customers additional solutions for their transport needs with innovations and enhancements based on our long-standing distribution channels and comprehensive expertise in the area of transport applications. By serving as a development partner to our customers, we believe that we can add value to our products and assist the technological transition to more complex, automated and autonomous commercial vehicles. We also want to make our products more sustainable in order to offer more environmentally friendly alternatives for their application. We are striving to consolidate and expand our position as our customers' preferred partner.

Initiatives for growth: We are actively pursuing consolidation in our core businesses through organic and external growth. Here, we use the effectiveness of our existing distribution channels and infrastructure, combined with our brand prominence and global presence. We are also aiming to expand our product portfolio to include neighboring areas of application within the commercial vehicle industry in order to tap into new revenue streams. We are promoting the further expansion of our Group based on our strong traditional core business and deepening our range of products in the Vehicle Interface, Handling Solutions and Maneuvering categories for commercial vehicle applications both on and off the road.

Focus on cash flow: Our business model is based on strong brands and customer proximity, modular product design and low-capital-intensity production. This enables us to generate above-average margins and provides us with the production capacity flexibility we need to successfully compete in cyclical end markets. At the same time, we benefit from the surplus of liquid assets available to us for further business growth due to our low plant investment requirements. With this setup, we can expand our position as a preferred supplier of commercial vehicle systems and invest in expanding the competitive advantages of our products and services as well as in further growth.

Corporate management and control

Key performance indicators (KPIs) are the primary tool used for the corporate management of the JOST Werke 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 KPIs of adjusted EBITDA and adjusted EBIT margin is incorporated into the calculation of variable remuneration for the Management Board and executives.

At Group level, the above KPIs are supported by a monthly analysis of net working capital (NWC) in relation to sales, net debt (leverage) and equity in relation to net debt (gearing). Any deviations from target 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**

Adjusted EBIT
: Sales revenues x 100
= **Adjusted EBIT margin**

Net debt
: Equity x 100
= **Gearing**

The development of KPIs in the 2019 fiscal year and the deviations of results from targets are explained in the report on economic position.
→ See course of business in 2019

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

The disclosures as of December 31, 2019 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, 2019, the Company's share capital amounted to €14,900,000, composed of 14,900,000 no-par value bearer shares, each with an imputed 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, 2019 – no rights may be exercised in respect of those shares pursuant to Section 71b AktG.

At the time this Group Management Report was prepared, the Company's Management Board is not aware of any agreements affecting the voting rights or the transfer of Company shares.

Interests in the share capital exceeding 10%: By the December 31, 2019 reporting date, the Company had been informed of the following interests exceeding 10%: 15.08% of the voting rights in JOST Werke AG were allocated to Allianz Global Investors GmbH (Frankfurt, Germany) via its managed funds in accordance with Section 34 of the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG). Allianz SE (Munich, Germany) was allocated 10.06% of the voting rights of JOST Werke AG. Allianz Global Investors GmbH makes all decisions relating to the exercise of the voting rights in JOST Werke AG allocated to Allianz SE independently of Allianz SE. As a result, Allianz SE's voting rights are included in the voting rights allocated to Allianz Global Investors GmbH.

According to the notifications received by us in accordance with Sections 33 et seq. of the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG), 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, 2019.

At the time of preparing this Group management report, there had been no further changes in this regard.

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 (3) 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 2018 or expiration of the period during which Authorized Capital 2018 may be used on May 3, 2023. 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: Based on a resolution adopted by the General Meeting on May 4, 2018, 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 €7,450,000.00 on one or more occasions until May 3, 2023 by issuing new no-par value bearer shares against cash and / or non-cash contributions (Authorized Capital 2018; Article 5 of the Articles of Association). If new shares are issued from Authorized Capital 2018, shareholders generally have preemptive rights, which 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 has not yet exercised this authorization.

According to a further resolution adopted by the General Meeting on May 4, 2018, the Management Board is authorized, with the approval of the Supervisory Board, to issue warrants, convertible bonds and / or income bonds as well as profit participation rights or combinations of these instruments (collectively referred to as "bonds") with a total nominal value of up to €350m with or without a limited maturity period until May 3, 2023 and to issue the bearers and / or creditors of the bonds with option and / or conversion rights for up to 7,450,000 new no-par-value bearer shares in the Company representing up to €7,450,000.00 of share capital in accordance with the more detailed bond conditions. While shareholders generally have preemptive rights, the Management Board is authorized to disapply shareholders' preemptive rights to the bonds subject to the conditions outlined in the aforementioned authorizing resolution with the approval of the Supervisory Board. Further details can be found in the proposed resolution adopted by the General Meeting under agenda item 8 of the General Meeting on May 4, 2018. The Management Board has not yet exercised this authorization. In order to service the bonds, the General Meeting conditionally increased the share capital of the Company by up to €7,450,000.00 by issuing up to 7,450,000 new no-par-value bearer shares (Authorized Capital 2018; Article 6 of the Articles of Association).

The General Meeting of May 4, 2018 also authorized the Company until May 3, 2023 to buy back its own shares in a volume up to a total of 10% of the existing share capital at the time the resolution was passed or, in the event that this figure is lower, the existing share capital at the time the authorization is exercised. The own shares acquired can be used for any legally permitted purpose. Further details can be found in the authorization resolution adopted by the General Meeting on May 4, 2018 (agenda item 6). The Company has not acquired any of its own shares as of the preparation date of this report.

Material agreements in the event of a change of control: Financing agreements exist as of the December 31, 2019 reporting date between JOST Werke AG and various lenders for promissory note loans totaling €150.0m that give creditors the right to terminate or call the financing in the event of a change of control if the parties concerned cannot agree a continuation. The Company also has agreements with a consortium of banks for a revolving cash facility totaling up to €150.0m that give creditors similar termination rights in the event of a change of control. In addition, a new credit facility of €120m was agreed in December 2019 to finance the acquisition of the Ålö Group, which also gives creditors a right of termination in the event of a change of control.

Other takeover-related disclosures: There are no shares conveying special control rights. In 2019, a long-term incentive plan (LTIP) for executives (excluding the Management Board) was introduced, which is linked to the development of phantom stocks in JOST Werke AG. The program does not grant shares or stock options. 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 2019

Significant business events in 2019

Change to the Management Board: Lars Brorsen resigned from his post as Chief Executive Officer (CEO) effective September 30, 2019. Chief Sales Officer Joachim Dürr was unanimously appointed by the Supervisory Board as his successor on October 1, 2019. At the same time, the Management Board of the Company was reduced to three members. Lars Brorsen served as a consultant to JOST until December 31, 2019, in keeping with the term of his Management Board contract.

Acquisition of Ålö Holding AB: On December 12, 2019, JOST entered into a purchase agreement to acquire 100% of the shares in Ålö Holding AB (Ålö). The company in question is headquartered in Umeå, Sweden, with production sites in Sweden, China, the USA and France as well as sales offices in all significant markets. Since its establishment in 1949, Ålö has become a leading international manufacturer of front loaders for agriculture. The company develops, produces and markets its products under the brand Quicke. In the 2019 fiscal year, Ålö generated sales of €196.6m and adjusted EBITDA of €25.4m based on preliminary, unaudited figures. The company employs around 700 staff worldwide.

The acquisition of Ålö allows JOST to significantly build on its industrial expertise as a producer and supplier of systems and components for the agricultural sector and decisively reinforce its positioning in this highly promising market. Going forward, JOST also wants to use its own expertise in Asia, Africa and Latin America to accelerate Ålö's access to these markets and create new sources of growth in the process.

The agreed purchase price is equivalent to an enterprise value of €250m and was not due for payment until closing on January 31, 2020. The transaction was financed by the Company's own liquid assets, utilization of existing credit lines and by raising new, long-term debt capital. Another possible payment of up to €25m in 2021 is strictly linked to the achievement of clearly defined increases in earnings and the successful implementation of efficiency projects.

The transaction was completed on January 31, 2020, following approval by the relevant antitrust authorities. Ålö is due to be included in the basis of consolidation of the JOST Werke Group effective February 1, 2020. → **See note 49 "Events after the reporting date".**

Macroeconomic and sector-specific environment in 2019

Macroeconomic environment

Global economic growth slowed in 2019: The global economy cooled noticeably during 2019. Uncertainties over trade policy and geopolitical tensions heavily impacted the global economy in the second half of 2019 in particular. One striking aspect was the geographically widespread decline in the industrial production of goods and in global trade. According to information provided by the International Monetary Fund (IMF), global trade volume in 2019 grew by just 1.0% year-over-year, recording weaker growth than in 2018 (2018: 3.7%). Similarly, growth in global gross domestic product (GDP) fell to 2.9% in 2019 (2018: 3.6%). This negative trend was fueled by higher tariffs and ongoing uncertainty concerning the progress of the trade disputes between the USA, China and Europe. Europe was also impacted by uncertainty over the timing and format of the United Kingdom's withdrawal from the European Union during 2019.

GDP in Europe rose more slowly than in the previous year, increasing by 1.2% in 2019 (2018: 1.9%). Economic growth also decelerated to 2.3% in the USA (2018: 2.9%). Even Asia was unable to buck this trend, with the Asian economy expanding by just 5.6% in 2019 (2018: 6.4%). Latin America also lost momentum. According to the IMF, the region's economic output hardly increased compared to the previous year, rising by only 0.1% (2018: 1.1%).

Sector-specific environment

Declining production figures for heavy trucks in 2019: The global economic slowdown and significant drop in global trade volume also dampened logistics fleets' willingness to invest. As a result, the outlook in many truck markets clouded during 2019. According to figures provided by LMC Automotive, global production of heavy trucks fell by 2.4% year-over-year in 2019.

In Europe, production of heavy trucks declined by 2.4% compared to 2018. This development is primarily attributable to the abrupt drop in demand in the fourth quarter of 2019, which led to longer production shutdowns for several OEM customers at the end of the year. According to LMC Automotive's figures, truck production in Asia, Pacific and Africa fell by 5.1% compared to 2018 – again, the decline was sharper in the second half of 2019 than in the first six months of the year. By contrast, truck production in North America increased once again in 2019. Market research firm FTR, which specializes in North America, anticipates production growth of 6.7% for 2019 as a whole compared to 2018. The truck market in South America also continued its recovery. According to LMC Automotive, truck production in this region grew by 12.7% year-over-year in 2019.

Decline in trailer production in 2019: After a sustained period of growth and high overall production figures in the 2018 fiscal year, the market for commercial vehicle trailers contracted by 9% in 2019 compared to the previous year. The worst-affected market was Europe, which recorded a 10% year-over-year decline according to figures from Clear Consulting. In Asia, trailer production fell by 9% compared to 2018 in 2019. Unlike in Europe and Asia, the market in North America rose by 3.7% in 2019 based on figures by FTR. According to Clear Consulting, the Latin American market for commercial vehicle trailers saw sharp growth during the 2019 fiscal year, rising by 33% in 2019 compared to the previous year.

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

The macroeconomic and sector-specific environment had a mixed impact on JOST's business during the 2019 fiscal year. We profited from strong growth in the US market and reinforced our market position. In Asia-Pacific-Africa (APA), the sharp drop in the Indian market adversely affected performance in the region. However, we recorded strong growth in China even though the market for heavy trucks declined there. In Europe, JOST performed well in the first nine months of the year despite lower demand for commercial vehicle trailers. However, we were unable to compensate for the abrupt weakening of the European truck market in the fourth quarter of 2019. As a result, sales and adjusted earnings before interest and taxes (EBIT) slightly contracted in the 2019 fiscal year compared to the record previous year.

Course of business in 2019

Variance analysis of the financial key performance indicators

The development of the truck and trailer markets showed strong regional differences in fiscal year 2019. Thanks to its broad international presence, in the first nine months of the year JOST was able to make up for the shifts in demand within its various regions. The Company's strong performance in North America compensated for its weakness in its other regions. However, in the fourth quarter of 2019 the market environment deteriorated in all of the Company's regions. The European truck market especially suffered an abrupt decline over the final two months of the year, prompting JOST to revise the growth targets which it had announced at the start of 2019.

Consolidated sales declined by 2.5% in fiscal year 2019 year-over-year to €736.3m (2018: €755.4m). As expected, the lower volume of sales resulted in a decrease in adjusted earnings before interest and taxes (EBIT) by 5.4% to €76.8m (2018: €81.2m). The adjusted EBIT margin remained more or less stable at 10.4% (2018: 10.7%). Adjusted EBIT outperformed the sales figure and increased by 1.1% to €100.8m (2018: €99.7m). This was primarily attributable to the initial application of IFRS 16.

JOST was in a position to achieve a further improvement in its ratio of net working capital to sales year-over-year. At 18.2%, in fiscal year 2019 the Group met its upwardly adjusted target of outperforming the previous year (2018: 18.5%).

Over the course of fiscal year 2019, thanks to the high volume of cash generated by our business model we were able to increase our liquid assets at the reporting date by €38.7m to €104.8m, even though we distributed a €16.4m dividend. This reduced our net debt to €46.3m (previous year: €85.2m). In parallel, our adjusted EBITDA rose to €100.8m. We strongly reduced our leverage ratio (ratio of net debt to adjusted EBITDA) to 0.46x, thus achieving our goal of lowering our leverage to around 0.50x.

Financial key performance indicators

	2018 results	2019 guidance	Updated during the year	**2019 results**
Sales	€755.4m	Low single-digit growth vs. 2018	Low single-digit reduction vs. 2018	−2.5% to €736.3m
Adjusted EBITDA	€99.7m	Low single-digit growth vs. 2018, outperforming sales	Low single-digit growth vs. 2018, outperforming sales	+1.1% to €100.8m
Adjusted EBIT	€81.2m	Low single-digit growth vs. 2018	Low single-digit reduction vs. 2018	−5.4% to €76.8m
Adjusted EBIT margin	10.7%	Stable vs. 2018	Almost stable vs. 2018	10.4%
Net working capital as a percentage of sales	€139.8m 18.5%	< 20%	< 18.5%	€133.9m 18.2%
Ratio of net debt to adjusted EBITDA	0.85x	< 0.85x	approx. 0.50x	0.46x

Results of operations

Sales

Sales by country of origin

in € thousands	**2019**	2018	% yoy
Europe	431,684	463,776	−6.9%
North America	161,779	145,632	11.1%
Asia-Pacific-Africa (APA)	142,884	146,006	−2.1%
Total	**736,347**	**755,414**	**−2.5%**

After a positive development in the first half of 2019, growth slowed in the third quarter of 2019 and fell below the previous year's level in the final three months of the year. In Europe in particular, the sudden market decline over the course of the fourth quarter of 2019 clearly reflected more than just the typical seasonality of the industry. As a result, consolidated sales fell by 2.5% to €736.3m (2018: €755.4m). Adjusted for currency translation effects, the decline was 3.7%.

In Europe, from the start of the year onward demand for commercial trailers was significantly lower than in the previous year, even though JOST was partly able to make up for this trend by increasing sales of components for special trailers. Towards the end of the year, the abrupt cooling off of the truck market led to additional sales losses. Sales in Europe fell by 6.9% to €431.7m in fiscal year 2019 (2018: €463.8m).

North America was the most important growth driver for JOST for the second consecutive year. Sales rose by 11.1% year-over-year to €161.8m (2018: €145.6m). JOST was able to benefit from the strong market momentum in the region and gained the standard position with further truck manufacturers, which strengthened JOST's position in the region.

In the Asia-Pacific-Africa (APA) region, JOST was only partially able to offset the strong decline in the Indian market in fiscal year 2019 with its increased sales in China and other countries in the region. APA sales thus amounted to €142.9m and at −2.1% were only slightly below the strong figure for the previous year (2018: €146.0m).

Earnings performance

Results of operations in 2019

in € thousands	2019	2018	% yoy
Sales revenues	**736,347**	**755,414**	**–2.5%**
Cost of sales	–548,801	–560,110	
Gross profit	**187,546**	**195,304**	**–4.0%**
Operating expenses / income	–141,742	–142,117	
Operating profit (EBIT)	**45,804**	**53,187**	**–13.9%**
Net finance result	**–4,199**	**–9,661**	
Profit / loss before taxes	**41,605**	**43,526**	**–4.4%**
Income taxes	–8,081	9,924	
Profit / loss after taxes	**33,524**	**53,450**	**–37.3%**

An increase in personnel expenses in Europe in particular as well as tariffs on imported steel products in North America had a negative impact on the cost of sales. JOST initiated various measures to limit the personnel expenses and material costs inflation and to increase efficiency over the course of the year. The cost of sales accordingly declined by 2.0% in 2019, reflecting the trend in sales (–2.5%), while the gross margin was kept stable at 25.5% (2018: 25.9%). We increased our level of automation in Europe and strongly benefited from the expansion investments already made in the USA in 2018, which likewise provided efficiency gains. On the other hand, operating expenses decreased only slightly, by 0.3%. This low decline mainly reflected an increase in research and development expenses as well as one-off costs associated with the acquisition of Ålö and the harmonization of global IT infrastructures. Overall, earnings before interest and taxes decreased by 13.9% to €45.8m (2018: €53.2m).

Adjusted for exceptionals, earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 1.1% to €100.8m (2018: €99.7m), primarily due to the initial application of IFRS 16 in fiscal year 2019. As a result, the adjusted EBITDA margin improved to 13.7% (2018: 13.2%). Adjusted earnings before interest and taxes (EBIT) declined by 5.4% to €76.8m (2018: €81.2m). The adjusted EBIT margin was 10.4% and more or less stable year-over-year, despite pressure from personnel expenses and material costs as well as a lower sales volume (2018: 10.7%).

The following table illustrates the adjustments to operating profit. First of all, profit is adjusted for non-operating exceptionals arising from purchase price allocation in the amount of €25.1m (2018: €25.4m). The other adjusted exceptionals in fiscal year 2019 mainly comprised one-off costs associated with the acquisition of Ålö, personnel expenses and the harmonization of global IT infrastructures.

Reconciliation of adjusted earnings in 2019

in € thousands	2019	2018
Profit / loss after taxes	**33,524**	**53,450**
Income taxes	–8,081	9,924
Net finance result	–4,199	–9,661
EBIT	**45,804**	**53,187**
D & A from PPA	–25,108	–25,415
Other effects	–5,923	–2,579
Adjusted EBIT	**76,835**	**81,181**
Depreciation of property, plant and equipment	–21,735	–12,787
Amortization of intangible assets	–2,222	–5,713
Adjusted EBITDA*	**100,792**	**99,681**

* Due to the initial application of IFRS 16 in fiscal year 2019, a comparison of adjusted EBITDA in 2019 with that of the previous year is only possible to a limited extent. See note 2.3 in the notes to the consolidated financial statements.

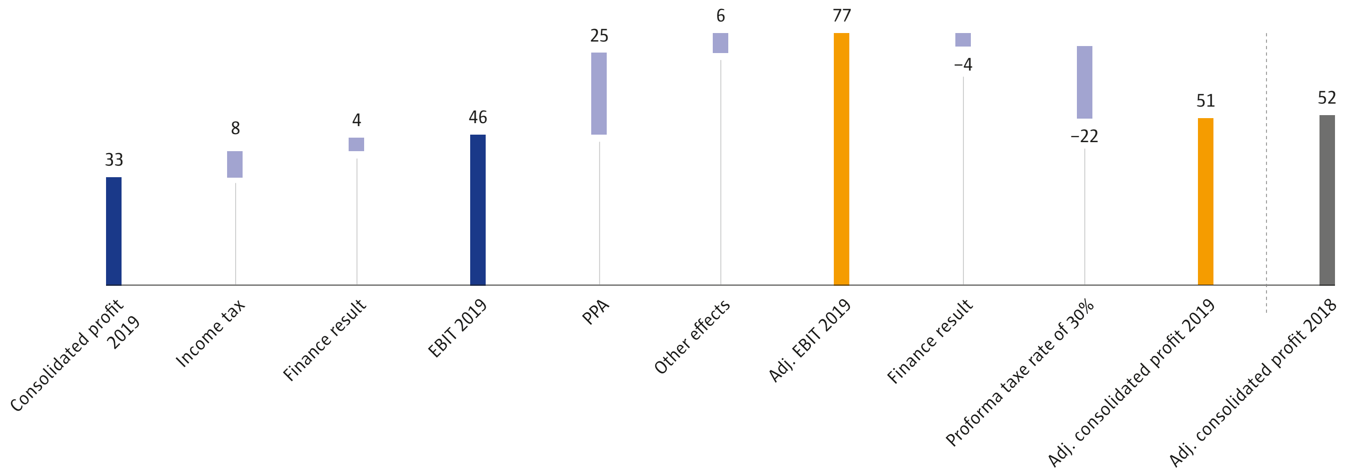
The net finance result improved to €–4.2m in fiscal year 2019 (2018: €–9.7m). This change was mainly attributable to refinancing carried out in 2018, which resulted in a reduction in interest payments to banks. In addition, non-recurring one-off costs of €2.2m were incurred in the previous year in connection with the refinancing.

In line with the sales trend, earnings before taxes declined by 4.4% to €41.6m (2018: €43.5m). Earnings after taxes amounted to €33.5m (2018: €53.5m). This significant decrease is attributable to a positive tax effect in the previous year caused by the recognition of deferred taxes from interest and loss carryforwards of €17.2m. As a result, no tax expense has been incurred in the German Jasione tax group for 2019. Income tax thus amounted to €–8.1m in fiscal year 2019, while it was positive in the same period last year at €9.9m. Earnings per share accordingly declined to €2.25 (2018: €3.59).

Adjusted for the exceptionals mentioned above, the adjusted profit after taxes declined by 1.6% (and thus decreased less strongly than the volume of sales) and amounted to €50.8m (2018: €51.6m). Adjusted earnings per share amounted to €3.41 (2018: €3.46).

