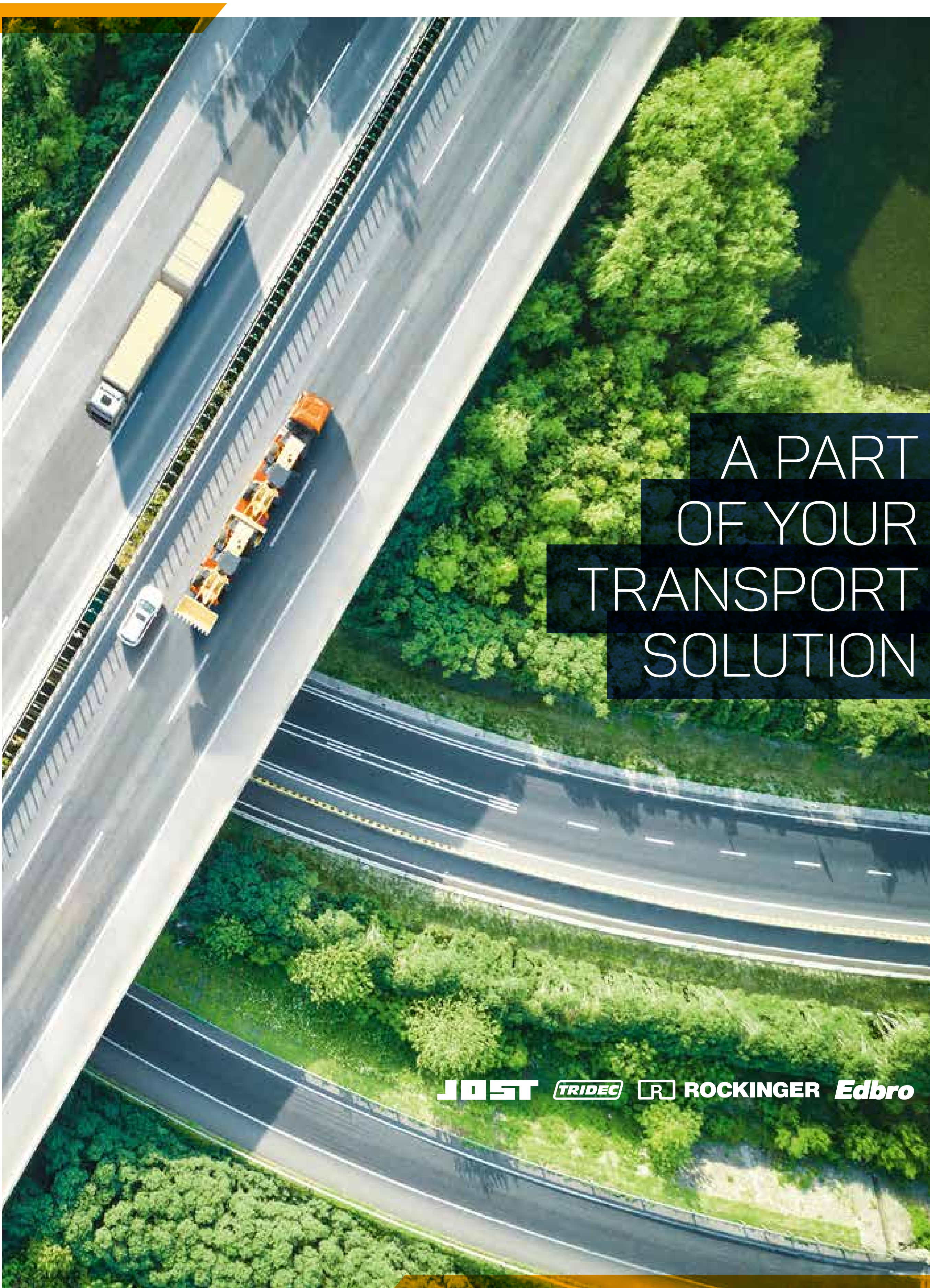
ANNUAL GROUP REPORT 2018
JOST Werke AG



A PART OF YOUR TRANSPORT SOLUTION

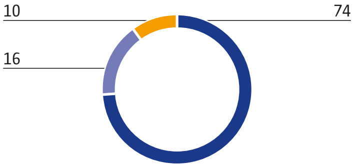
JOST AT A GLANCE

Key figures

in € million	2018	2017	Change
Sales, Europe	463.8	441.2	5.1%
Sales, North America	145.6	118.5	22.9%
Sales, Asia, Pacific and Africa (APA)	146.0	141.6	3.1%
Consolidated sales	**755.4**	**701.3**	**7.7%**
Adjusted EBITDA[1]	99.7	94.7	5.3%
Adjusted EBITDA margin (%)	13.2	13.5	−0.3%-points
Adjusted EBIT[1]	81.2	76.4	6.3%
Adjusted EBIT margin (%)	10.7	10.9	−0.2%-points
Equity ratio (%)	40.6	33.7	6.9%-points
Net debt[2]	85.2	113.3	−24.8%
Leverage[3]	0.85x	1.20x	−28.5%
Capex[4]	19.9	19.3	3.0%
ROCE (%)[5]	20.3	19.8	0.5%-points
Cash conversion rate (%)[6]	80.1	79.6	0.5%-points
Profit/loss after taxes	53.5	−62.8	–
Earnings per share (in €)	3.59	−8.41	–
Adjusted profit / loss after taxes[7]	51.6	44.6	15.7%
Adjusted earnings per share (in €)[8]	3.46	2.99	15.7%
Proposed dividend (€ per share)	1.10	0.50	120.0%

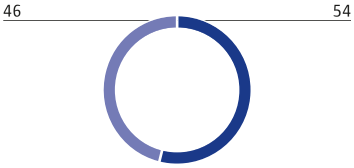
1 Adjustments for PPA effects and exceptionals
2 Interest bearing loans (excl. accrued financing costs) – liquid assets
3 Net debt / adj. EBITDA, last 12 months
4 Gross presentation (capex; without taking into account divestments)
5 LTM adj. EBIT / interest-bearing capital employed; interest-bearing 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, 2018)

Sales by product system
Total 2018, in %



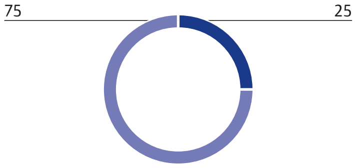
- Vehicle Interface
- Maneuvering
- Handling Solutions

Sales by application
Total 2018, in %



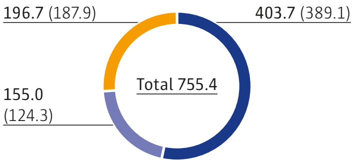
- Trailer
- Truck

Sales by customer type
Total 2018, in %



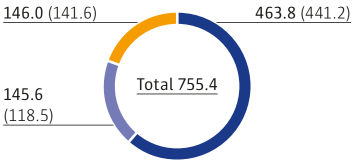
- Aftermarket (AM) und Trading
- Original Equipment (OE)

Regional sales by destination
Total 2018 (2017), in € million



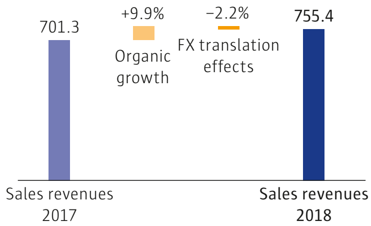
- Europe 53% (55%)
- North America 21% (18%)
- APA 26% (27%)

Regional sales by origin
Total 2018 (2017), in € million



- Europe 62% (63%)
- North America 19% (17%)
- APA 19% (20%)

Organic sales development
Total 2018, in € million



JOST IS A LEADING GLOBAL PRODUCER AND SUPPLIER OF SAFETY-CRITICAL SYSTEMS TO THE TRUCK AND TRAILER INDUSTRY.

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

JOST's core brands "JOST," "ROCKINGER," "TRIDEC" and "Edbro" are well recognized in the industry and highly regarded for their quality and continuous innovation. With its global distribution network and production facilities in 22 countries across five continents, JOST has direct access to all major truck and trailer manufacturers and relevant end customers.

JOST currently employs about 2,900 staff worldwide.

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

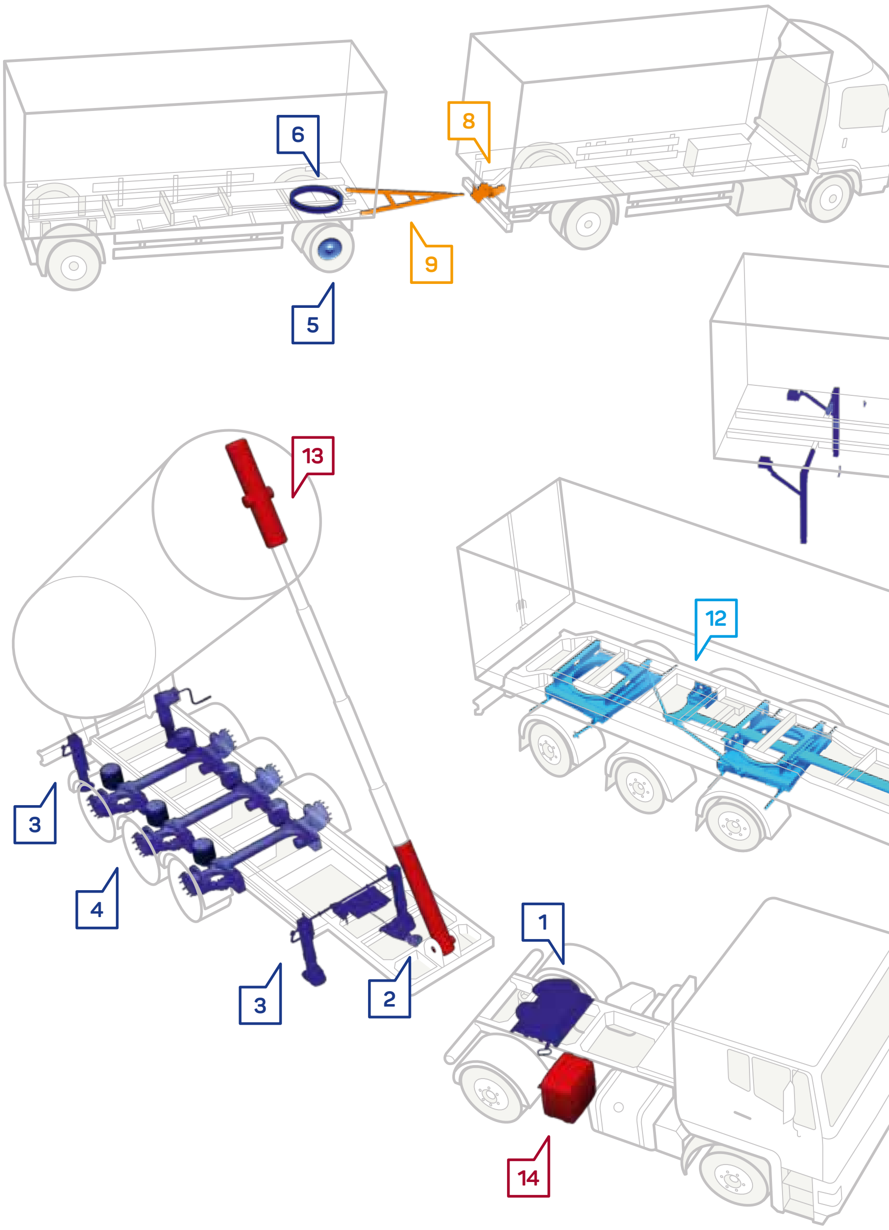
3 Landing gears
Landing gears with variable bolting heights, crank handles, connection shaft-lengths and foot types, special landing gears for special applications

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

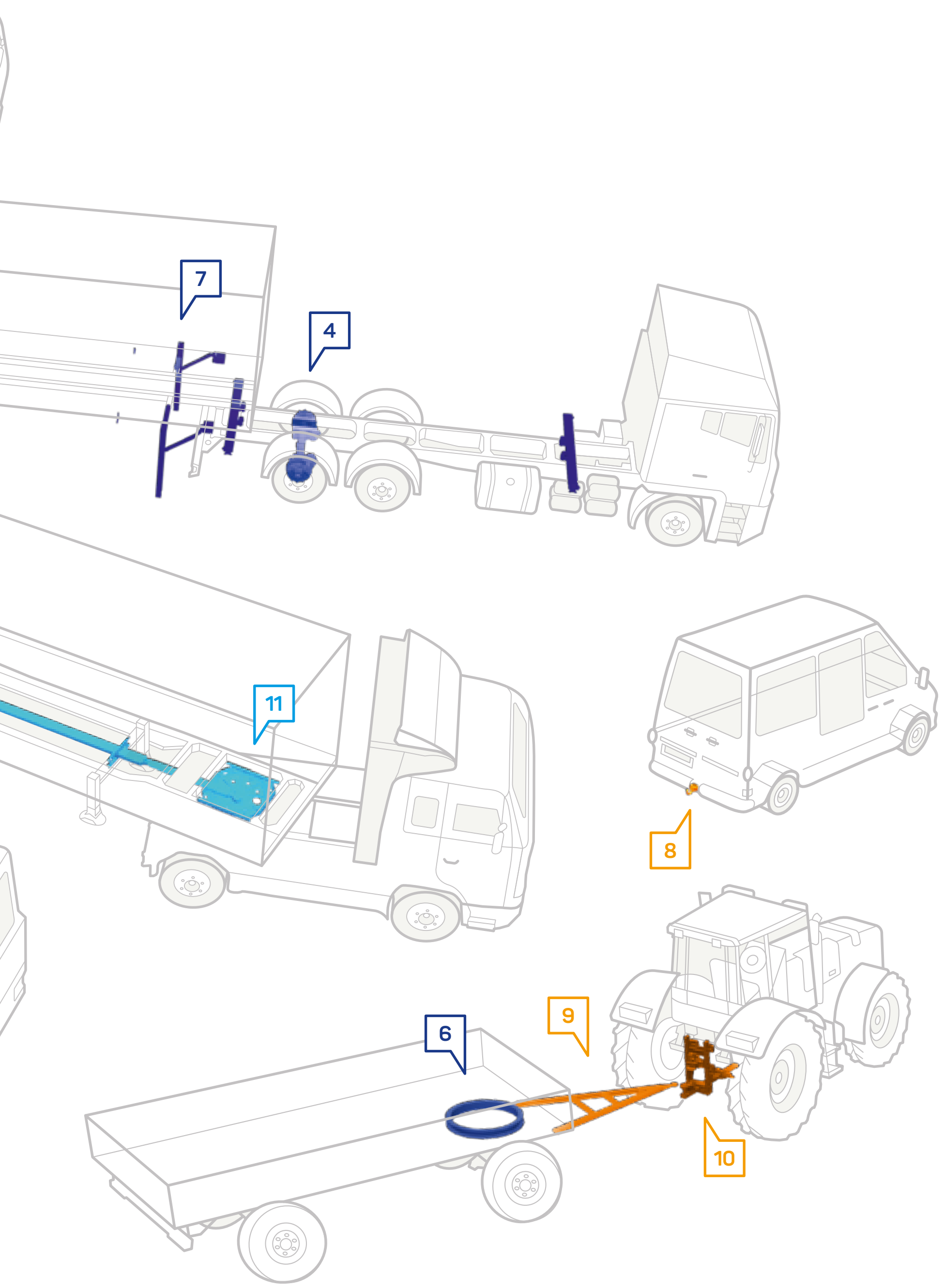


Edbro

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

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

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

TRIDEC

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

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

INTERVIEW WITH THE MANAGEMENT BOARD

The Management Board of JOST Werke AG (from left to right):
Dr. Christian Terlinde (Chief Financial Officer), Lars Brorsen (Chief Executive Officer),
Joachim Dürr (Chief Sales Officer) and Dr. Ralf Eichler (Chief Operating Officer)

2018 WAS OUR BEST YEAR EVER. WE ACHIEVED ORGANIC GROWTH OF AROUND 10% AND A RECORD SALES NUMBER OF €755 MILLION.

How do you rate the performance of JOST in the 2018 fiscal year?

Lars Brorsen: We are very pleased. 2018 was our best year ever. We achieved an organic growth of around 10% and a record sales number of €755 million. It took a lot of energy and determination to achieve this result. All regions contributed – Europe performed well, as did Asia, despite experiencing a temporary market decline in 2018. In North America, we even managed an impressive 28% organic growth compared with 2017 and gained additional market share.

Dr. Christian Terlinde: We also achieved our highest profit of all time amounting to €53 million and were able to further reduce our leverage from 1.2x to 0.85x. We signed a new refinancing agreement that gives us more flexibility for future acquisitions. We want our shareholders to benefit from this success and will therefore propose to the Annual General Meeting that the dividend be increased from €0.50 to €1.10 per share.

Dr. Ralf Eichler: We are also pleased with our operating performance. Of course, we had to overcome many challenges: rising material prices, scarcities in the supply chain, higher freight costs – not to mention the unexpectedly high growth in sales, especially in the USA. If you want to respond quickly and flexibly to changes in the market, you have to be able to adapt your production process at short notice. Which, of course, is exactly what our team did. In 2018, we achieved an adjusted EBIT margin of 10.7%, very close to the previous year's level of 10.9%.

What do you expect JOST to achieve in 2019?

Lars Brorsen: The year 2019 started quite well for us. We intend to build on our successful performance in 2018 and continue our growth path. We expect our year-over-year sales growth to be in the low single-digit range. Nevertheless, we cannot ignore the fact that there are some uncertainties on the horizon, such as Brexit and the escalation of the trade conflict between the U.S. and other countries. Uncertainties like these could have a direct or indirect impact on our business.

Dr. Christian Terlinde: These factors reduce visibility for the second half of the year 2019, but we are ready to react quickly. Flexibility is certainly something that has distinguished JOST in the past.

Joachim Dürr: We remain committed to outperforming the relevant markets in all segments. Although we cannot determine the way the markets will develop, we can generate additional growth by continuing to build on JOST's good global position. We also intend to increase the share of higher-value products in our total sales – for example couplings with sensors and automatic lubrication systems. In the field of manoeuvring systems, we see a strong trend towards steered axles, which will help our TRIDEC products gain new business in 2019. In Edbro, our portfolio has a strong brand for hydraulic cylinders, from which we can generate additional growth. It is important that we continue to offer our customers added value. This will enable us to consolidate our market position and acquire additional market share.