Reconciliation of 2019 adjusted earnings

in € million



Segments

Segment reporting in 2019

in € thousands	Europe	North America	Asia, Pacific and Africa	Reconciliation	Consolidated financial statements
Sales revenues*	699,138	162,692	179,080	−304,563	736,347 **
thereof: external sales revenues*	**431,684**	**161,779**	**142,884**	**0**	**736,347**
thereof: internal sales revenues*	267,454	913	36,196	−304,563	0
Adjusted EBIT***	**38,200**	**15,472**	**19,707**	**3,456**	**76,835**
of which: depreciation and amortization	16,178	4,134	3,645	0	23,957
Adjusted EBIT margin	8.8%	9.6%	13.8%		10.4%
Adjusted EBITDA*/*******	**54,378**	**19,606**	**23,352**	**3,456**	**100,792**
Adjusted EBITDA margin	12.6%	12.1%	16.3%		13.7%

* Sales by destination in 2019:
- Europe: €375,959 thousand
- Americas: €170,254 thousand
- Asia, Pacific and Africa: €190,134 thousand

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

*** Adjusted EBIT / EBITDA includes the share of the profit or loss of investments accounted for using the equity method.

**** Due to the initial application of IFRS 16 in fiscal year 2019, a comparison of adjusted EBITDA in 2019 with that of the previous year is only possible to a limited extent. See note 2.3 in the notes to the consolidated financial statements.

Segment reporting in 2018

in € thousands	Europe	North America	Asia, Pacific and Africa	Reconciliation	Consolidated financial statements
Sales revenues*	746,723	146,465	191,888	–329,662	755,414 **
thereof: external sales revenues*	**463,776**	**145,632**	**146,006**	**0**	**755,414**
thereof: internal sales revenues*	282,947	833	45,882	–329,662	0
Adjusted EBIT***	**43,947**	**13,545**	**20,651**	**3,038**	**81,181**
of which: depreciation and amortization	14,645	2,612	1,243	0	18,500
Adjusted EBIT margin	9.5%	9.3%	14.1%		10.7%
Adjusted EBITDA***	**58,592**	**16,157**	**21,894**	**3,038**	**99,681**
Adjusted EBITDA margin	12.6%	11.1%	15.0%		13.2%

* Sales by destination in 2018:
- Europe: €403,721 thousand
- Americas: €155,018 thousand
- Asia, Pacific and Africa: €196,675 thousand

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

*** Adjusted EBIT / EBITDA includes the share of the profit or loss of investments accounted for using the equity method.

Europe

The Europe segment was again the largest segment in the JOST Werke Group in 2019, accounting for 58.6% of total sales (2018: 61.4%). The negative trend for the truck and trailer markets in the region was the main factor behind the 6.9% decline in sales to €431.7m. The lower sales level and the increased personnel expenses reduced the adjusted operating profit (EBIT) because Europe bears the Group's administration costs and thus a comparatively higher share of fixed costs. In fiscal year 2019, EBIT decreased by 13.1% to €38.2m (2018: €43.9m). As a result, the adjusted EBIT margin was 8.8% (2018: 9.5%).

In 2019, we invested €10.7m in Europe (2018: €10.6m). This mainly comprised replacement investments for machinery and production plants as well as investments associated with the automation of production processes.

North America

The North America segment was the key sales and earnings growth driver in fiscal year 2019. Compared with the previous year, sales were up 11.1% to €161.8m. This segment's share of consolidated sales amounted to 22.0% in 2019 (2018: 19.3%). In North America, the tariffs on imported steel products increased material costs in the first quarter of 2019. However, over the course of the year we were able to largely compensate for this effect by means of additional efficiency measures and price adjustments. We increased our adjusted EBIT figure by 14.2% year-over-year to €15.5m (2018: €13.5m). The adjusted EBIT margin rose to 9.6% (2018: 9.3%).

JOST had already made investments of €7.0m in its North America segment in the previous year. The required level of investment in fiscal year 2019 was therefore lower than in the previous year. Total investments in North America amounted to €4.8m (2018: €7.0m).

Asia-Pacific-Africa (APA)

The increased volume of sales in China and other countries in the region was not sufficient to compensate for the sharp decline of the Indian market for trucks and trailers. The fall in demand in India was the main factor behind the 2.1% decrease in the volume of sales in APA year-over-year to €142.9m (2018: €146.0m). The regional shift in sales and the related change in the product mix as well as underutilization of the Company's Indian production plant had a negative impact on JOST's operating profit in APA. JOST was nonetheless able to limit the decrease in its operating profit thanks to rapidly initiated cost reduction measures. Adjusted EBIT decreased by 4.6% to €19.7m and the adjusted EBIT margin was 13.8% (2018: 14.1%).

In fiscal year 2019, we invested €2.1m in this region (2018: €2.2m). This mainly related to replacement investments for machinery and production plants.

Net assets

Balance sheet structure

Assets

in € thousands	12/31/2019	12/31/2018
Noncurrent assets	313,477	309,602
Current assets	325,075	310,350
	638,552	**619,952**

Equity and Liabilities

in € thousands	12/31/2019	12/31/2018
Equity	263,130	251,613
Noncurrent liabilities	267,851	240,396
Current liabilities	107,571	127,943
	638,552	**619,952**

In fiscal year 2019, Group equity rose by 4.6% to €263.1m (December 31, 2018: €251.6m). Despite the initial application of IFRS 16 and a dividend payment of €16.4m, the equity ratio (equity divided by total assets) improved by 60 basis points to 41.2% year-over-year (December 31, 2018: 40.6%).

Noncurrent liabilities were mainly composed of interest-bearing bank loans (€150.4m), pension obligations (€69.1m) and other noncurrent financial liabilities (€25.2m). At the reporting date, noncurrent liabilities increased by €27.5m to €267.9m (December 31, 2018: €240.4m). This is mainly associated with the €24.5m increase in other noncurrent financial liabilities due to the initial application of IFRS 16. The €10.4m increase in pension obligations caused by the decline in the calculatory interest rate also led to a rise in noncurrent liabilities. The decrease in deferred tax liabilities was an offsetting factor. → **See note 12 of the notes to the consolidated financial statements**

Interest-bearing loans and borrowings comprise promissory notes almost exclusively. The future interest rate volatility of the floating-rate tranches is partly hedged with interest swaps.

Current liabilities principally comprise trade payables (€64.2m) and other current liabilities (€18.4m). The €16.6m decrease in trade payables to €64.2m (December 31, 2018: €80.8m) triggered by significant decline in business activity by the end of the year is the primary reason for the €20.3m decline in current liabilities to €107.6m (December 31, 2018: €127.9m).

Noncurrent assets rose by €3.9m to €313.5m in fiscal year 2019 (December 31, 2018: €309.6m). This trend reflected, in particular, a €26.9m increase in property, plant and equipment to €109.7m (December 31, 2018: €82.8m). This was likewise attributable to the initial application of IFRS 16. In contrast, the amortization of intangible assets arising from historical purchase price allocations (PPA) and ongoing depreciation of property, plant, and equipment reduced noncurrent assets.

The lower volume of business in fiscal year 2019 and active working capital management caused inventories to fall to €108.2m (December 31, 2018: €110.9m) and trade receivables to decline to €89.9m (December 31, 2018: €109.7m). This trend played a key role in the improvement in working capital realized. This decreased by 4.2% year-over-year to €133.9m (December 31, 2018: €139.8m). Thanks to effective working capital management, we were able to further reduce the ratio of net working capital to sales in fiscal year 2019 to 18.2% (2018: 18.5%). JOST was thus able to achieve its declared goal of a further year-over-year improvement in this ratio.

In fiscal year 2019, despite a dividend payment of €16.4m we were able to increase our liquid assets by €38.7m to €104.8m year-over-year (December 31, 2018: €66.1m). As a result, net debt declined to €46.3m at the reporting date (December 31, 2018: €85.2m). This strong trend, together with the increase in the adjusted EBITDA figure triggered by IFRS 16, enabled us to reduce our leverage (ratio of net debt to adjusted EBITDA) to 0.46x (December 31, 2018: 0.85x). Here too, JOST was therefore able to achieve its goal of a leverage ratio of around 0.5x.

Capital expenditures

In fiscal year 2019, we invested €17.6m throughout the Group (2018: €19.8m). The reduction in capital expenditure was accompanied by a decline in sales. A total of €15.5m was spent on property, plant and equipment, mainly on replacement investments, on increasing production automation, on purchases of new machinery and on expanding production capacity in North America and Europe. We designated another €2.1m to intangible assets. This mainly involved the capitalization of development costs and capital expenditures for the harmonization of global IT infrastructures. Capital expenditure as a percentage of sales was 2.4% (2018: 2.6%).

Liquidity and financial position

Cash flow

in € thousands	2019	2018
Cash flow from operating activities	**77,563**	**58,145**
thereof change in net working capital	8,328	–10,884
Cash flow from investing activities	**–13,270**	**–18,365**
Cash flow from financing activities	**–26,331**	**–39,512**
Net change in cash and cash equivalents	**37,962**	**268**
Change in cash and cash equivalents due to exchange rate movements	763	–494
Cash and cash equivalents at January 1	66,087	66,313
Cash and cash equivalents at December 31	**104,812**	**66,087**

The measures taken to manage net working capital supported the positive trend in operating cash flow during the fiscal year. Cash flow from operating activities increased by 33.6% in 2019 to €+77.6m (2018: €+58.1m). This includes €6.9m due to the first-time application of IFRS 16.

Cash flow from investing activities improved to €–13.3m (2018: €–18.4m). This primarily reflected the lower volume of investment in the fiscal year ended as well as the dividends received from joint ventures.

Cash flow from financing activities improved in 2019 to €–26.3m (2018: €–39.5m), which is primarily due to the repayment of long-term loans and borrowings of €30.2m in the previous year. The dividend payment made in May 2019 (€–16.4m) and repayments of lease liabilities (€–6.9m) due to the application of IFRS 16 had a negative impact on cash flow from financing activities in 2019.

As of December 31, 2019, liquid assets totaled €104.8m (2018: €66.1m).

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 of €150.0m in place as of December 31, 2019. Furthermore, an additional credit facility of €120.0m was agreed at the end of 2019 to finance the acquisition of the Ålö Group.

We pursue a consistent dividend policy based on the Group's results of operations and financial position. When our business performs positively, we want our shareholders to participate in JOST Werke AG'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 2019, the Management Board will propose to the General Meeting on May 7, 2020 a dividend of €0.80 per share (2018: €1.10). This represents a total dividend payout of €11.9m and a year-over-year increase in the payout ratio to 35.6% (2018: 30.6%). Two years after the IPO, the payout ratio in 2019 will therefore be within the medium-term target corridor of 35% to 50%. In the previous year, consolidated net profit had been lifted by a tax exceptional of €17.2m, which means that the dividend per share was higher in 2018 despite the lower payout ratio.

Management Board's overall assessment of the economic situation

JOST performed strongly in fiscal year 2019, in an increasingly difficult market environment. We initiated various cost reduction measures in Europe and APA and were thus able to partially cushion the impact of the decline in demand in these regions. In North America, we grew in line with the market and improved our profitability compared to the previous year. Despite the decrease in sales and earnings year-over-year, JOST was able to considerably improve its operating cash flow, boost its liquid assets and significantly reduce its net debt. Overall, we succeeded in keeping the Group's adjusted operating EBIT margin almost stable at 10.4% despite a more difficult environment.

Our acquisition of Ålö Holding AB is an important step to ensure the Group's future growth and will significantly strengthen our position in the agricultural market. From the Management Board's perspective, JOST's economic situation is solid. It gives the Company additional financial stability and provides a secure basis for its future commercial success.

Research and development

Innovative products are one of the three strategic action areas of the JOST Werke 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 advance and application development of our existing portfolio are essentially concentrated in our facility at Neu-Isenburg in Germany. Our longstanding international suppliers mostly receive technical support from Neu-Isenburg and are closely involved in the development process.

Research and development expenses in the 2019 fiscal year amounted to €13.2m (previous year: €12.7m). In 2019, we employed an average of 123 people worldwide in research and development (previous year: 120).

Our research and development activities in the fiscal year ended again were focused on the further development of components for our autonomous coupling system. In this context, we conducted initial field trials with various freight forwarders in fiscal year 2019. As a leading provider of commercial vehicle interfaces, we want to support and assist our customers as they progress beyond the era of mechanical coupling. We are therefore researching and developing new technologies and products to optimize our current mechanical connection solutions and enable their integration into digital or electric smart truck features.

Also in fiscal year 2019, we launched a new tire inflation system that controls and maintains tire pressure. This saves fleets fuel and emissions and not only boosts their efficiency but also reduces their ecological footprint. We have also conducted research on additional features to enhance the value of our products and pushed on with the development of further products for demanding special applications. There has been a continued focus on the areas of safety and convenience features and on efforts to cut weights and carbon emissions. We have also developed products in the conventional mechanical segment with the aim of occupying new niches and markets.

Related Parties

Related party disclosures are presented in note 43 of the notes to the consolidated financial statements.

Report on post-balance sheet date events

We refer to the disclosures in note 49 “Events after the reporting date” in the notes to the consolidated financial statements.

REPORT ON OPPORTUNITIES AND RISKS

Opportunity and risk 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 Werke Group’s opportunity and risk management system is designed to identify and seize opportunities and at the same time to identify, assess and counteract risks at an early stage. In addition to meeting legal and regulatory requirements, a functioning risk management system ensures the JOST Werke Group’s long-term ability to perform in its competitive environment and achieve its corporate goals.

The Management Board of JOST Werke AG is responsible for an effective opportunity and risk management system and 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 identify and exploit opportunities to ensure the Group’s achievement of corporate goals, continued existence, competitiveness and business success, 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.

The JOST risk management system was introduced in 2017. It is based on the ISO 31000 standard entitled “Risk Management – Principles and Guidelines” and is an integral component of the management process. The system is aligned with the following core elements: risk identification, risk assessment, risk management and risk monitoring. 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 Group’s opportunity and risk management system 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 by means of checklists, control procedures, workshops and interviews. 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. These risk fields are based on the JOST process landscape and internal procedures of the JOST Werke Group and serve to structure the identification of opportunities and risks. Direct responsibility for identifying and managing business opportunities and risks at an early stage lies with the risk owners in each of our departments. In addition to identifying and assessing these opportunities and risks, the risk managers' role is to develop, introduce and monitor suitable measures. The purpose of these measures is to avoid, mitigate or transfer risks.

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 a certain probability of occurrence (according to the levels: highly unlikely, unlikely, possible, likely, highly likely) and on the financial impact of the risk (extent of loss according to the levels: very low, low, moderate, high, very high), as shown in the matrix chart. The probability of occurrence and the extent of loss are assessed after factoring in implemented measures (net approach). Assessing the probability of occurrence and the extent of loss of future events and developments is naturally subject to uncertainties. We cannot always precisely foresee and counteract these events and developments.

Relevance scale for the potential deviation from EBT or liquidity target

	Up to €1m	€1m to €3m	>€3m up to €10m	>€10m up to €20m	>€30m
Relevance scale for extent of loss	Very low	Low	Moderate	High	Very high
	Up to 3%	>3% up to 10%	>10% up to 40%	>40% up to 80%	> 80 %
Reference scale for probability of occurrence	Highly unlikely	Unlikely	Possible	Likely	Highly likely

Each risk owner is responsible for carrying out risk monitoring on a decentralized basis. The risk owner's information about their risks is consolidated by central risk management and presented to the Management Board twice a year in the form of a risk report. This report provides a detailed overview of the current risk situation. The Management Board will be informed promptly and directly of any acute opportunities and risks (ad-hoc reports).

JOST has been using an integrated software solution for the risk management system since the start of 2019. This allows risk owners to evaluate, manage and monitor independently identified risks. The system also enables JOST's risk owners to regularly check the current risk status. To this end, risk owners must periodically update and assess their risks and, if necessary, initiate, confirm and approve suitable measures. This is then consolidated into a report in the system and reported to the Management Board.

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 the compliance officer, who is advised by external lawyers, if required.

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. This is intended to avoid accounting errors and identify any incorrect valuations 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 Werke 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.

Opportunities and risks

In the following paragraphs, we outline the opportunities and risks that from today's perspective may significantly impact the results of operations, financial position and net assets of our business. In addition to the opportunities and risks outlined here, there may be other influencing factors that we do not currently consider significant or are not yet known to us that could have a positive or negative effect on the net assets, financial position and results of operations of the Group.

Unless specified otherwise, the opportunities and risks outlined here affect all of the Group's operating segments. If opportunities and risks 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 or in agriculture, may adversely affect our business. The acquisition of the Ålö Group enables JOST to exploit new segments and sales / economic cycles in the agricultural sector. We expect the different sales and economic cycles to result in a more stable and less cyclical performance of our business overall.

The political, social or economic environment and negative changes in countries in which we and our customers operate could have an adverse impact on our business and on our results of operations, financial position and net assets. 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 upturn in the demand for commercial vehicles may mean that our production capacity is not sufficient to cover actual demand for our products, causing us to lose market share.

Overall economic development appears to become increasingly uncertain. There is currently a significant degree of uncertainty about the effects of the United Kingdom's intended withdrawal from the EU ("Brexit") for both companies and consumers in Europe and the United Kingdom in particular. There is a risk that Brexit could have a negative impact on the economy in Europe. The US-China trade conflict still poses further uncertainty that could lead to a slowdown in global economic growth. The economic development of several emerging markets is being hindered by their dependency on energy and commodity prices, capital imports and sociopolitical tensions in particular. Reduced growth rates in important countries and regions often have an immediate impact on the global economy and thus present a risk to JOST as well.

Although economic expectations are worsening globally and signs of a slowdown are becoming increasingly apparent, the International Monetary Fund (IMF) still expects the global economy to grow in 2020. However, there are currently no reliable estimates available of the potential negative impact of the spread of coronavirus on the real economy and trade volumes worldwide. Furthermore, political and trade conflicts and rising economic uncertainty could adversely impact willingness to invest in the commercial vehicle industry and thus influence our business.

The asset-light nature of our production allows us to react quickly and flexibly to regional changes in demand. Likewise, the international scope of our business model enables us to reduce our dependency on individual countries and regions, thus allowing us to spread risk more effectively. Forecasting institute LMC currently expects global truck production to decline by around 11.5% year-over-year in fiscal year 2020. The extent of this decline will vary from region to region. LMC also anticipates a global drop in production in the trailer market. This negative sector outlook could have an adverse impact on the Group's sales and earnings. If JOST is unable to adjust its processes and capacity and reduce costs, the profitability of the Group could turn out to be worse than expected.

In addition to overall economic developments, the weather, animal diseases and declining prices for agricultural products could all have a negative effect on the sales and earnings performance of our agricultural components business.

We believe that current macroeconomic and sector-specific risks are moderate. We assess the probability of occurrence as possible. The assessment of these risks has increased slightly compared to the previous year due to the higher level of uncertainty regarding overall economic and sector-specific trends.

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. By acquiring Ålö, we have expanded our presence in the agricultural market for commercial vehicles and given ourselves access to new customers. Carrying out joint research and development activities and combining JOST and Ålö's sales channels should allow JOST to stand out even further from the competition.

We believe the significance of these competition risks for our business is moderate and rate their probability of occurrence as unlikely. This risk has increased compared to the previous year.

Risks arising from business activities

We generated more than one third (about 35%) of our 2019 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 (about 39%), is significantly more fragmented and is served by several hundred manufacturers, most of whom operate regionally. The remaining share of sales (about 26%) 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. From 2020 onwards, our dependency on truck OEMS and trailer customers will reduce further, as Ålö predominantly works with dealers and OEMs in the agricultural sector, thus broadening JOST's customer base even further. Nevertheless, the bargaining power of major customers may still have a negative impact on our 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 the significance of these risks (extent of loss) arising from our business activities is low, and we rate their probability of occurrence as possible. This risk is unchanged compared to the previous year.

Production risks

Our production processes are professionally 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 covered as far as possible 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. The outbreak of epidemics in countries where JOST has production plants may also lead to downtime over which JOST will have no control.

We currently rate the potential impact of these risks (extent of loss) as moderate due to the coronavirus outbreak in China. However, we believe the probability of occurrence for future production downtime is unlikely. This risk has increased compared to the previous year.

Corporate strategy risks

JOST's corporate strategy aims to continuously increase the value of the enterprise. 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 changing technologies in order to be able to adapt to them or take advantage of them. We may be unable to successfully integrate current or future acquisitions and joint ventures as well as newly opened, acquired or relocated plants, or achieve the expected benefits. These risks may reduce acceptance of our products, damage our brands' 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.

The acquisition of Ålö has slightly increased JOST's strategy risks compared to the previous year. Despite careful due diligence in the run-up to the acquisition, there is a risk that the integration of Ålö into the JOST Werke Group will be delayed or that JOST will achieve its anticipated earnings targets later than expected.

We currently believe that the extent of loss associated with these strategic risks is low and that the probability of occurrence for this risk is unlikely. This risk increased slightly compared to the previous year.

Procurement risks

JOST is affected by fluctuations in the prices of the materials used. The increase in energy and commodity prices constitutes a significant procurement risk to the JOST Werke Group. In America in particular, increasing protectionism may cause procurement prices to rise. We are also dependent upon a limited number of suppliers for certain products and subcomponents. Supply interruptions, price increases, and supply and capacity bottlenecks caused by the loss of suppliers may have an increased impact on our production and sales. Similarly, the outbreak of epidemics or natural disasters in regions in which our suppliers produce their goods may lead to supply interruptions as well as supply and capacity bottlenecks.

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. We assess the probability of occurrence for this risk as possible due to new uncertainties such as a potential trade war between China and the USA. Due to the outbreak of coronavirus in China, the risk has increased compared to the previous year.

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. The low level of unemployment in the countries in which JOST manufactures its products exacerbates the shortage of skilled workers and carries the risk of rising personnel expenses. Staff shortages can restrict the further development, production and sale of our products and services, which in turn can impact negatively on the JOST Werke Group's earnings. 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.

We counteract the loss of experts and senior managers in key positions by initiating know-how transfer at an early stage. Development measures such as continued professional training and talent management programs also help us retain our employees while at the same time enabling them to perform their tasks more effectively.

We currently believe the extent of loss of human resources risks is low and the probability of occurrence is unlikely to possible. This risk is unchanged compared to the previous year.

IT risks

The security and reliability of information technology is of great importance to JOST. Faults in the operation of information systems and networks may threaten the availability of IT services at our locations and adversely affect productivity. Cybercrime is also on the rise and poses an increased threat to the IT security of affected companies. Unauthorized data access, data loss and business interruptions and breakdowns caused by cyberattacks on IT and business processes pose a threat to the Group. 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. Dependence on software vendors and IT service providers also increases. New, more stringent data protection and data security requirements have also been put in place with the entry into force of the EU General Data Protection Regulation (GDPR) in May 2018.