Lars Brorsen,
Chief Executive Officer:
Born 1952, since July 2017 chairman of the Management Board of JOST Werke AG, responsible for Marketing / Sales, Quality / Environment, HR and R&D

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

Dr. Ralf Eichler: In production, we will continue to invest in automation in order to make our production processes more efficient. Approximately 2.5% of sales is earmarked as capital expenditure. In 2019, we intend to expand our supplier network in order to avoid supply bottlenecks in the future. At the same time, we will further optimize the three pillars of quality, delivery reliability and cost. I see opportunities for further efficiency gains here. Our aim is to ensure that adjusted EBIT develops in line with sales and that our adjusted EBIT margin remains stable compared with the previous year.

What trends will shape the commercial vehicle industry in the future?

Joachim Dürr: The industry is going through some significant changes. Digital transformation, connectivity, sustainability, the electrification of the powertrain and especially autonomous driving will define the future and also affect JOST. As far as autonomous driving is concerned, safe communication between the truck and trailer is essential. The key is to work very closely with the truck and trailer OEMs. At the same time, we need to be aware of what the fleet operators need and want, so we can come up with a solution that works for everyone. At the moment, JOST is already well positioned. We are working very closely with the OEMs to define new interfaces, and our sales operation has an excellent relationship with the fleet operators.

Lars Brorsen: We also have some very competitive and highly advanced products on the market: sensor couplings, automatic landing gear and automated lubrication systems, to name just a few. In 2019, we will be working hard to get our automated KKS coupling system into production by 2020. Over the past few years, JOST has developed a strong foundation that we now need to build on.

You said you considered sustainability to be an important industry trend. How can JOST contribute to this?

Joachim Dürr: First, it is important to define what we mean by sustainability. For us, it includes many aspects, with safety being a particularly important one. As a manufacturer of safety-critical components, we take a high degree of responsibility for their quality and service life. Safety, however, also affects the issue of handling. We have to supply systems that allow the user to work safely. This is why our focus for the future is very much on sensor technology.

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

Lars Brorsen: Sustainability is also about environmental responsibility, of course. The law requires a substantial reduction in commercial vehicle emissions in the future. JOST can support this with weight-optimised products, something that we worked on at an early stage. But we can also make a major contribution by reducing the amount of grease used by vehicles. Our minimum lubrication system together with our new biodegradable high-performance lubricant delivers a solution that is not only sustainable but also saves our customers money. That's another step in the right direction.

Dr. Ralf Eichler: It goes without saying that our sustainability strategy also addresses our employees. Here, we are concerned mainly with health and safety at work, which is a high priority for us. Automation can help here, of course, by making certain activities easier and safer for our employees to carry out.

Dr. Christian Terlinde: Good corporate governance is also an important part of sustainability. In 2018, we stepped up the dialogue with our stakeholders and introduced significant measures to optimize our governance organization and culture. As members of the Management Board, we have a responsibility to manage the Company effectively and in a way that ensures the sustainable financial success of the business.

What factors do you think are important for JOST's long-term success?

Lars Brorsen: At JOST, the customer always comes first. We must therefore be totally focused on three things: quality, reliability and flexibility.

Dr. Ralf Eichler: This applies to every part of the Company, as these are the key factors influencing its future performance. We have learned a great deal in recent years. Our current workforce and expertise with robust processes puts us in a strong position. In a volatile industry like ours, willingness to change is essential – because standing still means going backwards.

Dr. Christian Terlinde: It is important to have the right staff in the right position. We have well-motivated employees who will support us through the Company's next stages of development. However, because there is so much to do, we still need to recruit new people who approach their work with drive and enthusiasm.

Joachim Dürr: It is crucial for us to stay at the cutting edge, to be inquisitive and innovative, to understand the business and our customers, to anticipate developments and then proactively deliver the right solutions. We need to remain market shapers.


A PART
OF YOUR
TRANSPORT
SOLUTION
JOST
TRIDEC
ROCKINGER
Edbro

THE RIGHT SOLUTION FOR EVERY APPLICATION

Fleet operators all over the world value the quality, reliability and versatility of JOST products. You will find JOST in urban transport, in the farming and mining industries and in the highly competitive logistics industry – because JOST products adapt to the needs and challenges of every transport situation.

Every day, over 330 million commercial vehicles are in use around the world – and every year there are more. Forwarding logistics, timber transport, mining, agriculture, specialized transport – economic growth and rising consumer demand in industrialized, developing and emerging countries rely on a wide range of transport solutions, each of which presents its own unique challenges.

With a wide choice of high-quality components and systems specially developed for the commercial vehicle industry, JOST is an ideal partner for logistics companies and their specific needs. Throughout its history spanning more than 65 years, JOST has steadily expanded its product portfolio to meet the requirements of diverse markets across the globe.

JOST, ROCKINGER, TRIDEC and Edbro are well-established brands in the commercial vehicle industry. Fleet operators insist on these products by name and deploy them in a wide variety of ways. Used on their own, but especially in combination, these products form adaptable and extremely safe system solutions that deliver a unique added value to users. Because they enable fleets to be run more efficiently, they offer operators significant time and cost savings.

You will find JOST products on six out of every ten trucks and trailers worldwide – a figure that confirms the high level of customer trust in our brands. JOST is committed to developing new, high-quality products that will continue to create added value for customers. We aim to be a reliable partner, ready to support our customers as they face the challenges of tomorrow's transport industry and seek to satisfy its growing demands.

TIMBER TRANSPORT

JOST Ball bearing turntable 1

Edbro Crane pump 2

ROCKINGER Drawbar 3

TRIDEC Steering system 4

ROCKINGER Towing hitch 5

TRANSPORTING TIMBER REQUIRES PARTICULARLY ROBUST AND RELIABLE COMPONENTS.

Steep gradients, muddy roads and tight bends are just some of the hazards that trucks working off-road have to contend with. Vehicles transporting timber are faced with a particularly complex set of challenges. The vehicles used must be extremely robust and sturdy and be able to cope with a maximum payload.

Björn Petersson, truck driver from Sweden, is more than happy with his JOST products: “We don’t see many well-maintained roads when we transport timber – only very poor ones. So we make sure our components are especially robust and safe because we don’t want to have to take a vehicle off the road to carry out repairs in the middle of the season. That’s why we insist on JOST fifth wheels and landing gear and ROCKINGER towing hitches. Our TRIDEC hydraulic steering systems are also well suited to these hard conditions.”

MINING AND QUARRYING

1 JOST Heavy-duty fifth wheel

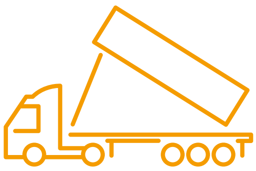
2 Edbro Tipping cylinder

3 JOST Landing gears

4 JOST King pin

5 JOST Axles

Commercial vehicle operators who specialize in the mining and quarrying markets need fast tipping times, generous payloads and minimum-maintenance solutions. With more than a hundred years of experience in the manufacture of tipping cylinders, Edbro offers optimum solutions for a wide range of difficult requirements. Other JOST products, such as heavy-duty fifth wheels, also play an essential role in this industry. JOST's comprehensive technical support and backup service helps customers choose the right combination of products that will maximize the efficiency of their fleets.



JOST PRODUCTS LIKE HEAVY-DUTY FIFTH WHEELS PLAY AN ESSENTIAL ROLE IN MINING AND QUARRYING.

TRIDEC AXLE SUSPENSIONS BOOST LOADING CAPACITY BY UP TO 60%.

Growing urbanization, narrower roads and plenty of roundabouts – drivers delivering goods to and within large urban areas have to deal with numerous complex challenges. The specialists at TRIDEC equip commercial vehicles with forced steering systems that give drivers control of their trailers when cornering, and enable them to reach places that would otherwise remain inaccessible. What's more, this improved cornering performance reduces tire wear and fuel consumption too. That's not only good for the fleet but also for the environment.

Stefan Braun, forwarding agent from Bremen, points out the benefits: "The axle suspension systems from TRIDEC enable us to use double-deck trailers, which substantially reduce our costs. They offer as much as 60% more storage capacity and reduce our transport movements by 39%, which cuts out carbon emissions by more than 40%. This not only allows us to work more cost-efficiently but also helps the environment. Our customers appreciate that."

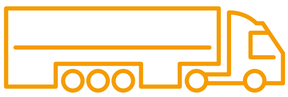
FREIGHT FORWARDING LOGISTICS

TRIDEC Axle suspension 1

JOST Landing gears 2

JOST Fifth wheel coupling 3

JOST King pin 4



INTERMODAL LOGISTICS

JOST ENABLES FORWARDERS TO OPERATE FLEXIBLY IN INTERMODAL TRANSPORT.

Empty supermarket shelves, late product deliveries and idle production lines – without the combination of the different modes of transport we take for granted today, our lives would be very different. To make sure goods reach their destination reliably and on time, port, rail and air transport has to be integrated quickly and safely with road transport. However, increasing cost and time pressures are making the freight forwarder’s operating environment much tougher. With its container technology portfolio and other essential products such as landing gears, fifth wheels and towing hitches, JOST is helping its customers achieve the flexibility they need to compete in the intermodal freight transport market.

1 JOST Bolster

2 JOST Container twist lock

3 JOST Landing gears

4 JOST Axles

5 JOST Fifth wheel coupling

6 JOST King pin

MEETING
THE FUTURE
WITH JOST

JOST ASSISTANCE SYSTEMS FORM THE BASIS FOR FUTURE GENERATIONS OF AUTONOMOUS VEHICLES.

JOST is well prepared for future challenges in the transport industry. Our assistance systems, for example, form the basis for future generations of autonomous vehicles. JOST's intelligent automated coupling system, which goes into production in 2020, will pave the way for autonomous docking in the future. Using sensors attached to the king pin, the electronic steering system measures the steering angle with great accuracy. The plug-in connection for brake pneumatics and trailer electrics is made automatically. The fifth wheel coupling is lubricated by the LubeTronic system, which also considerably reduces manual intervention. By combining these components, the intelligent coupling system offers greater efficiency – thanks to automated coupling and uncoupling – and increases the safety and speed of the coupling process for the benefit of both fleet and driver.

The versatile portfolio of JOST products and future technologies is presented in videos on the Jost World website at https://www.jost-world.com/en/corporate/mediacenter/videos/

TO OUR SHAREHOLDERS

EQUITY MARKETS AND SHARE PRICE PERFORMANCE

Having initially enjoyed a strong start to 2018, global equity markets came under increasing pressure in the course of the year due to trade conflicts between the USA and China, ongoing concerns over Brexit and, most importantly, rising fears of a recession. The German stock index DAX lost around 18.3% during the 2018 fiscal year, while the MSCI World Index (USD) fell by 8.2%. The German Small Caps Index SDAX, where the shares of JOST Werke AG are listed, even shed 20.3% of its value in 2018.

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, 2018	14,900,000
Stock exchanges	Frankfurt Stock Exchange, XETRA
Trading segment	Regulated market (Prime Standard)
Sector	Industrial
Industry	Automotive supplier, industry

Stocks in the automotive sector were placed under even greater pressure. In addition to the ongoing debate on diesel driving bans, investors were increasingly unsettled by the intensifying trade dispute and the discussion on possible punitive tariffs. Particular attention was paid to the potential impact such tariffs could have on supply and production networks and on the industry's profitability. As a result, the STOXX EU 600 Auto & Parts index dropped 28.4% during the 2018 fiscal year.

JOST Werke shares were unable to escape the sector trend despite the Company's positive operating results. The stock fell by 36.6% in 2018, closing at €26.40 on the last trading day of the year. The average trading volume of the shares on XETRA was 28,473 shares per day in 2018. At 69.3%, off-market exchanges (OTC and so-called darkpools) accounted for the majority of the trading volume for our shares, while just 30.7% of traded shares were bought via the regular stock exchange.

Capital structure

The Company's share capital did not change in the course of 2018. At the reporting date, it amounted to €14,900,000.00, divided into 14,900,000 no-par-value bearer shares (December 31, 2017: €14,900,000.00). The nominal value per share is €1.00.

2018 dividend

JOST's operating business performed very well during the 2018 fiscal year. We met or exceeded all of our financial targets, enabling us to propose a dividend to our shareholders for the second successive year. The proposed dividend is €1.10 per share (2017: €0.50) – more than double the previous year's figure. The distribution amounts to €16.4m or 31.8% of adjusted consolidated net profit. This equates to a 3.8% dividend yield calculated using the year-end share price.

Key figures for the JOST Werke share

		2018	2017
Equity per share	€	16.9	14.05
Consolidated earnings per share	€	3.59	−4.22
Adjusted consolidated earnings per share*	€	3.46	2.99
Dividend per share**	€	1.10	0.50
Number of shares entitled to participate in dividends (Dec. 31)	million	14.9	14.9
Amount distributed	€ million	16.4	7.45
Dividend yield***	%	3.8	1.2
Share price at year-end***	€	26.40	42.20
High	€	44.30	46.00
Low	€	25.10	27.20
Market capitalization*** (Dec. 31)	€ million	393.4	628.8
Average daily trading volume	shares	28,473	34,532

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

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. The 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

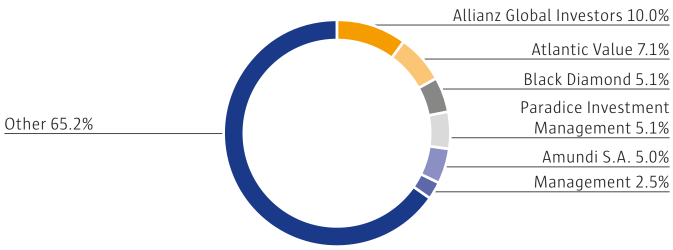
Our shares are primarily held by institutional investors such as funds, asset management companies and banks. According to Deutsche Börse's definition, 100% of the JOST Werke AG shares are held in free float.

As of December 31, 2018, Allianz Global Investors GmbH was the largest shareholder of JOST Werke AG, holding 10.03% of the shares carrying voting rights. The five largest investors held a combined total of around 32.3% of the share capital. More information on voting rights notifications pursuant to the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG) is available at → **https://ir.jost-world.com/voting-rights**

As of the reporting date, the members of the Management Board held a total of 2.5% of the Company's share capital (December 31, 2017: 2.0%). All transactions with JOST Werke AG shares or related financial instruments reported by the Management Board and Supervisory Board in 2018 can be found at → **https://www.jost-world.com/managers-transactions**.

Shareholder structure of JOST Werke AG

as of December 31, 2018



All lock-up agreements in connection with the IPO expired in April 2018. The Company's Management Board is not aware of any other agreements affecting the voting rights or the transfer of JOST Werke AG shares.

General Meeting

The first Annual General Meeting of JOST Werke AG was held on May 4, 2018 in Neu-Isenburg, Germany. Approximately 53.5% of the share capital was represented there.

The shareholders unanimously approved management's proposal to distribute a dividend of €0.50 per share for the fiscal year. The Management Board and Supervisory Board were both discharged of their responsibilities for the 2017 fiscal year with 100% and 95.2% shareholder approval respectively. The General Meeting authorized the Management Board to increase the share capital of JOST Werke AG by up to €7,450,000.00 through the issue of up to 7,450,000 shares and to acquire own shares in a volume up to a total of 10% of the existing share capital. The General Meeting also authorized the Management Board to issue warrants, convertible bonds or income bonds as well as profit participation rights or combinations of these instruments up to a total value of €350m. The three authorizations expire on May 3, 2023.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed as the auditor of the annual and consolidated financial statements for the 2018 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 stepped up our dialog with the capital markets over the past fiscal year. Our aim is to communicate 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. During the 2018 fiscal year, we participated in ten international investor conferences and held ten roadshows. We also further expanded our regular dialog with the capital markets by holding numerous individual meetings with institutional investors, private shareholders and analysts. Interested institutional investors 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 in the global market and growth prospects for the Company and the truck and trailer market, as well as corporate strategy and the flexibility of our business model.

During the 2018 fiscal year three new financial analysts began to cover JOST Werke AG. Our stock is currently monitored by ten analysts: seven analysts recommended buying JOST shares, while the remaining three recommended holding them.

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 2018 fiscal year again was a successful one for the JOST Werke Group. It was characterized by very strong performance in North America, where JOST's consistent implementation of its growth strategy came to fruition. The Company also recorded growth and reinforced its market position in Europe and the Asia, Pacific and Africa (APA) region. JOST has mastered the sector's challenging environment of rising material costs, supply chain bottlenecks, and higher personnel expenses and freight costs. The Company successfully ended fiscal year 2018 with strong results and reached or exceeded all of its financial targets.

Composition of the Supervisory Board and its Committees

The Supervisory Board of JOST Werke AG is composed of six members: 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 2018 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. 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, 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 nine meetings during the 2018 fiscal year, including four face-to-face meetings and five conference calls. The overall participation rate was 94%; in the face-to-face meetings this rate was 96%. 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 the conference call held on February 13, 2018, the Supervisory Board discussed personnel planning for the Management Board.

In its meeting on March 20, 2018, the Supervisory Board primarily focused on the consolidated and single-entity financial statements for the 2017 fiscal year, which it subsequently approved and adopted, as well as the proposed dividend for the 2017 fiscal year. It also dealt in detail with the non-financial report and the Group's compliance and risk management activities.

The conference call on March 28, 2018 addressed the possibility of acquiring a company.

At its meeting immediately prior to the Annual General Meeting on May 4, 2018, the Supervisory Board dealt comprehensively with the Group's planned refinancing and ongoing M&A activities. It also discussed the overall economic environment and corporate development in detail.

In its conference call on June 22, 2018, the Supervisory Board approved comprehensive refinancing that consisted of issuing a promissory note loan and entering into a revolving credit facility that fully replaced the Group's existing financing.

One major discussion topic in the meeting held on September 20, 2018 was the sharp rise in commodity prices and personnel expenses as well as the compensatory measures planned and implemented by the Group. The Supervisory Board also gave initial consideration to the 2019 budget and was notified about the planned focus areas of the 2018 audit. It also resolved to expand and enhance the non-financial reporting in the 2018 annual report.

The budget plans were discussed further in a conference call on November 21, 2018.