We counteract this risk with implementation projects and by making individuals at each site responsible for this implementation. We also pursue a central IT strategy to consistently ensure that the Group has a robust IT competence profile. We work with established standards and have various control procedures relating to system availability, integrity and confidentiality, and to data security, data protection and IT management. As the exchange of up-to-date, complete and correct information is very important to JOST, the need to protect this information is addressed accordingly using secure IT systems and infrastructure. We also use technical and organizational measures as well as additional preventative measures (e. g. protection of redundant data centers) and reactive measures (e. g. emergency planning) designed to further limit IT risks. We actively counteract this risk with the help of our IT security policy and by continuously refining how our IT security is organized, issuing Group-wide security standards and carrying out regular simulated hacker attacks and penetration tests. We also constantly update our IT security solutions and take care of the lifecycle management of our IT landscape. Our employees are consistently made aware of the issues of data protection and data security and given training in this area.

We currently believe that the impact (extent of loss) of these IT risks on our net assets, financial position and results of operations is low and that the probability of occurrence for this risk is unlikely. This risk is unchanged compared to the previous year.

Financial risks

Due to our international activities as a global 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 in 2020. 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 our subsidiaries and have an impact on profitability. Currency risks are currently not hedged systematically.

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. There is an interest rate risk for the floating-rate promissory note loans, which is hedged by interest rate swaps, however. As at December 31, 2019, JOST's net debt amounted to €46.3m. The high levels of liquid assets and the strong cash generation of our business model are a reflection of the Group's robust financing structure. We also have a revolving cash facility in place that had not yet been utilized as of the December 31, 2019 reporting date. JOST used a portion of the revolving cash facility in 2020 together with other debt instruments to finance the acquisition of Ålö. → **See note 49 "Events after the reporting date".**

Overall, we believe the extent of loss arising from financial risks is low and the probability of occurrence is unlikely. However, due to the acquisition carried out, they have increased slightly compared to the previous year. Further information on financial risks and their management can be found in note 44 of the notes to the consolidated financial statements.

Legal risks

We strive to avoid or control legal risks. Nevertheless, the JOST Werke 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 a code of conduct, whistleblower system and different internal guidelines to prevent and quickly identify violations in order to minimize these risks. We also organize regular workshops on export control and perform daily checks of our business partners against sanctions lists. In addition, we regularly train our employees on compliance issues. 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 and the probability of occurrence is unlikely. This risk is unchanged compared to the previous year.

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, e-commerce, digitalization and sustainability offer fundamental growth opportunities for road freight transport, as trucks are one of the primary means of transport for supplying towns and cities. Growth markets in Asia, South America, Africa and Eastern Europe represent major opportunities for JOST, as a significant amount is being invested in developing transport infrastructure in these markets. However, the economic and political environment in several countries within these regions makes it difficult to increase sales figures there. Examples of this include high tariff barriers and minimum requirements concerning the proportion of production carried out locally.

In 2019, we generated about one quarter of consolidated sales in emerging and developing markets. We are also supplying the Latin American market with JOST products via a joint venture in Brazil. Due to our strong global presence, we believe that we are well positioned to benefit from dynamic growth in emerging and developing countries. 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 grow faster as a result.

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 manufacturing products and systems that link trucks with trailers. For this reason, we are consciously investing in research and development with the aim of developing an autonomous coupling system between trucks and trailers that enables a future autonomy of the coupling process that is still carried out manually today. We see this as an important step on the path to the fully autonomous driving of commercial vehicles. By doing this, it is important that we generate efficiency gains to create added value for the users of our products, i. e. fleet operators. We also expect the electrification and development of our systems to provide an additional boost to the market. With this in mind, we produce the new innovative Modul E-Drive electric landing gear, which offers users a significant improvement in comfort, workplace safety and efficiency. Using the Modul E-Drive saves users from arduous and exhausting hand cranking, thus making it considerably easier to connect and disconnect trailers.

We believe the medium to long-term opportunities posed by the successful development and marketing of such systems 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 2020 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 can still benefit from the old standards or subsequent orders that meet the new requirements. In the medium term, new standards will also force fleets to become more efficient and sustainable and become more interested 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 their safety regulations for commercial vehicles and developing more stringent requirements for maintaining environmental standards, For example, India wants to introduce stricter standards in 2020 aimed at reducing truck exhaust emissions. Developments such as these will increase the demand for new products and replacement parts in the region. As a result, we will continue developing our sites in Asia in order to profit from the growing replacement parts market in this region.

Overall, we believe that these opportunities are of moderate significance for the APA segment. We believe that these opportunities have a low significance for our North America and Europe segments in the 2020 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. The acquisition of Ålö has strengthened JOST's negotiating position vis-à-vis some of its suppliers. The integration of this business should enable us to further optimize our international goods flows and leverage new procurement synergies.

We believe these opportunities will have a low to medium positive 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 and process portfolio. We have a proven expertise 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.

In December 2019, JOST signed a takeover agreement for Ålö, one of the world's leading manufacturers of agricultural front loaders. With this acquisition, JOST has significantly boosted its growth opportunities in the agricultural business. With worldwide market share of approximately 30% in the agricultural front loader market, Ålö's attractive product portfolio and broad customer network of OEMs and dealers will strengthen JOST's presence in the agricultural sector. JOST expects the integration of Ålö to generate synergies in product development and purchasing as well as in the joint commercialization of products for the agricultural industry marketed under JOST's current brand ROCKINGER and Ålö's brand Quicke. Combining the two companies' joint expertise should enable JOST to successfully develop new promising business areas. At the same time, JOST is set to benefit more from the sustainable growth trends in the off-highway segment in addition to its classic on-road business.

We believe the short- to medium-term opportunities in terms of corporate strategy are material.

Overall assessment of the Management Board on opportunities and risks

The JOST Werke Group's risk management system enables the Company to identify, assess and, if necessary, counteract going-concern risks and other material risks at an early stage as well as to identify and 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. Overall, due to the measures taken to mitigate them, the risks identified do not have any impact on our net assets, financial position and results of operations that could endanger our continued existence as a going concern and are assessed as manageable. Despite changes in the assessment of individual risks, there are no material changes to the overall risk assessment compared to the previous year. 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 opportunities that present themselves without having to take unreasonably high risks. The profitability of the JOST Werke Group offers 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 overall.

The report on opportunities and risks contains forward-looking statements about expected developments. These statements are based on current estimates and are naturally subject to risks and uncertainties. Actual results may differ from the estimates set out here.

REPORT ON EXPECTED DEVELOPMENTS

Expected development of the general environment

Macroeconomic environment

Improved economic outlook for 2020: The International Monetary Fund (IMF) expects the global economy to stabilize in 2020. After cooling in 2019, the global economy is likely to gather momentum again in 2020 and grow by 3.3% year-over-year (2019: 2.9%). The effects of the bolstering monetary policy measures implemented in 2019 are expected to become more apparent in 2020 and will be accompanied by an upturn in trade growth. As a result, trade volumes are set to increase by 2.9% (2019: 1.0%).

For Europe, the IMF expects economic output to expand by 1.3% and thus grow slightly faster compared to the previous year (2019: 1.2%). In the USA, however, the economy is expected to lose momentum and only expand by 2.0% year-over-year (2019: 2.3%). This is primarily caused by the more stringent monetary policy expected. The IMF is also forecasting a slight slowdown in China's economic output, with the Chinese economy expected to grow by 6.0% year-over-year in 2020 (2019: 6.1%). However, any effects of the coronavirus outbreak in China have not been incorporated into the IMF's expectations. Overall, the economy in Asia's emerging and developing countries is likely to expand slightly faster than in the previous year at 5.8% in 2020 (2019: 5.6%). The economy in Latin America is also set to continue its recovery and grow by 1.6% year-over-year in 2020 (2019: 0.1%).

However, economic expectations are expected to be depressed further by the spread of coronavirus. There are currently no reliable estimates available of the potential negative impact of coronavirus on the real economy and trade volumes worldwide.

Sector-specific environment

Declining production figures for heavy trucks: After making substantial investments in previous years, fleet operators in many regions have come to a natural break in the investment cycle. As a result, major OEM manufacturers in Europe anticipate a year-over-year decline of up to 15% in heavy truck production in 2020. FTR Consulting expects heavy truck production in North America to drop by 31% compared to 2019. LMC Automotive also projects a further 11% year-over-year reduction in truck production in Asia-Pacific-Africa. Only in Latin America is the heavy truck market expected to continue its recovery and grow by a further 19% during fiscal year 2020. These figures do not take into account possible effects due to the spread of coronavirus.

Despite the largely negative market trends forecast for the production of new trucks in 2020, the positive economic outlook in the various regions shows that there is still strong demand for transport in many economies. This indicates high usage of existing trucks, which in turn is likely to have a positive effect on our replacement parts business.

Decline in trailer production continues: After the sharp decline in the trailer market in fiscal year 2019, forecasting institute Clear Consulting anticipates this market to stabilize somewhat in 2020 even though trailer production is still likely to contract slightly. The institute expects a global decline of 2% compared to 2019. In Europe and Asia-Pacific-Africa, trailer production is set to stagnate at the previous year's low level or grow slightly in 2020. However, this does not take into account potential effects from the coronavirus epidemic in China and other countries in the region. In contrast, according to the FTR, the market in North America is expected to contract by 16% in fiscal year 2020 after showing strong growth in 2019. In Latin America, Clear Consulting also anticipates a slightly declining or stagnating market.

Stable market for agricultural tractors: In North America, the Department of Agriculture (USDA) does not expect a significant recovery in farm income in 2020, as prices for agricultural products are still low and financial support for farmers under the Market Facilitation Program (MFP) is still subject to uncertainty. In light of this, we anticipate a stagnating to slightly declining market for agricultural tractors in North America. Market experts in Europe also expect agricultural income to decrease slightly due to lower milk prices, even though this could be partially offset by better cereal production. As a result, we predict that the European market for agricultural tractors will remain at the previous year's level or contract slightly in 2020.

Group outlook

Due to the closing of the acquisition of Ålö Holding AB, JOST expects consolidated group's sales to grow in 2020 by a high single-digit to a low double-digit percentage rate, compared to 2019 (2019: EUR 736.3 million). Consolidated adjusted EBIT is expected to increase in the high single-digit to low double-digit percentage range, compared to the previous year (2019: EUR 76.8 million), also due to the acquisition. So far, only minor sales effects from the coronavirus epidemic in China have been considered in this forecast.

JOST's organic sales (excluding effects from the acquisition of Ålö) should decline in the low double-digit percentage range in fiscal 2020. This is due to the expected market decline in trucks and trailer markets in Europe and North America as well as the negative effects of the coronavirus epidemic already seen in China in the first months of the year. Organic adjusted EBIT for JOST is expected to decline in 2020 stronger than organic sales.

This guidance is based on the assumption that the economic situation in Europe and North America will not deteriorate further due to the spread of coronavirus. It also assumes that the situation in Asia will normalize during the second quarter of 2020.

Capital expenditure is expected to continue to amount to around 2.5% of consolidated sales, including the Ålö acquisition.

Net working capital in relation to sales is likely to remain at the 2019 level at around 18% (2019: 18.2%).

Leverage – the ratio of net debt to adjusted EBITDA – will increase in 2020 compared to the previous year due to the acquisition of Ålö (2019: 0.45x). We are striving to remain below our target of 2.5x by the end of 2020.

From today's perspective and taking into account the operating performance of the JOST Werke Group during the first months of 2020, the Management Board considers the Group's economic position to be sound. Although the weakening economy in the sales markets for trucks and trailers will pose challenges during the 2020 fiscal year, JOST believes that it is well positioned to further reinforce its international position and perform well in volatile markets with its innovative products and reliable customer service. At the same time, the acquisition of Ålö opens up new and promising growth areas for JOST and decisively bolsters the Group's position in the agricultural market. The Group's robust financial and economic position offers JOST numerous opportunities to continue successfully implementing its corporate strategy.

JOST WERKE AG (HGB – GERMAN COMMERCIAL CODE)

Headquartered in Neu-Isenburg, Germany, JOST Werke AG is the parent company of the JOST Werke Group. → **See „Fundamental information about the Group“**

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. They were also admitted to the SDAX in March 2018.

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 that of 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)

Since JOST Werke AG is purely a holding company without its own operations, only sales revenues from service contracts in respect of affiliated companies (€2.0m, previous year: €2.1m) and income from cost transfers to affiliated companies (€2.1m, previous year: €0) are generated. In 2019, gross revenue increased by 90.9% to €4.2m (2018: €2.2m). This is mainly due to the intra-group transfer of costs for the acquisition of Ålö to the acquiring subsidiary.

Earnings after taxes fell slightly year-over-year, by €1.7m to €–8.4m (2018: €–6.6m), and were thus in line with our expectations (forecast for 2019 for the single entity JOST Werke AG: loss for the year at a similar level to 2018). This is primarily due to the increase in interest and similar expenses by €0.9m to €2.5m (2018: €1.6m) and the conclusion of the long-term share-based bonus program for executives below the Management Board level within the JOST Werke Group (€0.7m). The increase in interest and similar expenses is mainly the result of the fact that external financing essentially was provided only from the middle of the previous year.

The net retained profit in the reporting period amounted to €16.4m (2018: €16.4m).

Net assets and financial position (HGB)

Total assets decreased from €709.4m to €708.8m in 2019. The increase in receivables from affiliated companies to €2.1m (December 31, 2018: €0.0m) is offset by a decrease in other assets to €0.1m (December 31, 2018: €2.6m). In the previous year, other assets mainly included VAT receivables of €2.1m, which on the reporting date amounted to only €0.1m. The previous year's figure also still included a receivable of €0.5m from interest paid twice. This mainly comprises receivables from value added tax.

As of December 31, 2019, equity amounted to €512.2m and was thus €24.7m lower than the level at year-end 2018 (December 31, 2018: €536.9m). The equity ratio was 72.2% (December 31, 2018: 75.7%). The net loss for the year of €8.4m and the dividend distribution totaling €16.4m had the effect of reducing equity.

In the fiscal year ended, other provisions increased by €3.7m to €6.8m (December 31, 2018: €3.1m). This increase is mainly attributable to provisions for invoices outstanding in connection with legal and advisory costs, costs of preparing the annual financial statements as well as personnel-related provisions and provisions for pending losses from derivatives. In the reporting period, liabilities to banks remained unchanged at €150.3m. These mainly comprise promissory note loans totaling €150.0m. Liabilities to affiliated companies rose by €20.4m year-over-year to €38.6m. These mainly concern the settlement account with JOST Werke Deutschland GmbH, which the Company uses as its main source of funding, and other liabilities (December 31, 2018: €18.2m). Trade payables stood at €0.2m in the year under review (December 31, 2018: €0.2m) and other liabilities amounted to €0.8m (December 31, 2018: €0.6m).

Report on expected developments (HGB)

For 2020, the Company anticipates a slight decrease in sales compared with the previous year. Before investment income, we likewise expect the single entity JOST Werke AG (HGB) to post slightly lower earnings after taxes by comparison with fiscal year 2019.

Net retained profit and proposal for the appropriation of net profit

A proposal will be made to the Annual General Meeting to distribute €0.80 per share from the net retained profit of €16.4m shown by the parent company, JOST Werke AG, for the period ended December 31, 2019.

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

The required corporate governance statement in accordance with Section 289f (1) HGB is available in the section of this annual report entitled “Corporate governance statement” on our website at → **http://ir.jost-world.com/corporate-governance-statement.**

Non-financial report

For the non-financial report required to be provided under Section 289b (3) HGB and Section 315b et seq. HGB, please refer to the section entitled → **“Sustainability report”** section in the 2019 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 within the Group and the Company.

It contains the declaration of compliance 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.

The declaration of compliance issued by the Management Board and Supervisory Board on December 3, 2019 reads as follows:

The Management Board and the Supervisory Board of JOST Werke AG declare that the Company has been in compliance with the recommendations of the German Corporate Governance Code (“GCGC”, or the “Code”) as amended on February 7, 2017, since issuing its most recent declaration of compliance on December 4, 2018 and will continue to be in compliance in the future with the following restrictions:

- Section 3.8 (3) GCGC (deductible in the D & O policy for the Supervisory Board): The Company has obtained D & O coverage for the members of the Supervisory Board without the deductible recommended by the Code. The Management Board takes the view that such a specified deductible is not in itself suitable to increase the performance and sense of responsibility of the members of the Supervisory Board. On the contrary, such a deductible may make it more difficult to attract suitable candidates for Supervisory Board positions.

- Section 4.2.2 (2) sentence 3 GCGC (appropriateness of Management Board remuneration; comparison within the organization). Due to the Company’s dynamic development, the Supervisory Board has not yet defined any senior management group or categories for the workforce as a whole and has therefore not taken such categories into account in the development of Management Board remuneration over time. The Supervisory Board does not consider such a categorization to be critical.

- Section 5.1.2 (1) sentence 2 GCGC (diversity in the composition of the Management Board). As a precautionary measure, the Company declares that it deviates from this recommendation. When selecting Management Board members, the Supervisory Board takes care to ensure diversity and considers female candidates. For future appointments, the Supervisory Board will try to appoint female candidates as Management Board members as well. However, the Supervisory Board believes that a decision on Management Board appointments should always be based on the suitability of the candidate from a personal and professional perspective.

You can find the entire corporate governance statement on our website at → **http://ir.jost-world.com/corporate-governance.** The current declaration of compliance 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.**

Remuneration report

The remuneration report presents the principles of the remuneration systems for the Management Board and Supervisory Board and provides information on the benefits granted and received in the 2019 fiscal year. It has been prepared in accordance with the recommendations of the German Corporate Governance Code (GCGC) as amended on February 7, 2017, and the requirements of the German Accounting Standards (GAS), the International Financial Reporting Standards (IFRSs) and the German Commercial Code (HGB).

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. The fringe benefits comprise the use of company cars.

In addition, Joachim Dürr (CEO), Dr. Ralf Eichler (COO) and Dr. Christian Terlinde (CFO) are entitled to a fixed annual one-off gross payment, which they may convert into an occupational pension component. The former CEO, Lars Brorsen, 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 and survivors' insurance policy in place. 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 to Joachim Dürr and Dr. Ralf Eichler if adjusted Group EBITDA in the following fiscal year at least matches adjusted EBITDA in the assessment period. The LTI is only paid out in full to Dr. Christian Terlinde if adjusted Group EBITDA two years later has surpassed adjusted EBITDA in the assessment period. In this way, long-term incentives are set that promote the Company's sustainable growth.

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.

Arrangement in the event of a Management Board member's early resignation: In the event that their employment on the Management Board terminates early, the contracts of Joachim Dürr, Dr. Ralf Eichler and Dr. Christian Terlinde provide for the fixed remuneration and half of the variable remuneration to continue to be paid for the remaining term of the respective contract.

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.

Lars Brorsen resigned from his post as Chief Executive Officer (CEO) effective September 30, 2019. In accordance with the termination agreement and the remaining term of his director's contract, Lars Brorsen supported the JOST Werke Group in an advisory capacity until December 31, 2019. In accordance with the contractual agreement, Lars Brorsen received the fixed and variable remuneration agreed with him under his director's contract until December 31, 2019.

Management Board remuneration for 2019

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

	Lars Brorsen (former CEO) Appointment: 1999 Departure: 09/30/2019				Joachim Dürr (CEO) Appointment: 01/01/2019 (CSO) CEO from 10/01/2019			
in € thousands	2018	**2019**	Min.	Max.	2018	**2019**	Min.	Max.
Fixed remuneration	700	525	525	525	–	540	540	540
Fringe benefits	24	4	4	4	–	8	8	8
Total (fixed components)	**724**	**529**	**529**	**529**	**–**	**548**	**548**	**548**
One-year variable remuneration	336	240	0	473	–	192	0	405
Multi-year variable remuneration	411	294	0	577	–	235	0	495
Total (variable components)	**747**	**534**	**0**	**1,050**	**–**	**427**	**0**	**900**
Total remuneration, GCGC	**1,471**	**1,063**	**529**	**1,579**	**–**	**975**	**548**	**1,448**

Benefits granted II

	Dr. Ralf Eichler (COO) Appointment: 2000				Dr. Christian Terlinde (CFO) Appointment: 01/01/2019			
in € thousands	2018	**2019**	Min.	Max.	2018	**2019**	Min.	Max.
Fixed remuneration	400	480	480	480	–	480	480	480
Fringe benefits	24	24	24	24	–	7	7	7
Total (fixed components)	**424**	**504**	**504**	**504**	**–**	**487**	**487**	**487**
One-year variable remuneration	157	171	0	360	–	171	0	360
Multi-year variable remuneration	192	209	0	440	–	209	0	440
Total (variable components)	**349**	**380**	**0**	**800**	**–**	**380**	**0**	**800**
Total remuneration, GCGC	**773**	**884**	**504**	**1,304**	**–**	**867**	**487**	**1,287**

Benefits received

	Lars Brorsen (former CEO) Appointment: 1999 Departure: 09/30/2019		Joachim Dürr (CEO) Appointment: 01/01/2019 (CSO) CEO from 10/01/2019		Dr. Ralf Eichler (COO) Appointment: 2000		Dr. Christian Terlinde (CFO) Appointment: 01/01/2019	
in € thousands	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**
Fixed remuneration	700	525	–	540	400	480	–	480
Fringe benefits	24	4	–	8	24	24	–	7
Total (fixed components)	**724**	**529**	**–**	**548**	**424**	**504**	**–**	**487**
One-year variable remuneration	336	240	–	192	157	171	–	171
Multi-year variable remuneration	195	401	–	–	182	187	–	–
Total (variable components)	**531**	**641**	**–**	**192**	**339**	**358**	**–**	**171**
Total remuneration, GCGC	**1,255**	**1,170**	**–**	**740**	**763**	**862**	**–**	**658**

Management Board remuneration in accordance with Section 314 HGB for the JOST Werke Group and Section 285 HGB for JOST Werke AG

in € thousands	Lars Brorsen (former CEO) Appointment: 1999 Departure: 09/30/2019		Joachim Dürr (CEO) Appointment: 01/01/2019 (CSO) CEO from 10/01/2019		Dr. Ralf Eichler (COO) Appointment: 2000	
	2018	**2019**	2018	**2019**	2018	**2019**
Fixed remuneration	700	525	–	540	400	480
Fringe benefits	24	4	–	8	24	24
Non-performance related component	**724**	**529**	**–**	**548**	**424**	**504**
One-year variable remuneration	336	240	–	192	157	171
Performance related component	**336**	**240**	**–**	**192**	**157**	**171**
Multi-year variable remuneration	195	401	–	–	182	187
Long-term incentive component	**195**	**401**	**–**	**–**	**182**	**187**
Total remuneration, Sections 314, 285 HGB	**1,255**	**1,170**	**–**	**740**	**763**	**862**

Management Board remuneration in accordance with Section 314 HGB for the JOST Werke Group and Section 285 HGB for JOST Werke AG

in € thousands	Dr. Christian Terlinde (CFO) Appointment: 01/01/2019		Christoph Hobo (ehem. CFO) Appointment: 2016 Departure: 12/31/2018		Total benefits, Management Board	
	2018	**2019**	2018	**2019**	2018	**2019**
Fixed remuneration	–	480	400	–	1,500	2,025
Fringe benefits	–	7	15	–	63	43
Non-performance related component	**–**	**487**	**415**	**–**	**1,563**	**2,068**
One-year variable remuneration	–	171	157	–	650	774
Performance related component	**–**	**171**	**157**	**–**	**650**	**774**
Multi-year variable remuneration	–	–	182	–	559	588
Long-term incentive component	**–**	**–**	**182**	**–**	**559**	**588**
Total remuneration, Sections 314, 285 HGB	**–**	**658**	**754**	**–**	**2,772**	**3,430**

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.