The main discussion points of the meeting held on December 4, and the conference call held on December 10, 2018, were the Group's budget for 2019 and the public tender of the audit of the consolidated financial statements, which the Company voluntarily conducted in compliance with EU rules for fiscal year 2019. At the meeting, the Chairman of the Audit Committee provided the Supervisory Board with a comprehensive report on risk management and compliance activities. The Supervisory Board also appointed Joachim Dürr and Christian Terlinde as new members of the Management Board effective January 1, 2019.

Work of the Executive and Nomination Committee

In accordance with their duties, the members of the Executive and Nomination Committee in 2018 dealt with personnel planning for the Management Board and discussed this matter in one plenary meeting and two telephone meetings. The discussions focused in particular on preparing the appointment of Mr. Joachim Dürr to the newly created position of Chief Sales Officer and Dr. Christian Terlinde as successor to Chief Financial Officer Christoph Hobo.

Work of the Audit Committee

The Audit Committee held a total of ten meetings, including six face-to-face meetings and four 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, compliance activities, and sustainability. The Committee also provided support for the audit tendering process throughout the year.

The meetings on March 12 and 20, 2018 primarily dealt with providing support for the annual audit, particularly with regard to the effects of the IPO completed during the 2017 fiscal year. The Audit Committee also identified the risk management and compliance priorities for 2018 and discussed the process and content of the future non-financial report with the Management Board.

The conference call on May 23, 2018 was held to discuss the results for the first quarter of 2018. The Committee also received an explanation of the Group's activities in relation to the imminent entry into force of the General Data Protection Regulation (GDPR).

In its meeting on July 26, 2018, the Audit Committee extensively discussed the status of the audit tender as well as the planned focus areas for the 2018 annual audit. It also focused on the non-financial report, including the underlying framework and the possibility of an external audit, in preparation for a corresponding Supervisory Board decision.

On August 24, 2018, the half-year results for the year intended for publication were explained to the Audit Committee by phone.

The meeting held on September 20, 2018 once again focused on the audit tender, non-financial reporting and compliance activities.

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

The purpose of the meeting held on November 14, 2018 was to present representatives from three of the auditing firms in the final stage of the audit tendering process.

The conference call held on November 21, 2018 focused on the results for the third quarter of 2018 and the audit tendering process.

In its meeting on December 4, 2018, the Audit Committee focused on making preparations for the Supervisory Board's decision on its proposal to appoint the auditor of the consolidated financial statements based on the audit tendering process. The meeting also included an overview of risk management and compliance activities for 2018.

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

Independence and Conflicts of Interest

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

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

Corporate Governance

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 2018. On December 4, 2018, 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/declaration-of-compliance**.

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

Composition of the Management Board

At its meeting on December 4, 2018, the Supervisory Board also appointed Mr Joachim Dürr as an additional member of the Management Board for the period from January 1, 2019 to December 31, 2021. The rules of procedure for the Management Board were adjusted accordingly to incorporate a new post with responsibility for sales, marketing, and research and development.

Chief Financial Officer Christoph Hobo asked the Supervisory Board to terminate his contract by mutual agreement with effect from December 31, 2018. The Supervisory Board agreed to this request and, in its meeting on December 4, 2018, adopted a resolution to appoint Dr. Christian Terlinde as a member of the Management Board for the period from January 1, 2019 to December 31, 2021, with responsibility for finance.

Review of the non-financial report

In its meeting on September 20, 2018, the Supervisory Board 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, 2018.

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 12, 2019 and the Supervisory Board meeting on March 20, 2019. SPALL & KÖLSCH GmbH reported in detail about the subject matter, process, and key findings of the audit.

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 4, 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC) was appointed as the auditor of the financial statements for the fiscal year ending on December 31, 2018. This appointment also includes the appointment as auditor of the consolidated financial statements for the fiscal year ending on December 31, 2018.

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 12, 2019 and the Supervisory Board meeting on March 20, 2019. The auditor, PwC, reported on the main findings of its audit and was available for any additional questions and information. At the meeting of the full Supervisory Board, the Chairman of the Audit Committee also provided an extensive report on the audit of the annual and consolidated financial statements and the combined management report.

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

In a resolution dated March 20, 2019, 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 2018 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 €1.10 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 2018 fiscal year. Thanks to them, we can now look back on a successful year 2018.

Neu-Isenburg, March 20, 2019

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

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

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

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

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

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

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

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

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

Current seats in supervisory board / control committees besides JOST Werke AG:
- Member of the board of directors of Veridis Environment Israel Ltd., Herzliya, Israel

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 / Tax 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

In the current, increasingly volatile political and economic environment, responsible and reliable values-based strategies are more important than ever before. For society is becoming increasingly aware of the need for sustainable management. Operating a commercially viable business while at the same time taking responsibility for our employees, society and environment has been at the heart of the JOST Werke Group's philosophy for more than 60 years. Our clear strategic action areas, our values and our governance structures provide the basis for achieving our growth goals profitably and sustainably over the next few years. We are conscious of the impact that our business activity has on the environment and on society. In this Sustainability Report, we would like to explain the role of JOST in society and what effect we have on the economy, people and the environment.

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 2018 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 certain extent because our influence over these areas is limited. We only 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 to the truck and trailer industry. Our global leadership position is driven by strong brands, long-standing client relationships and a flexible and capital-efficient business model. The two core products in our product portfolio are fifth wheels and landing gears, which were responsible for over 60% of consolidated sales in the 2018 fiscal year. The product portfolio is divided into Vehicle Interface, Handling Solutions and Maneuvering systems. Further information about the business model can be found in the 2018 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 products from foundries and forges, which we then process in our own production facilities to strict quality and safety standards. We focus on assembling and machining 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 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.

Sustainability strategy and goals

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 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.

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 use of our systems, our product development efforts aim to create new products 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 prevention of child and forced labor.

We also want our employees to be satisfied and to feel a strong bond with the JOST Werke Group. 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 associated companies. The details of our concrete goals and measures will be explained in detail over the course of the Sustainability Report.

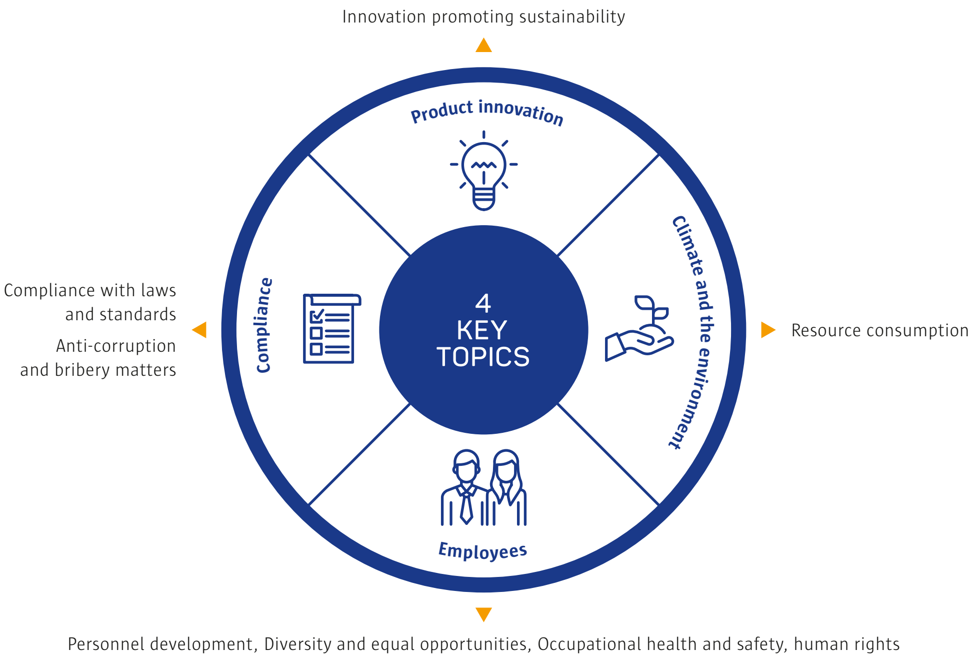
Key sustainability issues

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. If our business is to be sustainable, our strategy must successfully balance the requirements of business, ecology and society. 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.

Our sustainability reporting is based on the results of a materiality analysis. This analysis was carried out with representatives from the Management Board and responsible persons from the areas Sales, Purchasing, Human Resources, the Works Council, Product Management, Public Relations, Investor Relations and Legal & Compliance, as these maintain close contact with JOST's stakeholders and therefore understand their interests and concerns. In the course of the interviews, 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 our internal experts believe 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 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.

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.

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 the JOST Werke Group. 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. 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.

Employees

Human Resources is responsible, among other things, for personnel strategy, employee development and compliance with regulations on employee rights at JOST. Human Resources Global organizes, manages and coordinates our strategic objectives globally, with responsibility for local implementation delegated to each individual site.

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. This information is consolidated by the central risk management unit. 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 develops and supplies safety-relevant systems for the heavy goods transport industry. Our core products include truck-trailer interfaces such as fifth wheels, kingpins, landing gear and trailer couplings. In addition, we offer handling systems for a variety of cargo, such as containers and hydraulic cylinders, and products for commercial vehicles, such as forced steering systems and modular axle systems.

Connecting devices such as fifth wheels and towing hitches are safety components subject to maximum stress. Product safety, quality and reliability therefore play a key role in all product and process innovations at JOST. 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, for example, 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. At the same time, we aspire to make the production and use of our products 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 our customers to make their businesses more sustainable too.

The fully biodegradable high-performance lubricant we developed for the lubrication of fifth wheels and towing hitches is a striking example of how sustainability concerns can have a positive impact on new product development. The background to this particular innovation is the fact that it takes about ten kilograms of grease to maintain a fifth wheel in normal use for just one year. Especially if used improperly, a significant proportion of it can end up on the road and pollute the environment. Previously, JOST managed to reduce the annual lubrication requirements of its products from 10 kg to around 1.6 kg by developing and introducing the LubeTronic® minimum lubrication system. Now we are going one step further and offering our customers a biodegradable high-performance lubricant that meets the requirements of the OECD 301 B biodegradability test. Since the JOST high-performance bio lubricant actually exceeded the requirements of the test, it has been rated "readily biodegradable". In combination with LubeTronic®, the lubricant itself is optimally matched to the application. This not only makes it attractive from an environmental point of view but also saves fleet operators money – because less grease is needed. Thanks to this product innovation, JOST products are helping to reduce the ecological footprint of the commercial vehicle industry. JOST launched its new lubricant for commercial vehicles at the IAA in 2018 and will begin marketing and distributing it in 2019.

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**

Our research and development activities are also focused on reducing the carbon footprint and weight of our products. 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 procedure 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.

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 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 22 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. In the 2018 fiscal year, we achieved our goal when our plant in Spain was certified for the first time.

We received no environmental complaints related to our activities during the 2018 fiscal year. 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 70% of the materials we use are pre-processed steel products. A detailed analysis 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 Supplier Code of Conduct does require our suppliers to uphold sustainability standards and to exercise control over their own supply chain.

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

Our relevant key figures have developed as follows:

Indicator	Unit	2018 figure*	2017 figure*
Electricity consumption	kWh / production hour	8.43	8.89
Natural gas consumption	kWh / production hour	7.10	6.50
Water consumption	m³ / production hour	0.02	0.02
CO_2-emissions	Kg CO_{2eq} / production hour	7.60	7.57
Total waste	t	20,074.3	17,612.3
Scrap	% of total waste	77.0	77.3
Hazardous waste	% of total waste	7.4	7.0
Non-hazardous waste	% of total waste	15.6	15.6

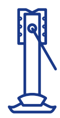
* Direct comparison with the figures in the previous year's report is not possible as the group of consolidated companies has changed. In addition to the major European sites, our major sites in North America, South America and Asia have also been included in the list in the fiscal year 2018.

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

On average, direct and indirect greenhouse gases emissions for the production of one fifth wheel totaled 0.23 kg CO_{2eq} in 2018, while for one landing gear this figure was 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.

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



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

Region	Company	ISO 9001: 2015	ISO TS 16949: 2016	ISO 14001: 2004	ISO 14001: 2015	KBA Confirmation	OHSAS 18001: 2007	UNE-ISO TS 16949
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		✓		✓			
APA (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	✓						

Employees

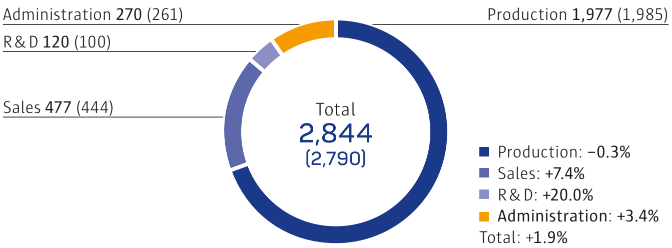
Treating all employees responsibly and respectfully is a key aspect of our business operations. Highly qualified, committed and motivated employees are essential to the successful development of our business and implementation of our growth strategy. As a result, employee recruitment and retention is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

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 2018, the Group-wide employee turnover rate was only 8.7% – which is testament to the high level of employee loyalty. By comparison, the average employee turnover rate in the automotive sector and among suppliers is higher than 10%.

In the 2018 fiscal year, we employed an average of 2,844 employees worldwide – a year-over-year increase of 1.9% (previous year: 2,790). The slight reduction in the number of production employees is mainly due to the relocation of a production site from Shanghai to Wuhan in China. This reduction has almost completely been compensated for by the increase in the number of production employees in the USA. The number of employees in research and development increased sharply by 20.0% year-over-year. This is due to the fact that in fiscal year 2018 we further increased our focus on product development and enhancements in order to generate greater value for our customers with our products and thus differentiate ourselves apart more from the competition.

Average number of employees by function

Total 2018 (2017)



Personnel development

Highly qualified, committed and motivated employees need to be treated in a way that shows appreciation and a sense of responsibility.

This is why JOST attaches great importance to the continuing professional development and career advancement of its staff. At the same time, we provide a range of professional development options, such as job-related training, language courses and seminars aimed at developing the personal, methodological and management skills of our staff. This is part of our commitment to improving the engagement of our employees, maintaining their motivation and supporting them individually along their chosen career paths. To help us recruit talented staff for all of our business operations, we also aim to position JOST as an attractive employer to potential recruits outside the Company.

We spent an average of €248 on continued professional development per employee in 2018.

We continued the successful JOST Talent Program into 2018 as part of our global high potential development efforts. The content of the training modules is focused on the JOST leadership principles and effective communication across national borders. A further three modules on topics such as change management and strategic thinking, team leadership and conflict management are planned for 2019. Overall, 15 young managers are taking part in the program worldwide, supported in a parallel mentoring program by experienced JOST managers.

International JOST training modules

- **Focus of the training modules in 2018:** "JOST leadership principles" and "Effective communication across national borders"
- **3 more training modules in 2019, specifically:** "Change management and strategic thinking", "Team leadership", "Conflict management"

Establishing the JOST Talent Program as a permanent institution for worldwide potential development is one of our stated goals. The selection process for next year's program will begin at the end of 2019.

In 2018, further local development program were launched in the Netherlands, Portugal and Poland, focusing on the professional development of managers and the establishment of national talent pools. We intend to roll these program out to other companies in 2019.

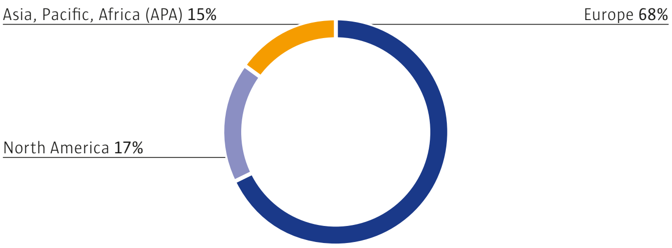
In the 2018 fiscal year, our German sites trained nine commercial apprentices. Moreover, we can report that we resumed the training of industrial apprentices in August 2018 and currently have two apprentices training as warehouse logistics specialists. It is our intention to eventually offer our commercial and industrial apprentices permanent jobs upon completion of their training. We plan to further extend our range of training occupations next year.

Diversity and equal opportunities

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.

At the two German sites of JOST-Werke Deutschland GmbH alone, we employed staff representing more than 30 different nationalities in 2018 – which demonstrates the great diversity of our workforce. The average age of these employees is 44 years. The average length of service in Germany is more than 11 years, which highlights our employees' strong sense of loyalty to the JOST Werke Group. Our diversity is also reflected in the fact that we employ people in 121 different professions.

Average number of employees by region as of December 31, 2018



We are particularly committed to gender equality. We offer women and men in our company the same opportunities and strive to strike a gender balance at all employee levels. As JOST's business focuses heavily on technical professions, in which women are still underrepresented in both higher education and the application process, increasing the proportion of women in the Group presents a challenge. In fiscal year 2018, the Group-wide share of women was 12.4%.

We increased the Group-wide proportion of women in management roles at the two management levels below the Management Board to 10% (previous year: 8%). As a result, we already achieved our goal in 2018 of increasing the proportion of women in management positions to at least 10% by 2020. 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 are our primary focus when making the final selection.

Women in management positions in 2018

- 10% **share of women** in management roles at the two levels below the Management Board (2017: 8%)
- 50% **share of women** in management positions at JOST Werke AG (2017: 33%)

The proportion of women working at JOST Werke AG in management positions below the Management Board rose to 50% in the 2018 reporting year (previous year: 33%). This means that JOST Werke AG has already reached its target of at least 30%.

On a related note, we held a workshop in the 2018 fiscal year on group-related misanthropy and discrimination. The workshop discussed questions such discrimination prevention and employee rights and was aimed at all employees, managers, trainees and trainers interested in the topic. It proved successful in acquainting JOST employees with this sensitive issue.

Occupational health and safety

We have identified occupational safety and health as a topic with particular relevance to JOST's business operations. 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 order to identify hazards, we carry out regular workplace inspections, which also include risk assessments, at our production sites. These inspections are carried out 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 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 avoid 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 OHSAS 18001 (occupational safety). More information can be found on our website under → **https://www.jost-world.com/en/corporate/sustainability/certificates**.

We record and evaluate work-related accident figures at regular intervals. In the 2018 reporting year, the Group-wide rate of reportable accidents per 1,000 employees improved to 20 (previous year: 22). Our aim is to continually reduce the number of accidents at work.

Workplace accidents

▶ 20 / 1,000 – **Improved Group-wide rate of reportable accidents per 1,000 employees** (previous year: 22/1,000).