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

in € thousands	2018			**2019**		
Supervisory Board members	Fixed remuneration	Committee work	Total	**Fixed remuneration**	**Committee work**	**Total**
Manfred Wennemer (Chair)	150	20	170	150	20	170
Prof. Dr. Bernd Gottschalk (Deputy Chair)	75	10	85	75	10	85
Jürgen Schaubel	50	20	70	50	20	70
Klaus Sulzbach	50	10	60	50	10	60
Natalie Hayday	50	10	60	50	10	60
Rolf Lutz	50	10	60	50	10	60
Total remuneration, Supervisory Board	**425**	**80**	**505**	**425**	**80**	**505**

The Management Board of JOST Werke AG

Neu-Isenburg, March 13, 2020

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2019, JOST Werke AG
Neu-Isenburg, Germany

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSES

for the twelve months ended December 31, 2019
JOST Werke AG

in € thousands	Notes	2019	2018
Sales revenues	(28)	**736,347**	**755,414**
Cost of sales	(29)	**−548,801**	**−560,110**
Gross profit		**187,546**	**195,304**
Selling expenses	(30)	−89,586	−88,462
thereof: depreciation and amortization of assets		−25,949	−26,286
thereof: depreciation of rights-of-use assets and leases		−2,108	0
Research and development expenses	(31)	−13,219	−12,690
Administrative expenses	(32)	−43,872	−44,754
Other income	(33)	5,582	6,672
Other expenses	(33)	−4,103	−5,921
Share of profit or loss of equity method investments	(34)	3,456	3,038
Operating profit (EBIT)		**45,804**	**53,187**
Financial income	(35)	3,292	1,254
Financial expense	(36)	−7,491	−10,915
Net finance result		**−4,199**	**−9,661**
Profit / loss before tax		**41,605**	**43,526**
Income taxes	(39)	−8,081	9,924
Profit / loss after taxes		**33,524**	**53,450**
Weighted average number of shares		**14,900,000**	**14,900,000**
Basic and diluted earnings per share (in €)	(40)	**2.25**	**3.59**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the twelve months ended December 31, 2019
JOST Werke AG

in € thousands	Notes	2019	2018
Profit / loss after taxes		**33,524**	**53,450**
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations		2,504	–3,945
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(19)	–11,601	321
Deferred taxes relating to other comprehensive income	(12)	3,480	–96
Other comprehensive income		**–5,617**	**–3,720**
Total comprehensive income		**27,907**	**49,730**

CONSOLIDATED BALANCE SHEET

as of December 31, 2019
JOST Werke AG

Assets

in € thousands	Notes	12/31/2019	12/31/2018
Noncurrent assets			
Intangible assets	(9)	184,233	203,736
Property, plant and equipment	(10)	109,716	82,824
Investments accounted for using the equity method	(11)	10,851	11,329
Deferred tax assets	(12)	7,348	10,270
Other noncurrent financial assets	(13), (15)	0	91
Other noncurrent assets	(16)	1,329	1,352
		313,477	**309,602**
Current assets			
Inventories	(14)	108,173	110,893
Trade receivables	(15)	89,937	109,707
Receivables from income taxes		4,799	5,705
Other current financial assets	(13), (15)	628	1,390
Other current assets	(16)	16,726	16,568
Cash and cash equivalents	(17)	104,812	66,087
		325,075	**310,350**
Total asstes		**638,552**	**619,952**

Equity and Liabilities

in € thousands	Notes	12/31/2019	12/31/2018
Equity			
Subscribed capital		14,900	14,900
Capital reserves		474,653	499,399
Other reserves		–39,538	–33,921
Retained earnings		–186,885	–228,765
	(18)	**263,130**	**251,613**
Noncurrent liabilities			
Pension obligations	(19)	69,098	58,673
Other provisions	(20)	2,405	1,796
Interest-bearing loans and borrowings	(22)	150,444	150,664
Deferred tax liabilities	(12)	16,661	24,466
Other noncurrent financial liabilities	(24)	25,161	696
Other noncurrent liabilities	(26)	4,082	4,101
		267,851	**240,396**
Current liabilities			
Pension obligations	(19)	1,897	1,821
Other provisions	(20)	7,331	13,572
Interest-bearing loans and borrowings	(22)	311	234
Trade payables	(23)	64,223	80,799
Liabilities from income taxes		3,407	7,094
Contract liabilities	(25)	4,571	2,708
Other current financial liabilities	(13), (24)	7,419	958
Other current liabilities	(26)	18,412	20,757
		107,571	**127,943**
Total equity and liabilities		**638,552**	**619,952**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from January 1, to December 31, 2019
JOST Werke AG

Consolidated statement of changes in equity for the fiscal year from January 1, to December 31, 2019

in € thousands	Subscribed capital	Capital reserves	Retained earnings
Notes	(18)	(18)	(18)
Balance at January 1, 2019	**14,900**	**499,399**	**–228,765**
Profit / loss after taxes	0	0	33,524
Other comprehensive income	0	0	0
Deferred taxes relating to other comprehensive income	0	0	0
Total comprehensive income	0	0	33,524
Dividends paid	0	0	–16,390
Withdrawals from capital reserves	0	–24,746	24,746
Balance as of December 31, 2019	**14,900**	**474,653**	**–186,885**

Consolidated statement of changes in equity for the fiscal year from January 1, to December 31, 2018

in € thousands	Subscribed capital	Capital reserves	Retained earnings
Notes	(18)	(18)	(18)
Balance at January 1, 2018	**14,900**	**522,423**	**–297,789**
Profit / loss after taxes	0	0	53,450
Other comprehensive income	0	0	0
Deferred taxes relating to other comprehensive income	0	0	0
Total comprehensive income	0	0	53,450
Dividends paid	0	0	–7,450
Withdrawals from capital reserves	0	–23,024	23,024
Balance as of December 31, 2018	**14,900**	**499,399**	**–228,765**

Other reserves			
Exchange differences on translating foreign operations	Remeasurements of defined benefit pension plans	Miscellaneous other reserves	**Total consolidated equity**
(18)	(18)	(18)	
−12,529	**−21,289**	**−103**	**251,613**
0	0	0	33,524
2,504	−11,601	0	−9,097
0	3,480	0	3,480
2,504	−8,121	0	27,907
0	0	0	−16,390
0	0	0	0
−10,025	**−29,410**	**−103**	**263,130**

Other reserves			
Exchange differences on translating foreign operations	Remeasurements of defined benefit pension plans	Miscellaneous other reserves	**Total consolidated equity**
(18)	(18)	(18)	
−8,584	**−21,514**	**−103**	**209,333**
0	0	0	53,450
−3,945	321	0	−3,624
0	−96	0	−96
−3,945	225	0	49,730
0	0	0	−7,450
0	0	0	0
−12,529	**−21,289**	**−103**	**251,613**

CONSOLIDATED CASH FLOW STATEMENT

for the twelve months ended December 31, 2019
JOST Werke AG

in € thousands	Notes	2019	2018
Profit / loss before tax		**41,605**	**43,526**
Depreciation, amortization, impairment losses and reversal of impairment on noncurrent assets	(38)	49,065	43,915
Other noncash expenses / income	(42)	1,458	−791
Change in inventories	(14)	4,430	−15,464
Change in trade receivables	(15)	20,848	−6,547
Change in trade payables	(23)	−16,950	11,127
Change in other assets and liabilities		−10,727	−5,772
Income tax payments	(39)	−12,166	−11,849
Cash flow from operating activities		**77,563**	**58,145**
Proceeds from sales of intangible assets	(9)	0	63
Payments to acquire intangible assets	(9)	−2,093	−1,427
Proceeds from sales of property, plant, and equipment	(10)	350	243
Payments to acquire property, plant, and equipment	(10)	−15,530	−18,431
Dividends received from joint ventures	(11)	3,382	925
Interests received	(11)	621	262
Cash flow from investing activities		**−13,270**	**−18,365**
Interest payments	(22)	−2,805	−2,617
Proceeds from short-term interest-bearing loans and borrowings		0	1,626
Proceeds from long-term interest-bearing loans and borrowings	(22)	0	1,071
Refinancing costs	(22)	0	−594
Repayment of short-term interest-bearing loans and borrowings		−229	−1,394
Repayment of long-term interest-bearing loans and borrowings	(22)	0	−30,154
Dividends paid to the shareholders of the Company	(18)	−16,390	−7,450
Repayment of lease liabilities	(42)	−6,907	0
Cash flow from financing activities		**−26,331**	**−39,512**
Net change in cash and cash equivalents		**37,962**	**268**
Change in cash and cash equivalents due to exchange rate movements		763	−494
Cash and cash equivalents at January 1		66,087	66,313
Cash and cash equivalents at December 31	(17)	**104,812**	**66,087**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year from January 1 to December 31, 2019
JOST Werke AG

1. GENERAL INFORMATION

JOST Werke AG (hereinafter also the “JOST”, “Group,” “Company,” or the “JOST Werke 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 31 December 2019, the majority of JOST shares were held by institutional investors. Further details are provided in note 43.

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 for the commercial vehicle industry.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED 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 Werke Group. The consolidated financial statements of JOST Werke AG, its subsidiaries and the joint venture as of December 31, 2019, 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 issued by the International Financial Reporting Interpretations Committee (IFRS IC), 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). Due to commercial rounding, minor rounding differences may occur in the totals. 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 13, 2020. The Supervisory Board is to approve the 2019 annual financial statements of JOST Werke AG and the 2019 consolidated financial statements together with the associated Group management report at the meeting on March 19, 2020.

New and amended standards applied in 2019

The following new and amended International Financial Reporting Standards and Interpretations that are effective for fiscal years beginning on or after January 1, 2019 were applied for the first time:

i. **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 as the distinction between operating and finance leases is eliminated. For lessors, there is little change compared with the accounting under IAS 17 Leases. As a result of the first-time adoption of IFRS 16, the majority of the payment obligations from operating rental and lease agreements, presented in the previous year under section 27. "Other financial obligations", are now shown in the balance sheet. Further disclosures and the resulting effects on these consolidated financial statements are explained in note 2.3.

ii. **Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 Employee Benefits**
These amendments did not have any impact on the current period or any prior period and is not likely to significantly affect future periods.

iii. **Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28 Investments in Associates and Joint Ventures**
These amendments did not have any impact on the current period or any prior period and is not likely to significantly affect future periods.

iv. **Prepayment Features with Negative Compensation – Amendments to IFRS 9 Financial Instruments**
These amendments did not have any impact on the current period or any prior period and is not likely to significantly affect future periods.

v. **IFRIC 23 Uncertainty over Income Tax Treatments**
These amendments did not have any impact on the current period or any prior period and is not likely to significantly affect future periods.

vi. **Other**
Annual Improvements to IFRSs 2015 – 2017 Cycle are not relevant and do not have any effects on the Group's financial statements.

There were no further changes in accounting policies affecting 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 2019 and were not applied by the Group prior to their effective date

i. **Amendments to References to the Conceptual Framework in IFRS Standards**
These changes are not expected to have a material effect on future periods.

ii. **Amendments to the Definition of Material – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**
These changes are not expected to have a material effect on future periods.

iii. **Clarification of the Definition of a Business – Amendments to IFRS 3 Business Combinations**
These changes are not expected to have a material effect on future periods.

iv. **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform**
These changes are not expected to have a material retrospective effect on the reporting period or on future periods.

Effects on the consolidated financial statements

The application of IFRS 16 Leases from January 1, 2019 had the following effects on the consolidated financial statements as of December 31, 2019.

In compliance with IFRS 16, the Group applies the modified retrospective transition method. Reference figures for prior-year periods were not retroactively restated. Within the scope of its first-time application of the standard, JOST has made use of the following practical expedients: On the one hand, leases with a remaining term of less than 12 months as of January 1, 2019 are accounted for as current leases and thus not recognized in the balance sheet. On the other hand, leases existing on December 31, 2018 have not been reassessed. In addition, all right-of-use assets have been recognized in the amount of the lease liability as of the date of first-time application. Moreover, the option to apply IFRS 16 for other intangible assets has not been exercised.

The JOST Werke Group recognizes lease liabilities for leases previously classified as operating leases under IAS 17 pursuant to the initial application of IFRS 16. These are mainly rental and lease agreements concerning the vehicle fleet and production facilities. These liabilities are measured at the present value of the remaining lease payments, discounted by the lessee's incremental borrowing rate as of January 1, 2019. The weighted average interest rate was 2.00%. Based on the obligations under operating rental and lease agreements as of December 31, 2018, the following reconciliation to the opening balance of the lease liabilities as of January 1, 2019 was made:

IFRS 16 – Reconciliation at the date of initial application

in € thousands	
Payment obligations under rental and lease agreements stated as of December 31, 2018	31,274
Effect of discounting	−934
Amount discounted at the incremental borrowing rate at the date of initial application of IFRS 16	**30,340**
Finance lease liabilities recognised as of December 31, 2018	282
Restatements made mainly due to different estimates regarding the exercise of termination and extension options	1,512
Lease liabilities due to the initial application of IFRS 16 as of January 1, 2019	**32,134**

The difference between the amount of the obligations arising from rental agreements and leases reported as of December 31, 2018 and discounted by the incremental borrowing rate applicable as of first-time application of IFRS 16 and the lease liabilities recognized in the opening balance sheet is mainly the result of the restatements on account of different assessments of extension and termination options. This is partially compensated for, in particular, through restatements resulting from application of the practical expedients for current leases and for leases of low-value assets and from use of the option of non-inclusion of other intangible assets.

The recognition of the right-of-use assets and the corresponding lease liabilities results in the following balance sheet disclosures as of the reporting date:

IFRS 16 – Balance sheet disclosures

in € thousands	**12/31/2019**
Assets	
Property, plant, and equipment	
Right-of-use assets – Land, land and rights, and buildings, including buildings on third-party land	25,115
Right-of-use assets – Technical equipment and machinery	680
Right-of-use assets – Other equipment, operating and office equipment	4,597
Equity and liabilities	
Other noncurrent financial liabilities	
Noncurrent lease liabilities	23,588
Other current financial liabilities	
Current lease liabilities	7,030

For further information on the development of the right-of-use assets, see note 10. The lease liabilities as the present value of future lease payments are based on the maturities indicated in note 21.

In addition, future cash outflows have resulted from variable lease payments, residual value guarantees, leases which have not yet begun but which have already been entered into contractually and for current leases with a term of 12 months or less and leases of low-value assets, which are insignificant from the point of view of the JOST Werke Group. No sale-and-leaseback transactions have been implemented within the Group.

In contrast to the previous approach under IAS 17, according to which operating lease expenses were reported fully in EBIT, according to IFRS 16, only the depreciation of right-of-use assets is reflected in EBIT. All told, EBIT improved by €0.0m in 2019. The interest expense resulting from the unwinding of the discount on lease liabilities is reported in the amount of €0.6m in the net finance result. The application of IFRS 16 results in the following income statement disclosures:

IFRS 16 – Income statement disclosures

in € thousands	**2019**
Depreciation charge on right-of-use assets	–7,520
Depreciation of right-of-use assets – Land, land rights, and buildings, including buildings on third-party land	–5,289
Depreciation of right-of-use assets – Technical equipment and machinery	–201
Depreciation of right-of-use assets – Other equipment, operating and office equipment	–2,030
Expenses from current leases	–300
Expenses from leases of low-value assets	–62
Interest expense on lease liabilities	–644

In the 2019 reporting period, the change in the recognition of operating lease expenses in the cash flow statement improved cash flow from operating activities by €7.5m. Cash flow from financing activities declined accordingly.

IFRS 16 – Effects of initial application on the cash flow statement

in € thousands	**2019**
Cash flow from operating activities	**7,520**
Depreciation charge on right-of-use assets	7,520
Cash flow from financing activities	**–7,562**
Interest payments	–655
Repayment of lease liabilities	–6,907
Effects of initial application of IFRS 16 on the cash flow statement	**–42**

IFRS 16 – Cash flow statement disclosures

in € thousands	**2019**
Cash flow from operating activities	
Profit / loss before tax	
Expenses relating to short-term leases and leases of low-value assets	–391
Cash flow from financing activities	**–7,562**
Interest payments	–655
Repayment of lease liabilities	–6,907
Total cash outflow for leases	**–7,953**

There have not been any significant effects on the consolidated financial statements from the first-time adoption of the new standards and interpretations for fiscal year 2019 apart from the instances outlined above.

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, 2019, 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 IFRS 9 at fair value through profit or loss. 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 (Shanghai) Auto Component Co. Ltd., Shanghai, People's Republic of China, was completed on May 8, 2019. The company was therefore deconsolidated in the fiscal year ended.

Regensburger Zuggabel GmbH, Neu-Isenburg, Germany, was merged with Jost-Werke International Beteiligungsverwaltung GmbH, Neu-Isenburg, Germany, as of August 7, 2019.

Subsidiaries are all 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) and all of its subsidiaries, with one exception: Audited interim financial statements as of December 31, 2019 were included for JOST India Auto Component Pte. Ltd., Jamshedpur, India.

The investment in the joint venture JOST Brasil Sistemas Automotivos Ltda., Caxias do Sul, Brazil, is accounted for in the consolidated balance sheet using the equity method as it constitutes an equity investment as defined in IFRS 12.5.

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.

4. BASIS OF CONSOLIDATION

JOST Werke Group

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

List of shareholdings

Company	Interest held by JOST Werke AG	Nature of business
Consolidated companies		
JOST-Werke VG1 GmbH (being set up) Neu-Isenburg	100.00%	Holding company
Jasione GmbH Neu-Isenburg	100.00%	Holding company
JOST-Werke Deutschland GmbH* Neu-Isenburg	100.00%	Production company Sales company
JOST-Werke Asset Management GmbH (being set up)*, Frankfurt am Main / Germany	100.00%	Holding company
Jost-Werke International Beteiligungsverwaltung GmbH* Neu-Isenburg	100.00%	Holding company
Rockinger Agriculture GmbH* Waltershausen / Germany	100.00%	Production company Sales company
JOST France S.à r.l.* Paris / France	100.00%	Sales company
JOST Iberica S.A.* Saragossa / 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

* Indirectly via Jasione GmbH

Company	Interest held by JOST Werke AG	Nature of business
ooo JOST RUS* Moscow / Russia	100.00%	Sales company
JOST TAT LLC* Naberezhyne Chelny / Russia	100.00%	Production company
JOST Polska Sp. z o.o.* Nowa Sòl / Poland	100.00%	Production company
Jost Hungária Kft.* Veszprém / Hungary	100.00%	Production 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 Otomotiv Sanayi Ticaret A.S.* Izmir / Turkey	100.00%	Production 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 New Zealand Ltd.* Hamilton / New Zealand	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) 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
Jost (Thailand) Co. Ltd.* Bangsaotong / Thailand	100.00%	Production 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 (Shanghai) Auto Component Co. Ltd., Shanghai, People's Republic of China, was completed on May 8, 2019. This company was therefore removed from the basis of consolidation of the JOST Werke Group. Its liquidation did not have any effect on sales, earnings or the balance sheet.

In addition, Regensburger Zuggabel GmbH, Neu-Isenburg, Germany, was merged with Jost-Werke International Beteiligungsverwaltung GmbH, Neu-Isenburg, Germany, with effect as of August 7, 2019.

Moreover, as of December 31, 2019 the companies JOST-Werke VG1 GmbH, Neu-Isenburg, Germany, and JOST-Werke Asset Management GmbH, Frankfurt am Main, Germany, were being set up and have not yet commenced trading. These start-ups have therefore not yet led to any sales revenues for the Group, and nor have they yet had any significant effect on earnings.

Other than that, the structure of the JOST Werke Group, including its subsidiaries and the joint venture, as of December 31, 2019, has not changed compared to December 31, 2018.

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 prepared in euros, the functional currency of the parent company and the presentation currency of the Group.

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 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 more information, see note 9 and note 10.

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 of using different actuarial assumptions on the carrying amount of pension obligations, see note 19.

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 and loss carryforwards

Regarding the future use of loss 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 loss carryforwards. In addition, the positive equity comparison test as of December 31, 2018 (equity ratio for the Group must be lower than for the Jasione GmbH tax group) as of December 2019, 2018 is expected to be accepted by the tax authorities so that the interest carried forward can therefore be fully deducted as an expense in fiscal year 2019. Moreover, assumptions regarding future business performance are made for the five-year planning period that determine the amount of taxable income and therefore the amount of loss 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 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

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 as of the acquisition date.

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 income statement 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

The subsequent measurement of intangible assets depends on whether the asset has a finite or indefinite useful life. 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. If an item of property, plant and equipment is part of a cash-generating unit, impairment is determined on the basis of the recoverable amount of that unit.