Human rights

Our internal analyses have emphasized the importance of the observance of human rights and the prevention of forced and child labor. We therefore consider these to be essential. 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 reasons such as 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. We also recently introduced a whistleblowing system, which employees can use to report violations of human and employee rights anonymously (more information on this under “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 Supplier Code of Conduct, which has already been signed by a large portion of 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 of JOST Werke AG supervises the Management Board, which is responsible for the strategic and operational management of the Company. In line with the underlying concept of the German Corporate Governance Code, the JOST 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.

Compliance with laws and standards

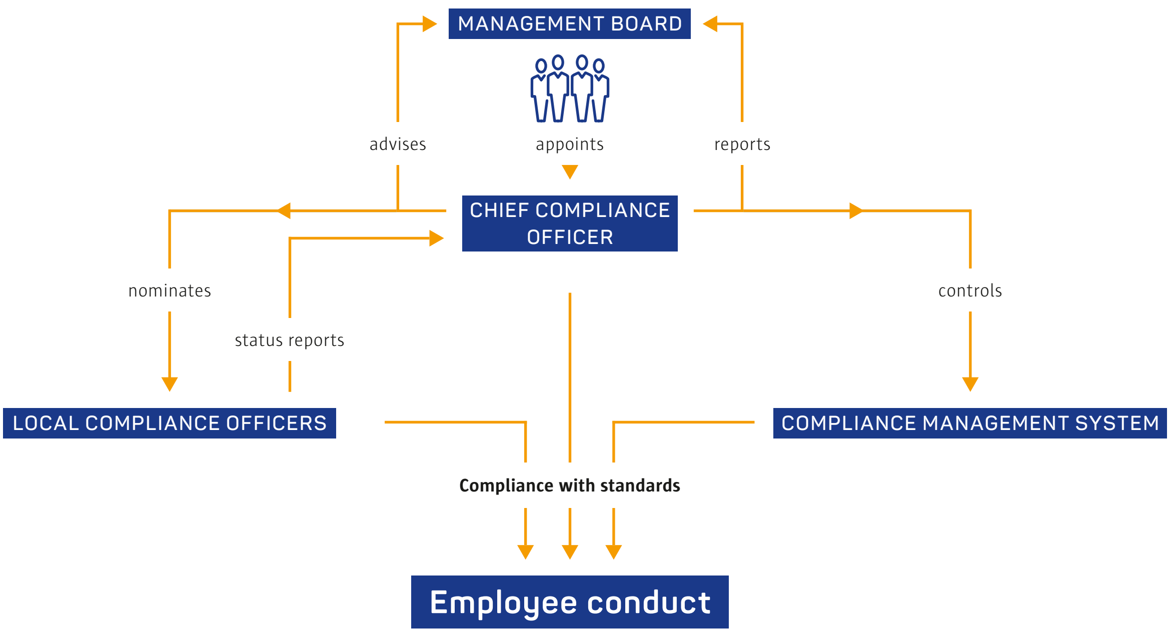
Overall responsibility for the Group's compliance with laws, standards and policies rests with the Management Board, who reports to the Supervisory Board in this context. In order to perform its duties, the Management Board has delegated certain relevant tasks to various functional areas within the JOST 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 our 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, is a key component of the compliance management system. It provides an essential basis for the day-to-day actions of our employees and managers.

In 2018, we carried out a fundamental revision of JOST's whistleblower system. It is now managed by an external service provider. This makes it easier for employees, contractual partners and other third parties to provide information about misconduct while at the same time maintaining absolute confidentiality and anonymity. The whistleblower system is available to employees not only via the Internet and intranet but also by telephone in their own local language.

Two reports were filed in the 2018 fiscal year (previous year: 0). Despite intensive investigations, none of the compliance incident reports was substantiated.

In the 2018 fiscal year, we interviewed a number of JOST management-level employees from different divisions and different countries on their understanding of compliance, the current compliance situation and about the specific compliance risks at their own locations. Based on our findings, concrete improvement measures were introduced in 2018. This initiative will be repeated in 2019 in order to target the prevention of compliance violations more precisely in the future and also to speed up their detection.

JOST Supplier Code

Available on the Internet at:
https://www.jostinformationcentre.com/static/upload/pdf/terms-and-conditions/Code_of_Conduct_Supplier_EN_2018.pdf

In 2018, JOST developed a Supplier Code of Conduct, which is currently being integrated into all existing and future supplier relationships. The supplier code is available on our website. This is a particularly important development because, according to the analysis of "Drive Sustainability, the Responsible Minerals Initiative", corruption poses a high sustainability risk in iron smelting, as many countries in which metals are extracted have weak governments and inadequate legal systems, and suffer from high levels of corruption. Therefore, also our suppliers are exposed to this risk.

JOST's share of consolidated sales produced in countries with a corruption index of <60 was around 17.9% in the 2018 fiscal year (previous year: 16.3%). Initiatives for the early detection and prevention of corruption are therefore particularly important.

Prevention of corruption

17.9% of consolidated sales produced to countries with a corruption index of < 60% (previous year: 16.3%)

E-learning courses are planned for 2019 that will familiarize employees with various topics from the field of compliance. Moreover, we will be increasing our efforts to inform employees who do not have access to their own computer, for example, by offering classroom training and by distributing printed versions of the Code of Conduct and other guidelines.

Politics and community

The JOST Werke Group or its local units do not exercise political influence.

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 we do not pursue an integrated Group-wide approach that actively manages dialog at a local and regional level. Instead, activities are organized locally and implemented individually in the areas where our sites are located. As an employer, we make a direct and important contribution to the positive economic development of the communities where we operate by creating local jobs.

We are pleased to report on a particularly successful project at our site in Poland. In the 2018 fiscal year – to mark our 10th anniversary – a campaign was carried out in Poland, in which employees volunteered to join one of ten groups whose members met regularly to take part in a particular activity, such as learning a new language, performing a daily exercises, establishing healthier diets or helping out with local charitable projects. When one of the goals was reached, a sum of money was donated to children in need. Employees from other JOST sites were also able to join in the campaign. This further strengthened the sense of community within the Group.

Negative impact and risks arising from business activities

All the significant risks associated with JOST's business activities are included in the Company's risk reporting, which also covers non-financial risks that are significant for JOST. A detailed description can be found in the "Risk Report" section of this Annual Report.

According to our estimates, our business activities and our products and services do not give rise to any material risks that could have a serious negative impact on employees, the environment or society.

The Management Board of JOST Werke AG

Neu-Isenburg, March 14, 2019

COMBINED MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Business model and organizational structure

JOST Werke AG worldwide

North America	Europe	Asia, Pacific and Africa
Sales by destination: €155.0m	Sales by destination: €403.7m	Sales by destination: €196.7m
Share of consolidated sales: 20.5%	Share of consolidated sales: 53.4%	Share of consolidated sales: 26.0%

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 truck and trailer industry. JOST’s position as a market leader is underpinned by strong brands with recognized names like 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 and Africa (APA). These segments are also used to structure the Group’s internal organization, control and reporting.

On the reporting date of December 31, 2018, 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. → **Note 4**

In the 2018 fiscal year, JOST posted sales of €755.4m (previous year: €701.3m) and employed an average of 2,844 people worldwide. With 19 production facilities in 22 countries worldwide (including a joint venture in Brazil), JOST is an international company with access to truck and trailer manufacturers, and to all relevant end customers. This strong global presence is also reflected in our sales: As in previous years, our strongest sales region in 2018 was Europe, where we generated 61.4% of our sales, followed by Asia, the Pacific and Africa (APA), and North America, with each accounting for 19.3% of total sales. Latin American is mainly served by our joint venture in Brazil. The sales generated by this joint venture do not form part of consolidated sales: in 2018, sales revenues posted by the joint venture rose by 34.0% to €57.6m (previous year: €43.0m).

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

Products and services

JOST assigns its products to three categories:

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

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

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

Fifth wheels and landing gears are the core business of the JOST Werke Group. We achieve a global market share of just under 60% with each of these products. By this estimate, JOST’s market share for these products is three times as high than the share for our closest competitor. This makes us the world’s leading manufacturer and supplier of fifth wheels and landing gears.

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

Group strategy

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

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

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

Improving profitability: We work continuously on improving our profitability across the Group. By setting clear targets, we create incentives for optimizing our processes in all of our functional areas, reducing our costs and boosting our operating profit margins and cash generation within all of our business units.

Corporate management and control

Key performance indicators (KPIs) are the primary tool used for the corporate management of the JOST 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 the trends 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.

The development of KPIs in the 2018 fiscal year and the deviations of results from targets are explained in the report on economic position.
→ See course of business in 2018

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**

Equity
÷ Net debt x 100

= **Gearing**

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

The disclosures as of December 31, 2018 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, 2018, 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, 2018 – 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%: As of December 31, 2018, Allianz Global Investors GmbH (Frankfurt, Germany) held 10.03% of the share capital of JOST Werke AG.

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, 2018.

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 between JOST Werke AG and various investors 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.

Other takeover-related disclosures: There are no shares conveying special control rights nor are there employee participation programs. 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 2018

Significant business events in 2018

Refinancing: On June 29, 2018, JOST successfully issued promissory notes with a total volume of €150.0m. We used the proceeds from placing the notes and another €30.2m in liquid assets to fully repay the old existing loan liabilities totaling €179.9m. The promissory notes enabled us to improve JOST's financing structure, extend its maturity profile, further reduce capital costs and lower financial risks even further, as the promissory notes are not linked to compliance with financial key performance indicators (covenants). We were also able to increase the revolving facility from €80.0m to €150.0m.