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 fiscal 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 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 the estimated costs of completion and the estimated costs necessary to make the sale. 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 produced for which a substantial period of time is required to get them ready for their intended use or sale. Impairment losses on inventories are recognized if necessary to reflect reduced marketability.

Financial assets and financial liabilities

Upon initial recognition, financial assets are classified as subsequently measured at amortized cost or at fair value through profit or loss. Financial assets are classified based on the business model used to managed these financial assets and the composition of the contractual cash flows they generate. In contrast, financial liabilities are generally classified as measured at amortized cost with the exception of financial liabilities measured at fair value through profit or loss. The Group classifies its financial assets and financial liabilities in the following categories: Financial Assets at Amortized Cost (FAAC), Financial Liabilities at Amortized Cost (FLAC), Financial Assets through Profit or Loss (FAtPL) and Financial Liabilities through Profit or Loss (FLtPL).

With the exception of trade receivables without a significant financing component, financial assets and financial liabilities are initially measured at fair value. The transaction costs directly associated with the acquisition or issue of financial assets or liabilities must be added to or deducted from financial assets and liabilities not measured at fair value through profit or loss. The standard requires trade receivables without a significant financing component to be measured at the transaction price.

As of December 31, 2018, and as of December 31, 2019, there were no financial assets measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are explained in notes 21 and 24.

The Group had no financial assets and liabilities that fulfill the offsetting criteria in accordance with IAS 32.42 et seq. as of the reporting date.

All regular way purchases and sales of financial assets are accounted for at the settlement date. Derivative financial instruments are recognized as of the trading date.

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 derecognized from the balance sheet 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.

Financial assets measured at amortized cost

This category includes financial assets held as part of a business model that aims to collect contractual cash flows. In addition, the contract terms also result in cash flows exclusively limited to interest and principal payments on the outstanding capital amount.

Financial assets measured at fair value through profit or loss

The following financial assets are classified as measured at fair value through profit or loss:

- financial investments in debt instruments that are neither measured at amortized cost nor at fair value through other comprehensive income,
- financial investments in equity instruments held for trading, and
- financial investments in equity instruments for which the Company has decided not to recognize changes in fair value in other comprehensive income.
- Financial assets voluntarily measured at fair value through profit or loss in order to eliminate or minimize mismatches in measurement or disclosure.

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.

Financial liabilities measured at amortized cost

With the exception of financial liabilities measured at fair value, financial liabilities are generally classified as measured at amortized cost.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are recognized in the balance sheet at fair value. This category includes derivatives with a negative market value, financial guarantees, commitments to provide a loan at below the market interest rate and a contingent consideration within the scope of a business combination within the meaning of IFRS 3. Only the first of these is of relevance for the Group.

Subsequent measurement

Financial assets and liabilities are subsequently measured according to their classification.

Financial assets measured at amortized cost are the most significant category of financial assets for the Group and mainly comprise trade receivables as well as cash and cash equivalents. They are subsequently measured using the effective interest method and net of any impairment losses. Gains and losses resulting from derecognition, modification or impairment are recognized through profit or loss.

Financial assets measured at fair value through profit or loss are recognized in the balance sheet at fair value, while changes in the fair value are recognized in the income statement.

The financial liabilities classified at amortized cost are measured using the effective interest method and are the most significant category of financial liabilities for the Group. They mainly comprise loans and trade payables.

Financial liabilities initially classified as measured at fair value through profit or loss are recognized in the balance sheet at fair value, while changes in the fair value are recognized in the income statement.

Impairment of financial assets

Impairment losses which reflect the expected credit losses (ECL) are recognized for financial assets not recognized at fair value through profit or loss. The expected credit losses correspond to the difference between the contractual cash flows payable according to the agreement and the total cash flows which the Group expects to receive while discounting future cash flows. The expected credit losses are recognized in two steps. Step 1 comprises all of the financial assets whose credit risk has not significantly increased since initial recognition. Impairment losses are recognized in the amount of the credit losses expected over the next twelve months. On the other hand, step 2 comprises all of the financial assets whose credit risk has significantly increased. For these financial assets, impairment losses are recognized for the expected credit losses throughout the remaining term. The assessment of whether the credit risk has changed significantly is made on the basis of the change in the probability of default.

Impairment losses / gains are recognized in the "Selling expenses" item in the income statement.

The simplified approach according to IFRS 9 is applied for trade receivables and contract assets. These assets are not allocated to either of the above steps. Impairment losses are generally measured on the basis of the credit losses expected over the respective term.

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 delinquency in interest or principal payments. Expected credit losses are determined by grouping trade receivables based on how overdue they are. The expected loss rates are calculated using both historical information (such as historical impairments) as well as forward-looking information (like country credit ratings by rating firms). The loss rates determined in this way are also used for contract assets. 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. A credit-impaired receivable is ultimately derecognized when it is no longer expected that the debtor will make payments, such as when an insolvency or reorganization process is completed.

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. They are measured at amortized cost.

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 lifelong 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.

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 on claims for which a provision has been set up, the refund is recognized under other assets.

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

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

Derivatives

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

The fair values of various derivate instruments used for hedging purposes are disclosed in notes 13 and 24. Changes in the fair values of the hedges are recognized in the income statement and shown in notes 35 and 36. The full fair value of a derivate is classified as a noncurrent liability when the remaining maturity of the derivative is more than twelve months, and as a current liability when the maturity 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.

Leases

In the fiscal years up to and including 2018, leases were classified as either finance or operating leases.

Leases were classified as operating leases if substantially all the risks and rewards incidental to ownership remained with the lessor. Payments made in connection with an operating lease were 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 were classified as finance leases. Assets leased under finance leases were 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 was recognized in the same amount in noncurrent liabilities. Lease payments were 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 was reported in noncurrent liabilities. The finance charge was 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 was depreciated over the shorter of the useful life of the asset and the lease term.

Since January 1, 2019, a lease is applicable where the fulfillment of a contract is dependent on the use of an identified asset and this contract transfers the right to control use of this asset for a specified period of time in return for consideration. Due to the first-time application of IFRS 16, in principle as of the date on which the leased asset is available for use the JOST Werke Group as a lessee recognizes all leases in the balance sheet in the form of a right-of-use asset as well as a corresponding lease liability, since the distinction between operating and finance leases according to IAS 17 has been abolished. Right-of-use assets and lease liabilities are initially measured at their present values. The lease liabilities comprise the following lease payments:

- Fixed payments, less the leasing incentives payable by the lessor,
- Variable payments that depend on an index or an interest rate,
- Expected residual value payments resulting from residual value guarantees,
- The exercise price of a call option if its exercise is deemed reasonably certain, and
- Penalty payments for any termination of the lease if the exercise of a termination option has been taken into consideration in the term of this lease.

Lease payments will be discounted by the interest rate implicit in the lease, if this is determinable. Otherwise, lease payments will be discounted by the lessee's incremental borrowing rate. Right-of-use assets will be measured at cost, which comprises the following elements:

- Lease liability,
- Lease payments made as of or prior to provision, less any leasing incentives received,
- Initial direct costs and
- Asset retirement obligations.

As a rule, the right-of-use asset will be depreciated on a straight-line basis over the shorter of the useful life and the lease term and the lease liability will be carried forward according to the effective interest method.

The Group has made use of the following practical expedients as a lessee. Current and low-value leases that are covered by the practical expedient have not been recognized in the balance sheet. The standard is not applied to leases of intangible assets. The leasing payments resulting from these leases will thus continue to be classified as operating expenses. Moreover, the accounting option of not separating leasing and non-leasing components from one another has been exercised.

Revenue Recognition

According to IFRS 15, sales revenue must be recognized where the customer has obtained control of the agreed goods and services and can benefit from them. Sales revenues must be measured in the amount of the consideration which the company expects to receive. The new model prescribes a five-step scheme for revenue recognition, according to which the customer agreement and the performance obligations which it comprises must first be identified. The transaction price must subsequently be determined and allocated to the performance obligations. Revenue must be recognized for each individual performance obligation where the customer obtains control over it. In case of multiple-component transactions, the overall transaction price of the combined agreement will be divided up into the individual, separate performance obligations on the basis of the pro rata standalone selling prices, i. e. the ratio of the standalone selling price of each individual component to the total standalone selling prices for the contractual performance obligations will be determined. This will result in the balance-sheet recognition of a contract asset or a contract liability.

Revenue within the Group is recognized when control of the goods has been transferred, i. e. when the goods have been delivered to the customer and no unfulfilled obligation remains that could affect the customer's acceptance of the goods. Delivery has taken place when the goods have been dispatched in accordance with the Incoterms agreed with the customer and handed over to the customer, the risks of loss and destruction have been transferred to the customer and either the customer has accepted the goods in accordance with the purchase agreement or the terms of acceptance are fulfilled or else the Group has objective indications that all of the criteria for acceptance have been fulfilled. Revenue is recognized only to the extent that it is highly probable that a significant reversal of the revenue will not become necessary, provided that the uncertainty related to this no longer exists. Revenue from these sales is recognized at the contract price less estimated customer discounts. Receivables will be recognized at the time of delivery and upon the claim arising unconditionally.

Customer discounts with retrospective effect are often agreed for the sale of goods. A refund liability (shown under the contract liabilities item) is recognized for discounts payable to customers or prepayments already received for sales made up until the end of the reporting period. The estimate of the provision for rebates to be paid is based on experience (expected loss method).

The Group exclusively generates revenue from the sale of goods at a particular point in time. The performance obligation and due date of the payment depend on the respective Incoterms and payment terms agreed with the customer. Sales are overwhelmingly completed with periods for payment of between 30 and 90 days, in line with normal market practice. In case of prepayments received, the period between payment and delivery is not more than 12 months. Variable consideration components include bonuses, rebates, discounts, and price reductions. There are no significant financing components. Guarantees exceeding the standard statutory terms are not granted. Refund liabilities at JOST comprise the aforementioned rebates in particular. No expenses have arisen for contract costs.

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. In addition, the actual taxes reported in the fiscal year include adjustment amounts for any tax payments or tax refunds for years which have not yet been finally assessed. In the event that the amounts stated in the tax returns probably cannot be realized, tax provisions will be established. The amount will be determined on the basis of the best possible estimate of the expected tax payment. Tax receivables resulting from uncertain tax positions will be recognized in the balance sheet if their realization is very likely and thus sufficiently certain.

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. Tax refunds for previous years cannot be ruled out due to future court rulings or a change of opinion on the part of the revenue 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.

Share-based payment in accordance with IFRS 2

Share-based payment transactions are treated in accordance with IFRS 2 Share-based Payment by the 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 distinguishes between equity-settled and cash-settled plans. The financial benefit from equity-settled plans determined on the 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.

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. The changes in the balance sheet items shown in the cash flow statement cannot be derived directly from the balance sheet, since noncash effects resulting from currency translation have been taken into consideration. Investing activities are the acquisition and disposal of noncurrent assets and other investments not included in cash equivalents. Cash flow from financing activities is also determined using the direct method. Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

7. EXCEPTIONALS

The following explanation of adjusted effects serves to clarify the information in the income statement. These effects have been adjusted on the basis of the management approach in the segment reporting.

In fiscal year 2019, expenses amounting to €31,031 thousand (2018: €27,994 thousand) were adjusted within earnings before interest and taxes (EBIT).

The items adjusted within EBIT relate to selling expenses arising mainly from purchase price allocations (PPA depreciation and amortization) in the amount of €25,687 thousand (2018: €25,415 thousand). Furthermore, cost of sales as well as selling, administrative and other expenses were adjusted for expenses relating to other effects totaling €5,923 thousand (2018: €1,957 thousand). Other effects mainly relate to the expenses associated with the acquisition of Ålö Holding AB in the amount of €2,482 thousand, exceptionals in personnel expenses (mainly termination benefits) in the amount of €2,304 thousand and the harmonization of global IT infrastructures in the amount of €763 thousand (2018: mainly refinancing).

In the previous year, expenses arising from the refinancing were adjusted within administrative expenses in the amount of €622 thousand and within the net finance result in the amount of €2,232 thousand.

Notional income taxes after adjustments were recognized in the amount of €21,791 thousand in 2019 (2018: €22,126 thousand).

The table below shows the earnings adjusted for these effects:

in € thousands	2019 Unadjusted	PPA depreciation and amortization	Other effects	Adjustments, total	**2019 Adjusted**
Notes		(8), (9), (10)	(8)		
Sales revenues	**736,347**			**0**	**736,347**
Cost of sales	**–548,801**		**274**	**274**	**–548,527**
Gross profit	**187,546**	**0**	**274**	**274**	**187,820**
Selling expenses	–89,586	25,108	579	25,687	–63,899
Research and development expenses	–13,219			0	–13,219
Administrative expenses	–43,872		4,440	4,440	–39,432
Other income	5,582			0	5,582
Other expenses	–4,103		630	630	–3,473
Share of profit or loss of equity method investments	3,456			0	3,456
Operating profit (EBIT)	**45,804**	**25,108**	**5,923**	**31,031**	**76,835**
Financial income	3,292			0	3,292
Financial expense	–7,491			0	–7,491
Net finance result	**–4,199**	**0**	**0**	**0**	**–4,199**
Profit / loss before tax	**41,605**	**25,108**	**5,923**	**31,031**	**72,636**
Income taxes	–8,081				–21,791
Profit / loss after taxes	**33,524**				**50,845**
Weighted average number of shares	**14,900,000**				**14,900,000**
Basic and diluted earnings per share (in €)	**2.25**				**3.41**

in € thousands	2018 Unadjusted	Refinancing	PPA depreciation and amortization	Other effects	Adjustments, total	2018 Adjusted
Notes			(8), (9), (10)	(8)		
Sales revenues	**755,414**				**0**	**755,414**
Cost of sales	**–560,110**			**355**	**355**	**–559,755**
Gross profit	**195,304**		**0**	**355**	**355**	**195,659**
Selling expenses	–88,462		25,415	38	25,453	–63,009
Research and development expenses	–12,690				0	–12,690
Administrative expenses	–44,754	622		1,514	2,136	–42,618
Other income	6,672				0	6,672
Other expenses	–5,921			50	50	–5,871
Share of profit or loss of equity method investments	3,038				0	3,038
Operating profit (EBIT)	**53,187**	**622**	**25,415**	**1,957**	**27,994**	**81,181**
Financial income	1,254				0	1,254
Financial expense	–10,915	2,232			2,232	–8,683
Net finance result	**–9,661**	**2,232**	**0**	**0**	**2,232**	**–7,429**
Profit / loss before tax	**43,526**	**2,854**	**25,415**	**1,957**	**30,226**	**73,752**
Income taxes	9,924					–22,126
Profit / loss after taxes	**53,450**					**51,626**
Weighted average number of shares	**14,900,000**					**14,900,000**
Basic and diluted earnings per share (in €)	**3.59**					**3.46**

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. At the JOST Werke Group, the Management Board is 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 purchase price allocations (PPA) and impairment and reversal of impairment of property, plant, and equipment and intangible assets from purchase price allocations. Adjusted EBIT is then adjusted for further depreciation of property, plant and equipment and amortization of intangible assets in order to arrive at adjusted EBITDA. Exceptionals comprise other on-off expenses and income and, among others, relate to the expenses associated with the acquisition of Ålö Holding AB, exceptionals in personnel expenses and the harmonization of global IT infrastructures (2018: mainly refinancing). The exceptionals in 2019 have been incurred mainly in the operating segments Europe and North America. The share of profit or loss of investments accounted for using the equity method is not allocated to a segment and is therefore included in the "reconciliation" 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.

Segment reporting for December 31, 2019

in € thousands	Europe	North America	Asia, Pacific and Africa	Reconciliation	**Consolidated financial statements**
Sales revenues*	699,138	162,692	179,080	–304,563	736,347**
thereof: external sales revenues*	**431,684**	**161,779**	**142,884**	**0**	**736,347**
thereof: internal sales revenues*	267,454	913	36,196	–304,563	0
Adjusted EBIT***	**38,200**	**15,472**	**19,707**	**3,456**	**76,835**
thereof: depreciation and amortization	16,178	4,134	3,645	0	23,957
Adjusted EBIT margin	8.8%	9.6%	13.8%		10.4%
Adjusted EBITDA***	**54,378**	**19,606**	**23,352**	**3,456**	**100,792**
Adjusted EBITDA margin	12.6%	12.1%	16.3%		13.7%

* Sales by destination in the reporting period:
– Europe: 375,959 TEUR
– Americas: 170,254 TEUR
– Asia, Pacific and Africa: 190,134 TEUR

** 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, 2018

in € thousands	Europe	North America	Asia, Pacific and Africa	Reconciliation	**Consolidated financial statements**
Sales revenues*	746,723	146,465	191,888	–329,662	755,414**
thereof: external sales revenues*	**463,776**	**145,632**	**146,006**	**0**	**755,414**
thereof: internal sales revenues*	282,947	833	45,882	–329,662	0
Adjusted EBIT***	**43,947**	**13,545**	**20,651**	**3,038**	**81,181**
thereof: depreciation and amortization	14,645	2,612	1,243	0	18,500
Adjusted EBIT margin	9.5%	9.3%	14.1%		10.7%
Adjusted EBITDA***	**58,592**	**16,157**	**21,894**	**3,038**	**99,681**
Adjusted EBITDA margin	12.6%	11.1%	15.0%		13.2%

* Sales by destination in the reporting period:
– Europe: 403,721 TEUR
– Americas: 155,018 TEUR
– Asia, Pacific and Africa: 196,675 TEUR

** 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.

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

JOST generated external sales revenues in the amount of €289,453 thousand (2018: €318,975 thousand) with its companies registered in Germany. JOST generated external sales revenues in the amount of €161,779 thousand (2018: €145,632 thousand) with its company registered in the USA.

Reconciliation of earnings to adjusted earnings figures as of December 31, 2019:

in € thousands	2019	2018
Profit / loss after taxes	**33,524**	**53,450**
Income taxes	–8,081	9,924
Net finance result	–4,199	–9,661
EBIT	**45,804**	**53,187**
D&A from PPA	–25,108	–25,415
Other effects	–5,923	–1,957
Refinancing	0	–622
Adjusted EBIT	**76,835**	**81,181**
Depreciation of property, plant and equipment	–21,735	–12,787
Amortization of intangible assets	–2,222	–5,713
Adjusted EBITDA	**100,792**	**99,681**

The following tables show noncurrent assets by operating segments for December 31, 2019:

in € thousands	Europe*	North America	Asia, Pacific and Africa	Reconciliation	**Consolidated financial statements**
Noncurrent assets**	230,866	31,329	33,083	10,851	306,129

* Of this amount, €46,527 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 include the carrying amount of investments accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

The following tables show noncurrent assets by operating segments for December 31, 2018:

in € thousands	Europe*	North America	Asia, Pacific and Africa	Reconciliation	**Consolidated financial statements**
Noncurrent assets**	229,890	29,682	28,340	11,329	299,241

* Of this amount, €43,961 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 include the carrying amount of investments accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

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 2019 and 2018.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

in € thousands	Goodwill	Internally generated intangible assets	Customer list	Other intangible assets	Advance payments and intangible assets under construction	Total other intangible assets
Cost						
Balance at January 1, 2018	**74,267**	**11,271**	**394,216**	**90,513**	**0**	**496,000**
Additions	0	904	0	523	0	1,427
Currency and other changes	0	0	–500	–168	0	–668
Reclassifications	0	0	0	32	0	32
Disposals	0	0	0	–1,649	0	–1,649
Balance as of December 31, 2018	**74,267**	**12,175**	**393,716**	**89,251**	**0**	**495,142**
Additions	0	1,831	0	150	112	2,093
Currency and other changes	0	0	347	112	1	460
Reclassifications	0	0	0	2,894	0	2,894
Disposals	0	0	0	–334	0	–334
Balance as of December 31, 2019	**74,267**	**14,006**	**394,063**	**92,073**	**113**	**500,255**
Amortization and impairment						
Balance at January 1, 2018	**74,267**	**7,634**	**192,350**	**63,934**	**0**	**263,918**
Additions	0	1,586	20,833	6,487	0	28,906
Currency and other changes	0	0	213	–45	0	168
Disposals	0	0	0	–1,586	0	–1,586
Balance as of December 31, 2018	**74,267**	**9,220**	**213,396**	**68,790**	**0**	**291,406**
Additions	0	1,664	20,885	2,560	0	25,109
Currency and other changes	0	0	–191	32	0	–159
Disposals	0	0	0	–334	0	–334
Balance as of December 31, 2019	**74,267**	**10,884**	**234,090**	**71,048**	**0**	**316,022**
Carrying amount as of December 31, 2018	**0**	**2,955**	**180,320**	**20,461**	**0**	**203,736**
Carrying amount as of December 31, 2019	0	**3,122**	**159,973**	**21,025**	**113**	**184,233**

The goodwill presented above has been impaired since 2009; the impairment may not be reversed in accordance to IAS 36.

The customer lists are made up of various projects with amortization periods of 4 to 15 years. The average remaining amortization period is 10 years.

For further details regarding amortization, impairments, and the reversal of impairments see note 38.

10. PROPERTY, PLANT, AND EQUIPMENT

in € thousands	Land, land and rights, and buildings, including buildings on third-party land	Right-of-use assets for land, land and rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Right-of-use assets for technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets for other equipment, operating and office equipment	Advance payments and assets under construction	Total
Cost								
Balance at January 1, 2018	**46,575**	**0**	**59,674**	**0**	**26,456**	**0**	**7,018**	**139,723**
Additions	1,771	0	5,011	0	6,746	0	4,903	18,431
Currency and other changes	90	0	−1,173	0	552	0	52	−479
Reclassifications	111	0	5,037	0	748	0	−5,928	−32
Disposals	−29	0	−5,672	0	−9,056	0	−22	−14,779
Balance as of December 31, 2018	**48,518**	**0**	**62,877**	**0**	**25,446**	**0**	**6,023**	**142,864**
Restatements due to changes in accounting standard	0	27,078	0	290	0	4,470	0	31,838
Additions	241	3,533	3,936	570	4,410	1,867	6,943	21,500
Currency and other changes	343	97	1,883	33	539	52	50	2,997
Reclassifications	68	0	2,092	0	−495	583	−5,142	−2,894
Disposals	−149	−309	−2,170	0	−2,353	−122	−118	−5,221
Balance as of December 31, 2019	**49,021**	**30,399**	**68,618**	**893**	**27,547**	**6,850**	**7,756**	**191,084**
Depreciation and impairment								
Balance at January 1, 2018	**20,434**	**0**	**24,414**	**0**	**14,836**	**0**	**0**	**59,684**
Additions	3,071	0	6,970	0	4,968	0	0	15,009
Currency and other changes	−15	0	−623	0	521	0	0	−117
Reclassifications	−14	0	−333	0	347	0	0	0
Disposals	−26	0	−5,564	0	−8,946	0	0	−14,536
Balance as of December 31, 2018	**23,450**	**0**	**24,864**	**0**	**11,726**	**0**	**0**	**60,040**
Additions	3,061	5,289	7,643	201	5,732	2,030	0	23,956
Currency and other changes	295	13	1,305	12	284	28	0	1,937
Reclassifications	0	0	0	0	−302	302	0	0
Disposals	−146	−18	−2,103	0	−2,191	−107	0	−4,565
Balance as of December 31, 2019	**26,660**	**5,284**	**31,709**	**213**	**15,249**	**2,253**	**0**	**81,368**
Carrying amount as of December 31, 2018	**25,068**	**0**	**38,013**	**0**	**13,720**	**0**	**6,023**	**82,824**
Carrying amount as of December 31, 2019	**22,361**	**25,115**	**36,909**	**680**	**12,298**	**4,597**	**7,756**	**109,716**

As of December 31, 2019, assets under construction in the amount of €6,014 thousand have been included in the “Advance payments made and assets under construction” item (December 31, 2018: €5,236 thousand).

For further details regarding depreciation, see note 38.

Due to the first-time application of IFRS 16, from January 1, 2019 the JOST Werke Group has also recognized right-of-use assets resulting from leases under fixed assets. In connection with real estate, the Group mainly leases production halls, warehouses and office buildings. Leased production machinery is reported under technical equipment and machinery. Other equipment, operating and office equipment mainly comprise the leased vehicle pool. The leases have terms of between one year and 22 years. In case of agreements with an indefinite term, estimates have been made on the basis of the economic useful life. Lease agreements may include extension and termination options.

The following overview separately lists the rights of use for assets.

in € thousands	Land, land and rights, and buildings, including buildings on third-party land	Right-of-use assets for technical equipment and machinery	Right-of-use assets for other equipment, operating and office equipment	**Total**
Cost				
Balance at January 1, 2019	**0**	**0**	**0**	**0**
Restatements due to changes in accounting standard	27,078	290	4,470	31,838
Additions	3,533	570	1,867	5,970
Currency and other changes	97	33	52	182
Reclassifications	0	0	583	583
Disposals	–309	0	–122	–431
Balance as of December 31, 2019	**30,399**	**893**	**6,850**	**38,142**
Depreciation and impairment				
Balance at January 1, 2019	**0**	**0**	**0**	**0**
Additions	5,289	201	2,030	7,520
Currency and other changes	13	12	28	53
Reclassifications	0	0	302	302
Disposals	–18	0	–107	–125
Balance as of December 31, 2019	**5,284**	**213**	**2,253**	**7,750**
Carrying amount as of December 31, 2018	**0**	**0**	**0**	**0**
Carrying amount as of December 31, 2019	**25,115**	**680**	**4,597**	**30,392**

The corresponding lease liabilities are shown as other financial liabilities (see notes 21 and 24).

Property, plant and equipment without considering the aforementioned right-of-use assets would be as follows.

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, 2018	**46,575**	**59,674**	**26,456**	**7,018**	**139,723**
Additions	1,771	5,011	6,746	4,903	18,431
Currency and other changes	90	−1,173	552	52	−479
Reclassifications	111	5,037	748	−5,928	−32
Disposals	−29	−5,672	−9,056	−22	−14,779
Balance as of December 31, 2018	**48,518**	**62,877**	**25,446**	**6,023**	**142,864**
Additions	241	3,936	4,410	6,943	15,530
Currency and other changes	343	1,883	539	50	2,815
Reclassifications	68	2,092	−495	−5,142	−3,477
Disposals	−149	−2,170	−2,353	−118	−4,790
Balance as of December 31, 2019	**49,021**	**68,618**	**27,547**	**7,756**	**152,942**
Depreciation and impairment					
Balance at January 1, 2018	**20,434**	**24,414**	**14,836**	**0**	**59,684**
Additions	3,071	6,970	4,968	0	15,009
Currency and other changes	−15	−623	521	0	−117
Reclassifications	−14	−333	347	0	0
Disposals	−26	−5,564	−8,946	0	−14,536
Balance as of December 31, 2018	**23,450**	**24,864**	**11,726**	**0**	**60,040**
Additions	3,061	7,643	5,732	0	16,436
Currency and other changes	295	1,305	284	0	1,884
Reclassifications	0	0	−302	0	−302
Disposals	−146	−2,103	−2,191	0	−4,440
Balance as of December 31, 2019	**26,660**	**31,709**	**15,249**	**0**	**73,618**
Carrying amount as of December 31, 2018	**25,068**	**38,013**	**13,720**	**6,023**	**82,824**
Carrying amount as of December 31, 2019	**22,361**	**36,909**	**12,298**	**7,756**	**79,324**

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 more than 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.

The following table shows the summarized financial information of the joint venture:

in € thousands	**2019**	2018
Noncurrent assets	8,476	6,463
Current assets	15,210	19,894
Noncurrent liabilities	1,231	608
Current liabilities	6,491	8,634
Equity	15,964	17,115
Sales revenues	64,983	57,579
Income total	66,084	58,654
Expenses total	59,036	52,454
Profit or loss for the period*	7,048	6,200
Interest (%)	49	49
Share of profit or loss for the period	3,454	3,038
Carrying amount of investment at 12/31	**10,851**	**11,329**

* For 2019 and 2018 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	**2019**	2018
Net assets at 12/31	**15,964**	**17,115**
Interest in joint venture	7,823	8,387
Goodwill (translated at current fx rate)	2,696	2,740
Fx effects on net assets	332	202
Carrying amount	**10,851**	**11,329**

Additional information:

in € thousands	**2019**	2018
Cash and cash equivalents	4,156	6,112
Current financial liabilities	28	95
Noncurrent financial liabilities	271	275
Depreciation and amortization	909	797
Interest income	964	1,024
Interest expenses	763	815
Income tax expenses	2,969	2,612

Dividend income of €3,382 thousand (2018: €925 thousand and interest received of €382 thousand (2018: €0 thousand) was recognized in fiscal year 2019.

An average of 317 people were employed in the reporting period (152 salaried employees and 165 hourly paid workers). In 2018, the headcount was 284 (140 salaried employees and 144 hourly paid workers).

As in prior years there were no contingent liabilities as at December 31, 2019.

12. DEFERRED TAX ASSETS AND LIABILITIES

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

in € thousands	**2019**	2018
Deferred tax assets		
Deferred tax assets realized after more than 12 months	6,785	8,578
Deferred tax assets realized within 12 months	563	1,692
Total	**7,348**	**10,270**
Deferred tax liabilities		
Deferred tax liabilities realized after more than 12 months	9,209	16,904
Deferred tax liabilities realized within 12 months	7,452	7,562
Total	**16,661**	**24,466**
Deferred tax liabilities (net)	**9,313**	**14,196**

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***	Provisions and other liabilities	Total
Balance as of January 1, 2018	**11,214**	**2,953**	**8,060**	**3,808**	**5,755**	**31,790**
Amount recognized in profit or loss	–422	–611	17,223	–1,068	–567	14,555
Amount recognized directly in equity	–96	0	0	0	0	–96
Currency changes	0	0	0	0	0	0
Balance as of December 31, 2018	**10,696**	**2,342**	**25,283**	**2,740**	**5,188**	**46,249**
Amount recognized in profit or loss	–488	–991	–889	–752	–2,472	–5,592
Amount recognized directly in equity	3,480	0	0	0	0	3,480
Currency changes	0	0	0	0	0	0
Balance as of December 31, 2019	**13,688**	**1,351**	**24,394**	**1,988**	**2,716**	**44,137**

* 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	Total
Balance as of January 1, 2018	**66,873**	**1,806**	**158**	**68,837**
Amount recognized in profit or loss	–7,936	–157	12	–8,081
Amount recognized directly in equity	0	0	0	0
Currency changes	–311	0	0	–311
Balance as of December 31, 2018	**58,626**	**1,649**	**170**	**60,445**
Amount recognized in profit or loss	–6,427	–667	–8	–7,102
Amount recognized directly in equity	0	0	0	0
Currency changes	107	0	0	107
Balance as of December 31, 2019	**52,306**	**982**	**162**	**53,450**

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% (2018: 30%) has been used: In addition to corporate income tax of 15% (2018: 15%), the solidarity surcharge amounting to 5.5% (2018: 5.5.%) of corporate income tax and the average trade tax rate of 14% (2018: 14%) were taken into account.

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

in € thousands	2019	2018
Balance at 1/1 (net liability)	**14,196**	**37,047**
Expense (+) / income (–) in income statement	–1,510	–22,636
Income taxes recognized in OCI (– profit / + loss) (pensions)	–3,480	96
Currency changes	107	–311
Balance at 12/31 (net liability)	**9,313**	**14,196**

Taxes on income in € thousands	2019	2018
Current tax on profit before tax	9,591	12,712
Deferred taxes	–1,510	–22,636
Taxes on income	**8,081**	**–9,924**

Current tax on earnings before taxes compromise income for other fiscal years with an amount of €135 thousand (2018: expenses of €798 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	2019	2018
Profit / loss before tax	41,605	43,526
Expected tax rate in %	30.0%	30.0%
Expected income taxes	12,482	13,058
Taxes on distributed dividends	850	383
Differences due to deviating tax rates from Group tax rate	–3,413	–3,444
Recognition of deferred taxes on tax exemption grant for profits in economic zones	0	–657
Recognition of deferred taxes on interest and loss carryforwards in Germany	–4,548	–17,223
Income tax reduction for results from associates	–985	–879
Tax effects of non-deductible income / expenses	78	–107
Tax effects of interest expenses that are not tax-deductible immediately	0	–2,201
Losses for which no deferred taxes were recognized	3,264	2,318
Income / expenses for other fiscal years	135	–798
Income taxes not based on profit / loss before tax (other taxes)	191	0
Other	28	–374
Effective tax charges	8,081	–9,924
Effective tax rate in %	19.4%	–22.8%

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.

There are retained earnings at subsidiaries amounting to €153,710 thousand (December 31, 2018: €165,302 thousand), which are to remain permanently invested and therefore do not trigger a deferred tax liability.

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. Deferred tax assets amounting to €889 thousand (2018: €17,223 thousand) were reversed on previously unrecognized tax interest and loss carryforwards in the reporting year. Unused tax loss carryforwards for which no deferred tax assets were recognized in the consolidated balance sheet are shown in the table below.

Unused tax loss carryforwards

in € thousands	2019	2018
Loss carryforwards in Germany*	222,539	22,076
Interest carryforwards in Germany	0	215,284
Loss carryforwards outside of Germany	969	1,524
Total	**223,508**	**238,884**

* Of which trade tax loss carryforwards in the amount of €148,191 thousand

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

Deferred tax assets that relate to entities which experienced a history of losses or realized a loss this year amount to €0 thousand (2018: €1,233 thousand).

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The transition of the measurement of financial assets under IFRS 9 in the previous year did not have any material effects so that no adjustment was made for reasons of materiality.

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

in € thousands	Measurement categories in accordance with IFRS 9	Carrying amount 12/31/2019	Fair value 12/31/2019	Carrying amount 12/31/2018	Fair value 12/31/2018	Level
Assets						
Cash and cash equivalents	FAAC	104,812	104,812	66,087	66,087	n/a
Trade receivables	FAAC	89,937	89,937	109,707	109,707	n/a
Other financial assets	FAAC	628	628	1,481	1,481	n/a
Total		**195,377**	**195,377**	**177,275**	**177,275**	

Cash and cash equivalents, trade receivables, and other financial assets are generally of a current nature. The fair value therefore roughly corresponds to the carrying amount. As of the reporting date, all other financial assets are measured at amortized cost (FAAC); the same applied to December 31, 2018.

in € thousands	Measurement categories in accordance with IFRS 9	Carrying amount 12/31/2019	Fair value 12/31/2019	Carrying amount 12/31/2018	Fair value 12/31/2018	Level
Liabilities						
Trade payables	FLAC	64,223	64,223	80,799	80,799	n/a
Interest-bearing loans and borrowings*	FLAC	151,076	151,396	151,305	151,255	2
Lease liabilities	n/a**	30,618	—	294	—	n/a
Other financial liabilities	FLAC	389	389	958	958	n/a
Derivative financial liabilities	FLtPL	1,573	1,573	696	696	2
Total		**247,879**	**217,581**	**234,052**	**233,708**	

* excluding accrued financing costs (see note 22)

** within the scope of IFRS 16

Since trade payables and other liabilities have short maturities, their carrying amounts do not differ from their fair values. With the exception of derivative financial liabilities, all liabilities listed in the table are measured at amortized cost (FLAC). Derivative financial liabilities are measured at fair value through profit or loss (FLtPL).

Lease liabilities fall within the scope of IFRS 16 and are therefore not allocated to any of the measurement categories established under IFRS 9.

in € thousands		Net gains/losses 2019	Carrying amount 12/31/2019	Fair value 12/31/2019	Net gains/losses 2018	Carrying amount 12/31/2018	Fair value 12/31/2018
Of which aggregated by measurement categories in accordance with IFRS 9							
Financial assets at amortised costs	FAAC	–16	195,377	195,377	–280	177,275	177,275
Financial liabilities at amortised costs	FLAC	–2,760	215,688	216,008	–7,734	233,062	233,012
Financial assets and liabilities at fair value through profit or loss	FAFLtPL	–876	1,573	1,573	–696	696	696

The net loss on financial assets measured at amortized cost amounts to €16 thousand (2018: €280 thousand) and stems from the impairment of trade receivables as of December 31, 2019. The net loss from financial liabilities measured at amortized cost amounts to €2,760 thousand (2018: €7,734 thousand) and stems from interest expense and other financial expenses (see note 36). The prior-year figure mainly included expenses from the repayment of the former credit agreement by way of the promissory note loan. The net loss from financial liabilities measured at fair value amounts to €876 thousand (2018: €696 thousand) and stems from the measurement of interest rate swaps at fair value as of December 31, 2019 (see note 24).

The JOST Werke 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 2019 and 2018.

The fair value of the interest-bearing loans and borrowings is determined in 2019 and 2018 considering actual interest curves and classified as level 2 of the fair value hierarchy.

The measurement of derivatives is described in notes 6.13, 21 and 24.

14. INVENTORIES

in € thousands	**12/31/2019**	12/31/2018
Raw materials, consumables, and supplies	45,230	49,214
Work in process	15,327	17,950
Finished goods and merchandise	47,616	43,729
Total	**108,173**	**110,893**

As at December 31, 2019 impairments on inventories amounting to €6,423 thousand (December 31, 2018: €9,090 thousand) were recognized. The decline is mainly due to the decrease in the inventory of raw materials, consumables and supplies.

15. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables

Trade receivables amounted to €89,937 thousand at the closing date (2018: €109,707 thousand).

Allowances for doubtful accounts changed as follows:

in € thousands	**2019**	2018
Balance at 1/1	**2,250**	**2,078**
Additions	198	496
Utilization	–133	–14
Currency and other changes	–166	–310
Balance at 12/31	**2,149**	**2,250**

The contractual amount outstanding from receivables that were written off during the reporting period and are still subject to enforcement activity is €115 thousand.

The aging of receivables is as follows:

in € thousands	Carrying amount before impairment	Of which not yet past due at the closing date	Of which past due at the closing date: Up to 3 months*	3 – 6 months	6 – 12 months	more than 12 months	Of which credit-impaired at the closing date
December 31, 2019	92,086	76,878	12,075	454	437	93	2,149
December 31, 2018	111,957	90,732	16,159	1,474	658	684	2,250

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

As of December 31, 2019, trade receivables of €2,149 thousand (2018: €2,250 thousand) were impaired. Valuation allowances on trade receivables changed as follows:

2019

in € thousands	Total	Up to 3 months	3 – 6 months	6 – 12 months	more than 12 months
Item-by-item loss allowance	2,036	372	20	50	1,594
Loss allowance, expected credit loss	113	21	1	3	88
Total	**2,149**	**393**	**21**	**53**	**1,682**

2018

in € thousands	Total	Up to 3 months	3 – 6 months	6 – 12 months	more than 12 months
Item-by-item loss allowance	2,146	553	68	33	1,492
Loss allowance, expected credit loss	104	27	3	2	72
Total	**2,250**	**580**	**71**	**35**	**1,564**

As of the reporting date, all receivables are due within one year. The maximum default risk comprises the net carrying amounts of the financial assets recognized in the balance sheet which are not covered by commercial credit insurance. This risk is taken into consideration by means of valuation allowances.

Other financial assets

Other financial assets include overpayments to suppliers in the amount of €197 thousand (2018: €208 thousand) and deposits in the amount of €431 thousand (2018: €356 thousand). There were no credit-impaired financial assets as of the balance sheet date. The gross carrying amount corresponds to the maximum default risk. No other financial assets were at risk of default as of the balance sheet date.

16. OTHER ASSETS

As of the end of the year, other assets amounted to €18,055 thousand (2018: €17,920 thousand). Other noncurrent assets consist of pension liability insurance claims (2019: €93 thousand; 2018: €89 thousand) and from prepaid expenses for a period of more than one year. Other current assets primarily include VAT receivables (2019: €7,311 thousand; 2018: €10,129 thousand), prepaid expenses (2019: €4,031 thousand; 2018: €4,302 thousand), recoverable taxes from business operations (2019: €129 thousand; 2018: €235 thousand), and current liability insurance claims (2019: €882 thousand; 2018: €710 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	12/31/2019	12/31/2018
Cash on hand and bank balances	94,833	60,464
Bank bills of exchange	9,979	5,623
Total	**104,812**	**66,087**

The development and application of cash and cash equivalents is stated in the Consolidated Financial Cash Flow Statement. There were no credit-impaired financial assets as of the balance sheet date. The gross carrying amount corresponds to the maximum default risk. No cash and cash equivalents were at risk of default as of the balance sheet date.

18. EQUITY

As of December 31, 2019, the subscribed capital of the JOST Werke Group amounted to €14,900 thousand, which is fully paid-up and divided into 14,900,000 no-par value shares.

At the Annual General Meeting held on May 4, 2018, a resolution was adopted to cancel the existing Authorized Capital 2017 and create new Authorized Capital 2018. 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 €7,450,000 once or in several installments until May 3, 2023 by issuing new no-par value bearer shares against cash or non-cash contributions. The General Meeting also adopted a resolution to create Conditional Capital 2018. The share capital may be increased once or several times by up to €7,450,000 by issuing up to 7,450,000 new no-par value bearer shares. If new shares are issued from Authorized Capital 2018, shareholders generally have pre-emptive rights, which 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 has not yet exercised this authorization.

According to a further resolution adopted by the General Meeting on May 4, 2018, the Management Board is authorized, with the approval of the Supervisory Board, to issue warrants, convertible bonds and / or income bonds as well as profit participation rights or combinations of these instruments (collectively referred to as "bonds") with a total nominal value of up to €350m with or without a limited maturity period until May 3, 2023 and to issue the bearers and / or creditors of the bonds with option and / or conversion rights for up to 7,450,000 new no-par-value bearer shares in the Company representing up to €7,450,000.00 of share capital in accordance with the more detailed bond conditions. While shareholders generally have preemptive rights, the Management Board is authorized to disapply shareholders' pre-emptive rights to the bonds subject to the conditions outlined in the aforementioned authorizing resolution with the approval of the Supervisory Board. Further details can be found in the proposed resolution adopted by the General Meeting under agenda item 8 of the General Meeting on May 4, 2018. The Management Board has not yet exercised this authorization. In order to service the bonds, the General Meeting conditionally increased the share capital of the Company by up to €7,450,000.00 by issuing up to 7,450,000 new no-par-value bearer shares (Authorized Capital 2018; Article 6 of the Articles of Association).

The General Meeting of May 4, 2018 also authorized the Company until May 3, 2023 to buy back its own shares in a volume up to a total of 10% of the existing share capital at the time the resolution was passed or, in the event that this figure is lower, the existing share capital at the time the authorization is exercised. The own shares acquired can be used for any legally permitted purpose. Further details can be found in the authorization resolution adopted by the General Meeting on May 4, 2018 (agenda item 6). The Company has not acquired any of its own shares as of the preparation date of this report.

After the General Meeting held in May 2018, a dividend of €7.45m (€0.50 per share) was distributed to the shareholders of the Company, which reduced retained earnings accordingly. The retained earnings in 2018 included the net profit of €53,450 thousand.

After the General Meeting held in May 2019, a dividend of €16.39m (€1.10 per share) was distributed to the shareholders of the Company, which reduced retained earnings accordingly. The retained earnings include the net profit for the reporting period of €33,524 thousand.

An amount of €24,746 thousand was taken from capital reserves and transferred to retained earnings in fiscal year 2019 (2018: €23,024 thousand).

Retained earnings continue to show a negative amount due to losses incurred in the past. The name of the item was not adjusted.

The other comprehensive income for fiscal year 2019 recognized in other reserves in an amount of €–5,617 thousand (2018: €–3,720 thousand) includes exchange differences on translating foreign operations of €2,504 thousand (2018: €–3,945 thousand), remeasurements from defined benefit plans with an amount of €–11,601 thousand (2018: €321 thousand) and deferred taxes relating to remeasurements from defined benefit plans of €3,480 thousand (2018: €–96 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 Group entities, particularly in Germany, have established pension plans for their employees. As of December 31, 2019, the defined benefit obligations amounted to €70,995 thousand in total as calculated pursuant to IAS 19 with a discount rate of 0.8%, 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 1/1/2018	**65,984**	**–4,410**	**61,574**
Current service cost	334	0	334
Interest cost	988	–67	921
Remeasurements on obligation	–498	32	–466
thereof: experience adjustments	587	0	587
thereof: changes in demographic assumptions	931	0	931
thereof: changes in financial assumptions	–2,016	0	–2,016
thereof: return on plan assets	0	32	32
Benefits paid	–2,285	462	–1,823
Employer contributions	0	–46	–46
Balance at 12/31/2018	**64,523**	**–4,029**	**60,494**
Current service cost	115	0	115
Interest cost	1,089	–69	1,020
Remeasurements on obligation	11,158	42	11,200
thereof: experience adjustments	750	0	750
thereof: changes in demographic assumptions	0	0	0
thereof: changes in financial assumptions	10,408	0	10,408
thereof: return on plan assets	0	42	42
Benefits paid	–1,788	0	–1,788
Employer contributions	0	–46	–46
Balance at 12/31/2019	**75,097**	**–4,102**	**70,995**

in € thousands	2019	2018
Recognized provision (unfunded pension obligation)	70,995	60,494
Funded pension obligation	4,102	4,029
Total pension obligations	**75,097**	**64,523**
Total pension obligations	75,097	64,523
Net of plan assets	–4,102	–4,029
Carrying amount (corresponds to underfunding)	**70,995**	**60,494**
Reimbursement rights	**93**	**89**
Expense reported in the income statement	**1,134**	**1,253**
consisting of		
Service cost	115	334
Interest cost	1,089	988
Interest income on plan assets	–69	–67
Interest income on reimbursement rights	–1	–2
Total	**1,134**	**1,253**

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

in € thousands	2019	2018
Income and expenses from remeasurements recognized in OCI	11,200	–466
Changes in the defined benefit obligation in the fiscal year		
Balance at 01/01	**64,523**	**65,984**
Current service cost	115	334
Interest cost	1,089	988
Remeasurements on obligation	11,158	–498
Benefits paid	–1,788	–2,285
Balance at 12/31	**75,097**	**64,523**
Fair value of plan assets		
Balance at 01/01	**4,029**	**4,410**
Interest income	69	67
Return on plan assets	–42	–32
Employer contributions	46	46
Benefits paid	0	–462
Balance at 12/31	**4,102**	**4,029**

The plan assets only relate to Germany and include with 100% (2018: 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.

Fair values of reimbursement rights

in € thousands	2019	2018
Balance at 1/1	**89**	**84**
Interest income	1	2
Employer contributions	3	3
Balance at 12/31 (fair value)	**93**	**89**

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

	2019	2018
Discount rate	0.8%	1.7%
Inflation rate / future pension increases	2.0%	2.0%
Future salary increases	2.0%	2.0%

The HEUBECK 2018 G mortality tables are used as a basis for biometric calculation in Germany. The tables were published on July 20, 2018 and factor in the latest statistics on statutory pension insurance and statistics issued by the German Federal Statistical Office. An update on the tables was published on October 4, 2018. The Federal Ministry of Finance (BMF) has approved the new mortality tables with the BMF circular dated October 19, 2018. Application of the Heubeck 2018 G mortality tables resulted in an increase in the pension provisions to €931 thousand as of December 31, 2018 that was recognized in equity as an actuarial loss.

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:

2019

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 8.2%	Increase by 9.4%
Salary growth rate	0.5%	Increase by 1.2%	Decrease by 1.1%
Pension growth rate	0.5%	Increase by 6.9%	Decrease by 6.2%
Life expectancy	1 year	Increase by 6.1%	Decrease by 5.2%

2018

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.8%	Increase by 8.8%
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 5.4%	Decrease by 4.7%

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:

2019

in € thousands	Up to 1 year	1 to 2 years	2 to 5 years	5 to 10 years	**Total**
	1,897	2,015	6,956	14,349	25,217

2018

in € thousands	Up to 1 year	1 to 2 years	2 to 5 years	5 to 10 years	**Total**
	1,821	1,930	6,564	13,809	24,124

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

The weighted average duration of the defined benefit obligation is 18 years (2018: 17 years).

Expected contributions to plan assets and reimbursement rights for the fiscal year ending December 31, 2020 are €46 thousand (2019: €46 thousand).

20. OTHER PROVISIONS

Other provisions changed as follows:

2019

in € thousands	Warranties	Customer commissions and bonuses	Share-based payments	Other personnel-related provisions	Other legal disputes and other costs	**Total**
Balance at 1/1/2019	**6,596**	**3,241**	**0**	**1,438**	**4,093**	**15,368**
of which current	5,843	3,241	0	796	3,692	13,572
of which noncurrent	753	0	0	642	401	1,796
Additions	1,584	1,116	676	1,091	1,110	5,577
Utilization	–2,337	–2,800	0	–577	–265	–5,979
Reversal	–1,235	–251	0	–198	–3,726	–5,410
Unwinding of discount	0	0	0	11	0	11
Currency and other changes	36	27	0	107	–1	169
Balance at 12/31/2019	**4,644**	**1,333**	**676**	**1,872**	**1,211**	**9,736**
of which current	4,041	1,333	0	1,137	820	7,331
of which noncurrent	603	0	676	735	391	2,405

2018

in € thousands	Warranties	Customer commissions and bonuses	Personnel-related provisions	Other legal disputes and other costs	Total
Balance at 1/1/2018	**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
Additions	4,091	6,401	840	532	11,864
Utilization	–2,226	–4,275	–716	–1,643	–8,860
Reversal	–737	–401	–101	–4,430	–5,669
Unwinding of discount	0	0	9	0	9
Currency and other changes	–2	–2,930	–35	–80	–3,047
Balance at 12/31/2018	**6,596**	**3,241**	**1,438**	**4,093**	**15,368**
of which current	5,843	3,241	796	3,692	13,572
of which noncurrent	753	0	642	401	1,796

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

Customer commissions and bonuses mainly relate to commissions and bonuses for sales staff. In the previous year, this item also included provisions for sales transactions, which mainly concerned 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. Since 2018, these provisions have been shown under contract liabilities (see note 25).

Share-based payment

In 2019, the Company introduced a long-term incentive plan (LTIP) in order to provide selected managers (excluding the Management Board) of the JOST Werke Group with the opportunity to participate in the success of the JOST Werke Group, with the goal of thus ensuring their long-term loyalty. The rights within the scope of the LTIP in the form of phantom stocks establish an entitlement to cash payment following a four-year reference period (corresponding to the period of service) from April 1, 2019 to March 31, 2023, in line with the JOST Werke share's outperformance of the SDAX index. If the JOST Werke share matches or outperforms the SDAX, a special payment will be made in the amount of 100% of the value of the JOST Werke share. If the JOST Werke share underperforms the SDAX, a special payment will be made in the amount of 20% of the value of the JOST Werke share.

The payment resulting from the phantom stocks is limited to three times their initial value (average price of the JOST Werke share during the last 30 trading days prior to the start of the reference period).

In 2019, a total of 148,133 phantom stocks were granted within the scope of the LTIP, with an initial value of €4,425 thousand.

The fair value of the phantom stocks was determined using a Monte Carlo simulation with the following input factors as of December 31, 2019:

	12/31/2019
JOST share price	37.30€
SDAX index	12,511.89
Expected volatility, JOST	34.79%
Expected volatility, SDAX	14.42%
JOST / SDAX correlation	0.4758
JOST dividend yield	2.89%
Risk-free interest rate	–0.57%
Fair value	**27.62€**

The relative performance of the JOST Werke share by comparison with the SDAX index, the average value at the end of the reference period, discrete dividend estimates for the JOST share and the limit on the payment amount were taken into consideration for the purpose of the Monte Carlo simulation.

As of December 31, 2019, the carrying amount of the liability resulting from the phantom stocks and recognized expense amounts to €676 thousand. No phantom stocks expired or became non-forfeitable during the period under review.

Other personnel-related provisions

Other provisions for personnel expenses 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. Utilization of the provisions is expected in the short- to medium term.

21. FINANCIAL LIABILITIES

The following overview shows the maturity of financial liabilities and derivative financial instruments as of December 31, 2019. 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	74,230	140,425	40,529	255,184
Derivatives	538	1,035	0	1,573
Total	**74,768**	**141,460**	**40,529**	**256,757**

The following table shows the fixed and expected cash outflows as of December 31, 2019, broken down by time of occurrence:

2019

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
Liabilities to banks	1,903	120,988	34,744	157,635
thereof: fixed interest-bearing	694	31,226	20,164	52,084
thereof: variable interest-bearing	1,209	89,762	14,580	105,551
Other liabilities to banks	349	857	0	1,206
Trade payables	64,223	0	0	64,223
Lease liabilities	7,366	18,580	5,785	31,731
Other financial liabilities	389	0	0	389
Derivatives	538	1,035	0	1,573
Total	**74,768**	**141,460**	**40,529**	**256,757**

Other liabilities to banks and other financial liabilities are fixed outflows of cash, whereas trade payables and derivatives represent expected outflows of cash. The interest payments on liabilities to banks in a one-to-five-year period amount to €2,226 thousand for fixed-interest and an anticipated €3,262 thousand for floating-rate promissory notes. Interest payments on promissory note loans maturing in more than five years totaled €164 thousand from fixed cash outflows and €80 thousand from variable cash outflows.

Undiscounted cash outflow as of December 31, 2018:

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
Financial liabilities	83,703	124,082	34,744	242,529
Derivatives	0	696	0	696
Total	**83,703**	**124,778**	**34,744**	**243,225**

The following table shows the fixed and expected cash outflows as of December 31, 2018, broken down by time of occurrence:

2018

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	**Total**
Liabilities to banks	1,675	122,892	34,744	159,311
thereof: fixed interest-bearing	694	31,920	20,164	52,778
thereof: variable interest-bearing	981	90,972	14,580	106,533
Other liabilities to banks	271	1,190	0	1,461
Trade payables	80,799	0	0	80,799
Other financial liabilities	958	0	0	958
Derivatives	0	696	0	696
Total	**83,703**	**124,778**	**34,744**	**243,225**

Liabilities to banks have been uncollateralized as of December 31, 2019, as in the previous year.

22. INTEREST-BEARING LOANS AND BORROWINGS

Effective June 29, 2018, the Company canceled the existing credit agreement and issued promissory note loans with a total value of €150m that mature in five and seven years respectively and have both fixed and variable interest rates. In addition to the promissory note loans, the revolving facility was increased from €80m to €150m. The new financing comes with more favorable interest rates and longer terms. In addition, the obligation to the lenders to comply with various covenants, now only applies if the revolving credit facility is utilized.

Details regarding the maturities of the promissory note loans are shown in the table below.

Two of the current promissory note loans are also subject to variable interest rates. The Group hedges a portion of the interest rate risk with interest swaps. For further details see note 24.

Effective April 30, 2018, Jost Otomotiv Sanayi Ticaret A.S., Izmir, Turkey, took out a loan of €1,300 thousand with a term of 5 years. This loan serves to finance machinery and working capital.

The following table shows the promissory note loans as of December 31, 2019:

in € thousands		**12/31/2019**	12/31/2018
Promissory note loans	5 years, fixed	29,000	29,000
	5 years, variable	86,500	86,500
	7 years, fixed	20,000	20,000
	7 years, variable	14,500	14,500
		150,000	**150,000**
Other		1,076	1,305
Interest bearing loans		**151,076**	**151,305**
Accrued financing costs		–321	–407
Total		**150,755**	**150,898**

As of December 31, 2019 and as of December 31, 2018, the Group has not drawn the available revolving facility. Interest payments were made in the amount of €2,150 thousand (2018: €2,617 thousand). The Group made principal payments of 229 thousand (2018: € 0 thousand) and interest payments of € 50 thousand (2018: € 26 thousand) for the loan granted to Jost Otomotiv Sanayi Ticaret A.S., Izmir, Turkey. In the previous year, repayments of the previous senior loan were made in the amount of €30,154 thousand.

To the extent that they are accrued, the costs incurred under the financing agreement dated June 29, 2018 are spread until mid-2025 in accordance with the effective interest method. All of the remaining accrued finance costs in connection with the previous financing agreement dated July 24, 2017 were recognized under finance expense in the previous year.

In order to finance its acquisition of Ålö Holding AB, JOST has entered into a new financing arrangement with a consortium of banks for an amount of €120m and over a term of 5 years.

23. TRADE PAYABLES

Trade payables recognized at the reporting date are non-interest bearing. As of the end of the year, trade payables amount to €64,223 thousand (2018: €80,799 thousand).

24. OTHER FINANCIAL LIABILITIES

Upon initial application of IFRS 16 as of January 1, 2019, additional lease liabilities were recognized for leases previously classified as operating leases under IAS 17. The lease liabilities amounted to €30,618 thousand as of the reporting date. The lease liabilities as the present value of future lease payments are based on the maturities indicated in note 21.

The future interest rate volatility from the variable interest tranches of the promissory note loan is hedged via four interest rate swaps. Overall, the interest rate swaps as of December 31, 2019 had a negative fair value of €1,573 thousand (2018: €696 thousand) (mark-to-market valuation), which is shown in the balance sheet under other noncurrent financial liabilities. For details regarding the maturities of loans see notes 21 and 22.

As in the previous year, the Group did not apply hedge accounting in accordance with IFRS 9 in the reporting period.

Other current financial liabilities also include overpayment from customers in the amount of €389 thousand (2018: €567 thousand).

25. CONTRACT BALANCES

in € thousands	**12/31/2019**	12/31/2018
Contract assets	0	0
Contract liabilities	4,571	2,708

There were no contract assets in 2019 or 2018. Accordingly, nor was any related impairment recognized for expected losses.

The Group's contract liabilities result from prepayments received in the amount of €295 thousand (2018: €219 thousand) and obligations from sales transactions (particularly discounts) in the amount of €4,276 thousand (2018: €2,489 thousand). These contract liabilities have increased by comparison with the previous year due to higher customer discounts in particular. The contract liabilities recognized in the opening balance sheet as of January 1, 2019 resulted in sales revenues in the amount of €219 thousand in the 2019 fiscal year (2018: €245 thousand). No material sales revenues were generated during the year under review from performance obligations which were fulfilled (or fulfilled in part) in earlier periods.

26. OTHER LIABILITIES

Other liabilities amount to €22,494 thousand (2018: €24,858 thousand). They primarily include €13,394 thousand in employee benefits (2018: €15,563 thousand) and €1,732 thousand in other liabilities from social insurance contributions (2018: €1,661 thousand). Furthermore, other liabilities include VAT liabilities in the amount of €1,306 thousand (2018: €1,342 thousand) and wage taxes in the amount of €926 thousand (2018: €776 thousand).

27. OTHER FINANCIAL OBLIGATIONS

Within the scope of the first-time application of IFRS 16 Leases, from January 1, 2019 most of the operating lease obligations and corresponding lease agreements for material assets are separately reported under the other financial liabilities (see notes 2.3, 6.14 and 24). Reference figures for the prior-year period were not retroactively restated in this context. Accordingly, other financial obligations have decreased in the year under review.

The Group's other financial obligations in the year under review include, in particular, financial obligations and warranty commitments of €10,223 thousand (2018: €40,568 thousand) associated with obligations under license and maintenance agreements. There are also other financial obligations from purchase commitments for property, plant and equipment amounting to €323 thousand.

In the previous year, financial obligations under lease and rental agreements primarily resulted in connection with the production sites in Poland and China, IT systems, various forklifts, and passenger vehicles. The payment obligations were generally minimum lease obligations.

Due to the non-applicability of IFRS 16 to all of the agreements and the exercise of options, in 2019 the Company continued to recognize rental and lease expenses in the amount of €2,941 thousand.

In the coming years, the Group expects the following minimum lease payments from non-cancellable rental and lease agreements not recognized in accordance with IFRS 16.

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	**Total**
2019	2,512	1,045	3	3,560
2018	8,137	19,303	3,834	31,274

In addition, there is an obligation to pay a fixed purchase price of €154.6 million as part of the acquisition of Ålö Holding AB in 2020 (see note 49).

28. SALES REVENUES

Sales revenue mainly results from the sale of products.

The consolidated sales revenues are all recognized at a point of time and are as follows, broken down by sales origin:

in € thousands	**2019**	2018
Europe	431,684	463,776
North America	161,779	145,632
Asia, Pacific and Africa	142,884	146,006
Total	**736,347**	**755,414**

The economy-driven decline in sales revenue in Europe is partially offset by the increase in sales revenue from growth in the North America region. This was due both to increased demand from existing customers and to gains in market share.

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

in € thousands	**2019**	2018
Truck	258,407	263,104
Trailer	286,294	300,639
Trading	191,646	191,671
Total	**736,347**	**755,414**

Sales revenues include sales revenues of €219 thousand (2018: €245 thousand), which as of December 31, 2018 were shown as contract liabilities.

29. COST OF SALES

Cost of sales mainly comprise the following: cost of materials of €–393,703 thousand (2018: €–411,773 thousand), personnel expenses of €–70,870 thousand (2018: €–66,309 thousand), freight costs of €–14,469 thousand (2018: €–15,311 thousand), depreciation of property, plant and equipment of €–11,871 thousand (2018: €–10,340 thousand), depreciation of rights of use under leases of €–4,328 thousand (2018: €0 thousand), amortization of intangible assets of €–97 thousand (2018: €–79 thousand) and rental expenses of €–1,503 thousand (2018: €–4,961 thousand), and impairments of inventories of €–523 thousand (2018: €–113 thousand).

30. SELLING EXPENSES

Selling expenses mainly comprise the following: personnel expenses of €–31,512 thousand (2018: €–29,121 thousand), outbound freight of €–14,461 thousand (2018: €–14,493 thousand), depreciation of property, plant and equipment of €–3,043 thousand (2018: €–3,091 thousand), amortization of intangible assets of €–22,906 thousand (2018: €–23,195 thousand) and depreciation of right-of-use assets under leases of €–2,108 thousand (2018: €0 thousand) as well as rental expenses of €–1,117 thousand (2018: €–2,297 thousand).

31. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly comprise personnel expenses of €–9,017 thousand (2018: €–8,387 thousand) and amortization of intangible assets of €–1,676 thousand (2018: €–1,602 thousand).

32. ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise the following: personnel expenses of €–25,200 thousand (2018: €–22,132 thousand), purchased services of €–7,089 thousand (2018: €–7,626 thousand), rental expenses of €–465 thousand (2018: €–1,148 thousand), insurance of €–2,031 thousand (2018: €–1,794 thousand), depreciation of property, plant and equipment of €–1,309 thousand (2018: €–1,437 thousand), depreciation of right-of-use assets under leases of €–1,042 thousand (2018: €0 thousand) and amortization of intangible assets of €–429 thousand (2018: €–4,030 thousand).

33. OTHER INCOME / OTHER EXPENSES

As of the end of the year, other income amounted to €5,582 thousand (2018: €6,672 thousand) and other expenses to €–4,103 thousand (2018: €–5,921 thousand).

In 2019 and 2018, other income mainly compromises currency gains of €3,188 thousand (2018: €4,203 thousand). Also included is income from the reversal of provisions and government grants. Other expenses mainly compromise currency losses in the amount of €3,510 thousand (2018: €5,641 thousand).

34. SHARE OF THE PROFIT OR LOSS OF EQUITY METHOD INVESTMENTS

The share of the profit or loss of equity method investments (2019: €3,456 thousand; 2018: €3,038 thousand) relates to JOST Brasil Sistemas Automotivos Ltda.

35. FINANCIAL INCOME

Financial income is composed of the following items:

in € thousands	**2019**	2018
Interest income	238	263
Realized and unrealized currency gains	3,007	955
Other financial income	47	36
Total	**3,292**	**1,254**

36. FINANCIAL EXPENSE

Financial expense is composed of the following items:

in € thousands	**2019**	2018
Interest expenses	–3,734	–3,816
Realized and unrealized currency losses	–2,305	–1,497
Result from measurement of derivatives	–876	–696
Other financial expenses	–576	–4,906
Total	**–7,491**	**–10,915**

Other financial expenses in the previous year included interest of €2.2m in connection with additional VAT payments. Due to the financing as of June 29, 2018, the previously accrued financing costs in connection with the previous financing agreement were completely reversed. This resulted in expenses of €1.8m recognized in other financial expense. This item also included €0.4m from the new financing. Interest expense from financial liabilities measured using the effective interest method amounted to €0.1m (2018: €0.0m).

37. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are composed of the following items:

in € thousands	2019	2018
Employee benefit expenses	–113,212	–107,916
Social security contributions*	–23,272	–17,699
Pension expenses	–115	–334
Total	**–136,599**	**–125,949**

* The Company incurred expenses for employer contributions to the statutory pension insurance system in the amount of €3,324 thousand in fiscal year 2019 (2018: €3,033 thousand).

38. DEPRECIATION, AMORTIZATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT

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

2019

in € thousands	Depreciation / impairment of property, plant and equipment	Amortization / impairment of intangible assets
Cost of sales	–16,199	–97
Selling expenses	–5,151	–22,906
thereof: depreciation and amortization from PPA*	–2,222	–22,886
Research and development expenses	–256	–1,676
Administrative expenses	–2,351	–429
Total	**–23,957**	**–25,108**

* PPA: Purchase Price Allocation

The increase in total depreciation and amortization reporting year resulted mainly from the initial application of IFRS 16.

Depreciation, amortization, and impairments charge for 2018 is recognized in the following line items in the income statement:

2018

in € thousands	Depreciation / impairment of property, plant and equipment	Amortization / impairment of intangible assets
Cost of sales	–10,340	–79
Selling expenses	–3,091	–23,195
thereof: depreciation and amortization from PPA*	–2,222	–23,193
Research and development expenses	–141	–1,602
Administrative expenses	–1,437	–4,030
Total	**–15,009**	**–28,906**

* PPA: Purchase Price Allocation

39. 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 €–8,081 thousand (2018: €9,924 thousand) includes deferred tax income the from origination and reversal of temporary differences of €3,692 thousand (2018: tax income of €4,756 thousand), deferred tax income from the recognition of tax exempt grants of €0 thousand (2018: €657 thousand), deferred tax expenses from interest / loss carryforwards of €–2,182 thousand (2018: tax income of €17,223 thousand) and current tax expenses on profit for the fiscal year at an amount of €–9,591 thousand (2018: €–12,712 thousand).

In connection with the refinancing carried out in the previous year, JOST improved its equity within the German tax group, which will enable the Group to utilize tax loss carryforwards in Germany more quickly in the future. The Group therefore recognized deferred tax expenses from interest and loss carryforwards of €2,182 thousand.

In fiscal year 2019, the Group made income tax payments of €12,166 thousand (2018: €11,849 thousand).

40. 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, 2018, there were 14,900,000 shares. The number of shares remained unchanged as of December 31, 2019.

The diluted earnings per share (in €) correspond to basic earnings per share.

Earnings per share

	2019	2018
Profit / loss after taxes (in € thousand)	33,524	53,450
Weighted average number of shares	14,900,000	14,900,000
Basic and diluted earnings per share (in €)	**2.25**	**3.59**

41. NUMBER OF EMPLOYEES

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

Average number of employees

	2019	2018
Production	2,009	1,977
Sales	503	477
Research and development	122	120
Administration	278	270
Total	**2,912**	**2,844**

For details on personnel expenses see notes 29 to 32.

42. CASH FLOW STATEMENT

The other noncash expenses mainly comprise interest expense and the service cost within the scope of the pension obligations as well as the expense and income resulting from the investment accounted for using the equity method.

Net debt is as follows:

in € thousands	**12/31/2019**	12/31/2018
Cash and cash equivalents	104,812	66,087
Interest-bearing loans and borrowings, repayable within one year	–311	–234
Interest-bearing loans and borrowings, repayable after one year*	–150,444	–150,664
Net debt	**–45,943**	**–84,811**
Cash and liquid assets	104,812	66,087
Gross debt – at fixed interest rates*	–49,999	–50,211
Gross debt – at variable interest rates*	–100,756	–100,687
Net debt	**–45,943**	**–84,811**

* including refinancing costs

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

	Other assets	Liabilities from financing activities				Equity	
in € thousands	Cash and cash equivalents	Short-term interest-bearing loans and borrowings*	Long-term interest-bearing loans and borrowings*	Accrued refinancing costs	Lease liabilities	Retained earnings	Total
Balance at 1/1/2018	**66,313**	**2**	**179,566**	**–1,788**	**395**	**–297,789**	**–53,301**
Changes from financing cash flows	268	232	–29,083	–450	–92	–7,450	–36,575
Effect of changes in foreign exchange rates	–494	0	288	0	–9	0	–215
Other changes	0	0	300	1,831	0	76,474	78,605
Balance at 12/31/2018	**66,087**	**234**	**151,071**	**–407**	**294**	**–228,765**	**–11,486**
Restatements due to changes in accounting standard	0	0	0	0	31,852	0	31,852
Changes from financing cash flows	37,962	–229	0	0	–6,907	–16,390	14,436
Acquisitions – leases	0	0	0	0	5,970	0	5,970
Effect of changes in foreign exchange rates	763	0	0	0	151	0	914
Other changes	0	306	–306	86	–742	58,270	57,614
Balance at 12/31/2019	**104,812**	**311**	**150,765**	**–321**	**30,618**	**–186,885**	**99,300**

* Gross presentation without taking into account refinancing costs

43. RELATED PARTY DISCLOSURES

IAS 24 defines related parties as those persons and companies that have control or a significant influence over the reporting entity or that hold a key position in the management of the reporting entity or a parent company of a reporting entity.

The structure of the JOST Werke Group as of December 31, 2019, including its subsidiaries and the joint venture, changed as follows compared to December 31, 2018 and is also presented in note 4. The liquidation of JOST (Shanghai) Auto Component Co. Ltd., Shanghai, People's Republic of China, was completed on May 8, 2019. This company was therefore removed from the basis of consolidation of the JOST Werke Group. Its liquidation did not have any effect on sales, earnings or the balance sheet. In addition, Regensburger Zuggabel GmbH, Neu-Isenburg, Germany, was merged with Jost-Werke International Beteiligungsverwaltung GmbH, Neu-Isenburg, Germany, with effect as of August 7, 2019.

The ownership structure of JOST Werke AG has changed as follows since December 31, 2018: As of December 31, 2019, Allianz Global Investors GmbH (Frankfurt, Germany) was the largest shareholder of JOST Werke AG, holding 15.08% of the shares carrying voting rights. Of this amount, Allianz SE (Munich, Germany) was allocated 10.06% of the voting rights of JOST Werke AG. Allianz Global Investors GmbH makes all decisions relating to the exercise of the voting rights in JOST Werke AG allocated to Allianz SE independently of Allianz SE. As a result, Allianz SE's voting rights are included in the voting rights allocated to Allianz Global Investors GmbH. No other shareholder holds more than 10% of the Company's share capital. According to notifications submitted in accordance with the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG), the voting interest of Virtus Investment Partner (USA) is 9.95%, of Pelham Long / Short Small Cap Fund Ltd. (Bermudas) is 7.87%, of Atlantic Value General Partner Ltd. (UK) is 7.09%, of Paradice Investment Management Pty Ltd (Australia) is 5.06% and of FMR LLC (USA) is 5.01%.

Joachim Dürr took over as Chief Executive Officer from Lars Brorsen as of October 1. The **Management Board** comprises the following members, who are all related parties within the meaning of IAS 24. The following also includes their posts on other supervisory / control bodies:

Lars Brorsen, cand.oecon., Heubach (until September 30, 2019)
Chairman of the Management Board
Chief Executive Officer
- Member of the advisory board, Digades Holding GmbH, Zittau

Joachim Dürr, Diplom-Ingenieur, Dachau
Chairman of the Management Board (from 1 October 2019)
Chief Executive Officer (formerly Chief Sales Officer)
- No posts on supervisory / control bodies

Dr.-Ing. Ralf Eichler, Diplom-Ingenieur, Dreieich
Chief Operating Officer
- No posts on supervisory / control bodies

Dr. Christian Terlinde, Diplom-Kaufmann, Dinslaken
Chief Financial Officer (from January 1, 2019)
- No posts on supervisory / control bodies

The total cash benefits (= total benefits) of the Management Board members in accordance with HGB amounted to €3,430 thousand in the reporting period (2018: €2,772 thousand). The total cash remuneration for former members of the Management Board amounts to €315 thousand (2018: €0 thousand). The pension obligations for former members of the Management Board ("defined benefit obligation under IFRSs") amount to €6,250 thousand (2018: €0 thousand).

Total remuneration for active members of the Management Board amounts to €3,774 thousand in the reporting period (2018: €3,008 thousand). It comprises short-term benefits of €2,842 thousand (2018: €2,213 thousand) and long-term employee benefits of €932 thousand (2018: €795 thousand). Provisions and liabilities for remuneration of active members of the Management Board amounted to €1,374 thousand (2018: €7,722 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 advisory board, Brückner Technology Holding GmbH, Siegsdorf, Germany
- Member of the board, TI Fluid Systems plc, England
- Member of the board, PIAB International AB, Täby, Sweden

Prof. Dr. Bernd Gottschalk (Deputy Chair)
Occupation: Management consultant, Managing Partner of AutoValue GmbH, Frankfurt am Main, Germany
- Member of the supervisory board, Schaeffler AG, Herzogenaurach, Germany
- Member of the supervisory board, Plastic Omnium S.A., Paris, France
- 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 supervisory board, Haldex AB, Landskrona, Sweden

Natalie Hayday
Occupation: Managing Director of 7Square GmbH, Frankfurt am Main, Germany
- 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
- Chairman of the Audit Committee, Optimum Maritime Holding, Limassol, Cyprus

Klaus Sulzbach
Occupation: Auditor / management consultant
- No other posts on supervisory / control bodies

The Supervisory Board received remuneration of €505 thousand in the 2019 fiscal year (2018: €505 thousand).

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

Related party transactions as of December 31, 2019

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	1,452	454	254	68

Related party transactions as of December 31, 2018

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	880	470	119	0

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

44. 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. The Company also continuously reviews the exchange rate exposures in the various currencies.

Termination of the credit agreement, which included a USD tranche, as of June 29, 2018, and repayment of the amount owed eliminated the risk of exchange rate movements associated with these long-term bank liabilities.

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 €2,961 thousand and trade payables by €2,087 thousand. In addition, currency effects apply due to internal Group loan receivables and liabilities.

Due to exchange rate fluctuations, in fiscal year 2019 currency gains from internal Group loan receivables and liabilities were reported in the total amount of €702 thousand (2018: €–542 thousand currency losses) as well as currency losses from trade receivables and trade payables in the total amount of € 322 thousand (2018: €1,438 thousand). 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 12/31/2019	Closing rate 12/31/2018	Average rate for the year 12/31/2019	Average rate for the year 12/31/2018	Net gain sensitivity € thousands	Equity sensitivity € thousands
Australia	AUD	1.60	1.62	1.61	1.58	–60.30	–663.66
Brazil	BRL	4.52	4.44	4.41	4.31	–164.46	–372.50
China	CNY	7.82	7.88	7.74	7.81	–241.97	–1,215.26
Great Britain	GBP	0.85	0.89	0.88	0.88	122.88	–122.24
Hungary	HUF	330.53	320.98	325.30	318.89	0.00	0.00
India	INR	80.19	79.73	78.84	80.73	–58.82	–497.03
Japan	JPY	121.94	125.85	122.01	130.40	–1.11	–17.50
New Zealand	NZD	1.67	1.71	1.70	1.71	–0.28	–14.33
Poland	PLN	4.26	4.30	4.30	4.26	–193.59	–801.42
Russia	RUB	69.96	79.72	72.46	74.04	–34.87	–200.39
Singapore	SGD	1.51	1.56	1.53	1.59	–121.35	–234.61
Thailand	THB	33.42	37.05	34.76	38.16	9.62	–10.63
Turkey	TRY	6.68	6.06	6.36	5.71	–7.87	–80.45
United States	USD	1.12	1.15	1.12	1.18	–409.28	–1,775.73
South Africa	ZAR	15.78	16.46	16.18	15.62	–178.51	–564.08

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), with all other variables remaining constant, in fiscal year 2019 results in a €103 thousand increase in the Group's interest expense (2018: €51 thousand and €6 thousand). The old loan agreement still contained a USD tranche.

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 in the future, the Company entered into four interest rate swaps as of December 31, 2019, each with a term running until 2023. In fiscal year 2019, the Company generated no interest income and incurred no interest expense (2018: €30 thousand in interest expense) from these hedging transactions. The Group did not apply hedge accounting in accordance with IFRS 9 in fiscal year 2019 or in the previous year.

The following table shows the change in interest rate swaps:

in € thousands	Type	Maturity	Nominal amount at 12/31/2019	Negative fair value at 12/31/2018	Change in fair value	Negative fair value at 12/31/2019
DZ Bank	SWAP	06/29/23	12,500	144	185	329
BayernLB	SWAP	06/29/23	15,000	174	219	393
BNP Paribas	SWAP	06/29/23	12,500	145	181	326
UniCredit	SWAP	06/29/23	20,000	233	292	525
Total			**60,000**	**696**	**877**	**1,573**

Credit risk / Default risk

The credit risk or default risk is the risk resulting due to non-compliance with contractual agreements in the form of a contracting party's failure of comply with a payment obligation, which results in corresponding financial losses. To minimize this risk and to protect against defaults, and therefore financial losses, the Group pays close attention to the credit quality of its contractual partners, takes out commercial credit insurance, and actively manages accounts receivable (see notes 6.7 and 15). Banks only accept contracting parties with an independent rating, subject to a minimum rating within the investment grade segment. The maximum credit risk resulting from trade receivables, other financial assets and cash and cash equivalents is indicated in notes 15 and 17.

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 2019, the Company discharged all of its payment obligations under the bank liabilities. The total amounts in fiscal year 2019 were:

Interest payments: €2,150 thousand (2018: €2,617 thousand)
Principal repayments: €229 thousand (2018: €30,154 thousand)

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

The termination of the old credit agreement as of June 29, 2018 and the placement of promissory note loans again reduced borrowings. The Company also secured more favorable interest rates and extended the maturities of its financing.

Furthermore, JOST is able to use a revolving facility amounting to €150,000 thousand to finance its business; the facility has not been drawn as of the reporting date.

In order to finance its acquisition of Ålö Holding AB, JOST has entered into a new financing arrangement with a consortium of banks for an amount of €120m and over a term of 5 years. As of December 31, 2019, the loan had not been drawn down. This bank loan is 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 could be called to be paid back immediately.

45. 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 capital management activities cover the entire Group. Strategies for controlling and optimizing the existing financing structure, in addition to the adjusted EBIT and adjusted 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. Net debt largely comprises long-term loans from banks less refinancing costs and from other lenders.

in € thousands	**2019**	2018
Interest-bearing loans	150,755	150,898
Cash and cash equivalents	104,812	66,087
Net debt	**45,943**	**84,811**
Equity	263,130	251,613
Net debt to equity ratio	17%	34%

Under the financing arrangements, the obligation to comply with covenants applies if the revolving credit facility or the newly concluded loan for financing the acquisition of Ålö Holding AB is utilized. JOST Werke AG, Neu-Isenburg, complied with the relevant covenants at all times in both 2019 and 2018.

In prior years, the previous bank loans were subject to compliance with various financial covenants that were derived from the consolidated financial statements of the ultimate parent company. In case of non-compliance with those financial covenants bank loans could be called to be paid back immediately.

46. AUDITOR'S FEES

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

in € thousands	2019	2018
Audit services	354	413
Other assurance services	24	0
Tax advisory services	203	174
Total	**581**	**587**

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, JOST-Werke Deutschland GmbH and ROCKINGER Agriculture GmbH. The fees for tax advisory services mainly include fees for assistance with the preparation of tax returns and for assistance during tax audits conducted by the tax authorities. The other assurance services related to a review of the reconciliation statement in accordance with Section 4h (2) sentence 12f. of the Einkommensteuergesetz (German Income Tax Act - EStG).

47. APPROPRIATION OF PROFITS OF JOST WERKE AG

A proposal will be made to the Annual General Meeting to distribute €0.80 per share from the net retained profit of €16.4m shown by the parent company, JOST Werke AG, for the period ended December 31, 2019.

48. 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/declaration-of-compliance**

49. EVENTS AFTER THE REPORTING DATE

The following significant, reportable events occurred after the reporting date.

Acquisition of Ålö Holding AB, Umeå, Sweden

On January 31, 2020 the subsidiary Jost-Werke International Beteiligungsverwaltung GmbH acquired a 100% interest in Ålö Holding AB, a leading international manufacturer of agricultural front loaders marketed under the Quicke brand, for a purchase price of €154.6m. This acquisition concerned 14,207,973 shares with a notional value of SEK 10 per share. The main reason for the acquisition is that JOST intends to use the takeover to expand its successful business and sales model, and its industrial expertise as a producer and supplier of systems and components in the agricultural sector.

This acquisition has not been included according to IFRS 3 in the financial statements as of December 31, 2019. It will be consolidated for the first time on February 1, 2020.

Purchase price and information of the acquired net assets

The consideration transferred is composed as follows:

in € thousands	
Consideration transferred	
Payment made in cash	154,600
Contingent consideration	0
Total	**154,600**

As the acquisition was made shortly before the preparation of the consolidated financial statements, the fair values of the acquired assets and liabilities and thus the acquired goodwill (purchase price allocation) could not yet be determined. JOST only had access to detailed financial information when the transaction was completed on January 31, 2020. However, interim financial statements of Ålö Holding AB as of January 31, 2020 are available, which were prepared according to IFRSs and were reviewed by an auditor. The carrying amounts of the assets acquired and liabilities assumed from the Ålö Group at the acquisition date were as follows:

in € thousands	
Other intangible assets	57,606
Property, plant, and equipment	22,791
Inventories	39,707
Trade receivables	26,604
Cash and cash equivalents	12,318
Trade payables	–23,141
Interest-bearing loans and borrowings	–103,132
Other assets and liabilities	–25,421
Net assets	**7,332**

Other intangible assets mainly include capitalized development costs. In the course of initial analyses other significant intangible assets, such as customer lists, other technologies and brand names were identified, which will be measured as part of the purchase price allocation still to be performed. Goodwill was also acquired, which is attributable to the strong market position and high profitability of the Ålö Group and the expected synergies. This goodwill is not deductible for tax purposes.

The bank liabilities assumed in the amount of €99m were repaid by JOST on January 31, 2020.

Financing of the acquisition

In order to finance its acquisition of Ålö Holding AB, JOST has entered into a new financing arrangement with a consortium of banks for an amount of €120m and over a term of 5 years. Due to the higher level of debt, the interest rate on these loans is slightly higher than on the previous financing. They were drawn down as of the acquisition date. In addition, €90 million of the existing credit lines were drawn down.

Contingent consideration

Should the gross margin of Ålö Holding AB exceed a certain figure in fiscal year 2020, the Group is obliged to pay the former owners of Ålö Holding AB up to €25m.

The Group's potential payment obligations under this agreement are between €1m and €25m and will become due and payable in 2021 if this company's gross margin exceeds a certain figure.

Related transaction costs

Costs associated with the acquisition of the Ålö Group arose in the amount of €2,482 thousand incurred in the administrative expenses in fiscal year 2019.

Disclosures not yet provided since the relevant information was not available

According to currently available, unaudited information, the Ålö Group generated sales of €196.6m and an adjusted EBITDA of €25.4m in the 2019 fiscal year with about 700 employees worldwide.

In addition to the purchase price allocation mentioned above, detailed information on the further acquisition costs in 2020 and on individual classes of acquired receivables and contingent liabilities of the acquired company cannot yet be provided.

There were no further significant, reportable events after the reporting date.

Neu-Isenburg, March 13, 2020

Joachim Dürr Dr. Ralf Eichler Dr. Christian Terlinde

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 13, 2020

Joachim Dürr　　Dr. Ralf Eichler　　Dr. Christian Terlinde

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, Neu-Isenburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2019, 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 January 1 to December 31, 2019, 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 January 1 to December 31, 2019. In accordance with the German legal requirements, 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 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 Abs. [paragraph] 1 HGB [Handelsgesetzbuch: 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 December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, 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 § 322 Abs. 3 Satz [sentence] 1 HGB, 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") 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 January 1 to December 31, 2019. 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 matter of most significance in our audit was as follows:

1. Recoverability of deferred tax assets in respect of loss carryforwards

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

1. Recoverability of deferred tax assets in respect of loss carryforwards

1. In the consolidated financial statements of JOST Werke AG deferred tax assets in respect of loss carryforwards amounting to EUR 24.4 million (previous year: EUR 25.3 million) are reported. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the unused tax losses to be utilized. From our point of view, the accounting treatment of deferred taxes in respect of loss 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.

2. As part of our audit, we assessed the method used for the calculation, recognition and measurement of the deferred taxes. Based on this, we assessed in particular the amount of the deferred tax assets in respect of loss carryforwards on the basis of the Company’s internal forecasts of the consolidated tax group’s future earnings situation, as well as the appropriateness of the underlying estimates and assumptions. On the basis of our audit procedures, we were able to verify the executive directors’ assumptions relating to the recognition and measurement of deferred taxes and satisfy ourselves as to the appropriateness of those assumptions.

3. The Company’s disclosures on deferred taxes are contained in sections 6.1 under “Recognition of deferred taxes on loss carryforwards”, 12 “Deferred tax assets and liabilities” and 39 “Income taxes” in 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 annual report – 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 controls.

- 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 annual general meeting on May 9, 2019. We were engaged by the supervisory board on December 3, 2019. 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 13, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Stefan Hartwig)	(sgd. ppa. Benedikt Goldschmidt)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT

INDEPENDENT PRACTITIONERS' LIMITED ASSURANCE REPORT

To JOST Werke AG, Neu-Isenburg

We have been engaged to perform a limited assurance engagement on the non-financial report of JOST Werke AG, Neu-Isenburg (hereinafter the "Company") in accordance with Section 315b Para. 3 HGB et sqq. (German Commercial Code), which is integrated in the non-financial report of the parent company in accordance with Section 289b Para. 3 HGB, for the period 1 January to 31 December 2019.

Management's responsibility

The officers of the company are responsible for the preparation of the non-financial report in dependence on the German Sustainability Code (Deutscher Nachhaltigkeitskodex, hereinafter the "DNK") and in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

This responsibility of Company´s officers includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the officers are responsible for such internal control as they have considered necessary to enable the preparation of the non-financial report that is free from material misstatement, whether due to fraud or error.

Audit firm's independence and quality control

We are independent of the company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with the relevant provisions within these requirements.

Our audit firm applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandards 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Practitioners' responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report, based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the non-financial report.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by the International Auditing and Assurance Standards Board (IAASB). This standard requires that we plan and perform the engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that

- the non-financial report of the Company for the period 1 January to 31 December 2019 has not been prepared, in all material respects, in dependence on the DNK,

and

- the non-financial report of the Company for the period 1 January to 31 December 2019 has not been prepared, in all material respects, in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

We do not, however, issue a separate conclusion for each disclosure. In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The auditing firm is responsible for the selection of evidence-gathering procedures, according to their reasonable discretion.

Within the scope of our engagement we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organisation and of the stakeholder engagement;
- Evaluation of the design and implementation of systems and processes for the collection, processing and monitoring of disclosures on environmental, employee and social matters, respect for human rights, and combating corruption and bribery, including data consolidation,
- Inquiries of personnel involved in the preparation of the non-financial report regarding the preparation process, the internal control system relating to this process and selected sustainability information;
- Evaluation of selected internal and external documents,
- Identification of the likely risks of material misstatements of the non-financial report;
- Analytical evaluation of selected sustainability information of the non-financial report;
- Comparison of selected sustainability information with corresponding data in the consolidated financial statements and in the group management report;
- Assessment of the presentation of selected sustainability information.

Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that

- the non-financial report of the Company for the period 1 January to 31 December 2019 has not been prepared, in all material respects, in dependence on the DNK,

and

- the non-financial report of the Company for the period 1 January to 31 December 2019 has not been prepared, in all material respects, in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

Intended use of the Assurance Report

We issue this report on the basis of the engagement agreed with JOST Werke AG, Neu-Isenburg. The assurance engagement has been performed for the purpose of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften)” dated January 1, 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement. In addition, please refer to the liability provisions contained in No. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Kronberg, March 13, 2020

Spall & Kölsch GmbH
Wirtschaftsprüfungsgesellschaft (Auditing firm)

[Original German Version signed by:]

Christian Spall	Ralph Becker
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

MAY 07, 2020
ANNUAL GENERAL MEETING

MAY 14, 2020
INTERIM REPORT
Q1 2020

AUGUST 13, 2020
INTERIM REPORT
H1 2020

NOVEMBER 12, 2020
INTERIM REPORT
9M 2020

Publishing Information

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