Expansion of Group structure: JOST continued to expand its geographical presence during the 2018 financial year. In addition to establishing a production company in Turkey and another in Thailand, we also opened a sales subsidiary in New Zealand. The three new companies are fully consolidated and are wholly owned by the JOST Werke Group. We want to use this local presence to better serve our customers in these countries and unlock new local sales opportunities.

Increase in authorized and conditional capital: The General Meeting on May 4, 2018 passed a resolution to increase the Company's authorized capital from €5.0m to €7.45m. It authorized the Company to buy back its own shares in a volume up to a total of 10% of the existing share capital and passed a resolution to create conditional capital totaling of up to €7.45m. → **See "Powers of the Management Board to issue and repurchase shares"**

Expansion of the Management Board: In November 2018, the Supervisory Board of JOST Werke AG announced that the Management Board would be expanded to include a dedicated Board position with responsibility for Sales, Marketing and Research & Development with effect from January 1, 2019. Accordingly, the Supervisory Board appointed Joachim Dürr (54) as Chief Sales Officer. The mechanical engineering graduate has many years of international sales, product and leadership experience in the commercial vehicle industry.

Chief Financial Officer Christoph Hobo asked the Supervisory Board to terminate his contract by mutual agreement with effect from December 31, 2018 in order to take on a new leadership role in Asia. In light of this development, the Supervisory Board appointed Dr. Christian Terlinde (46) as Chief Financial Officer with effect from January 1, 2019. Dr. Terlinde, who holds a doctorate in business administration, has demonstrated his financial expertise in the automotive industry in several international leadership roles.

With Joachim Dürr as CSO and Dr. Christian Terlinde as CFO, JOST has secured the services of two experienced executives with a proven track record who will successfully shape the future of the Company together with CEO Lars Brorsen and COO Dr. Ralf Eichler.

Macroeconomic and sector-specific environment in 2018

Macroeconomic environment

Global economic growth remained strong in 2018: Global economies have been on an upswing for several years. According to the International Monetary Fund (IMF), the global economy grew by a further 3.7% year-over-year in 2018 and thus remained at a persistently high level (previous year: 3.7%). By contrast, growth slowed in the eurozone, with gross domestic product (GDP) in the region rising at a reduced rate of 2.0% in 2018 (previous year: 2.4%). Meanwhile growth accelerated to 2.9% in the USA (previous year: 2.2%). Asia maintained its strong economic momentum in 2018, as the region's GDP once again rose by 6.5% (previous year: 6.5%). In Latin America, the economy lost some momentum over the course of the 2018 fiscal year. According to the IMF, economic output in the region climbed by 1.2% compared to the previous year (1.3%).

Sector-specific environment

Production of heavy commercial vehicles more buoyant than originally expected in 2018: According to figures provided by LMC Automotive, global production of heavy trucks increased by around 4.8% year-over-year in 2018, a substantial rise after a very strong 2017 in which worldwide truck production soared by 29.1%. In its original forecast at the start of 2018, LMC even predicted a 3.0% decline in truck production for the past fiscal year. However, the truck market performed more positively than originally expected over the course of 2018, driven by the strong economy.

According to LMC, heavy truck production in Europe rose by 2.0% year-on-year in 2018, thus remaining at a very high level. North America carried its strong growth from the end of 2017 into 2018 as truck production in the region rose by 24.7% compared to the previous year. By contrast, truck production slowed significantly in Asia, Pacific and Africa (APA). After recording strong growth in 2017 (+41.6%), the region reported relatively weak year-over-year growth of 1.4% due to the high base effect. This slowdown is primarily attributable to developments in China, where truck production fell by 5.7% in the 2018 fiscal year (previous year: +55.1%). However, the reduction in heavy truck production in China was ultimately less marked than was expected at the start of 2018; at that point, LMC predicted a 17.1% decline in China. The truck market in South America continued its recovery in the 2018 fiscal year to expand by 27.9% compared to the previous year, although absolute production figures remain low.

Trailer production remained stable at a high level: According to the latest figures from the Clear International Consulting Group, global trailer production rose by around 3.2% in 2018 to record a further increase in production figures despite the high baseline. As a result, Clear estimates that trailer production in Europe rose by 1.3% in 2018. According to forecasting institute FTR, the North American market expanded by around 10.6%. Clear anticipates a slight 0.9% decline in trailer production in Asia for 2018.

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

The development of the macroeconomic and sector-specific environment during the 2018 fiscal year had a positive effect on the JOST Werke Group's business. With a global market share of almost 60% in its core products, JOST benefited from the commercial vehicle industry's robustness in 2018. JOST outperformed the relevant market in every region. In the Asia, Pacific, and Africa region, the Group profited from the larger addressable market created by the regulations adopted in China at the end of 2016. We also boosted sales by selling new products that could previously only be marketed in Europe. In North America, the Group increased its market share during the 2018 fiscal year and won over new customers with JOST products. In Europe, JOST generated positive growth momentum by increasing the proportion of higher-value products in its revenue mix.

Course of business in 2018

Variance analysis of the financial key performance indicators

In fiscal year 2018, JOST was able to meet all its financial goals. Thanks to our broad-based international operations, we were able to compensate for demand shifts and see growth in all of our segments, both in terms of sales and operating profit.

Above all, the strong rebound of the U.S. truck market drove our increase in sales. JOST also succeeded in achieving new record-high sales in Europe as well as in the Asia, Pacific and Africa (APA) region. This enabled us to increase organic consolidated sales (adjusted for FX effects) by 9.9% year-over-year, surpassing the sales target already raised in June 2018. Consolidated sales reported on a euro basis expanded by 7.7% to €755.4m.

In fiscal year 2018, JOST, like many other companies, was confronted with rapid increases in raw material prices, particularly steel. Likewise, capacity bottlenecks in the supply chain often led to variable additional costs being incurred in procurement and logistics. However, we succeeded in boosting adjusted EBITDA by 5.3% and adjusted EBIT by 6.3%. JOST was therefore able to meet the goal of increasing adjusted EBITDA and adjusted EBIT by a mid-single-digit percentage compared with the previous year, despite strong external headwinds.

We were in the position to improve our ratio of net working capital to sales slightly year-over-year. At 18.5%, this indicator more than met our fiscal 2018 target of not passing the 20% mark.

In the course of the 2018 fiscal year, JOST withdrew €30.2m from liquid assets to redeem financial liabilities. We also distributed a dividend of €7.5m. Thanks to the robust cash-generating capability of our business model, we were able to maintain liquid assets at the previous year's level reaching €66.1m as of the reporting date. This reduced our net debt to €85.2m (previous year: €113.3m). In parallel, our adjusted EBITDA rose to €99.7m, allowing us to also exceed our leverage ratio target (net debt to adjusted EBITDA) at 0.85x.

Financial key performance indicators	2017 results	2018 guidance	Updated during the year	**2018 results**
Sales	€701.3m	Medium single-digit organic growth vs. 2017	High single-digit organic growth vs. 2017	Organic sales growth of 9.9% €755.4m
Adjusted EBIT	€76.4m	Medium single-digit growth vs. 2017	unchanged	+6.3% to €81.2m
Adjusted EBITDA	€94.7m	Medium single-digit growth vs. 2017	unchanged	+5.3% to €99.7m
Net working capital as a percentage of sales	€130.3m 18.6%	 < 20%	 unchanged	€139.8m 18.5%
Ratio of net debt to adjusted EBITDA	1.20x	approx. 1.0x	< 1.0x	0.85x

Results of operations

Sales

Sales by country of origin

in € thousands	**2018**	2017	% yoy
Europe	463,776	441,190	5.1%
North America	145,632	118,549	22.8%
Asia-Pacific-Africa (APA)	146,006	141,569	3.1%
Total	**755,414**	**701,308**	**7.7%**

In fiscal year 2018, we exceeded our prior-year figures in all of our regions. Consolidated sales rose by 7.7% year-over-year to €755.4m. Adjusted for currency effects, sales grew organically by 9.9%.

A positive surprise was the strong demand in Europe, where sales were up 5.1% to €463.8m in the 2018 fiscal year. JOST thus managed to outperform the relevant truck and trailer markets in Europe.

North America was the most important growth driver for the JOST Werke Group in 2018, reported sales grew by 22.8% over 2017 to €145.6m. In addition to excellent underlying market dynamics, market share gains coupled with positive price trends also contributed to sales growth. Moreover, during 2018 JOST gained the standard supplier position with several truck manufacturers, which is expected to support our future growth in the region. Adjusted for currency effects, organic sales growth in North America was much stronger at 28.4%.

In the Asia, Pacific and Africa (APA) region, sales were up 3.1% to €146.0m over the already very strong previous year. Despite a decline in heavy-duty truck production in China, JOST benefited from the launch of new products in the region that allow the Company to serve a larger market segment. Other countries in the region, such as India, Australia and South Africa, also made a contribution to growth. Adjusted for currency effects, organic sales in the APA region rose 7.8% over the 2017 figure.

The Group's order situation can be viewed as positive in all segments.

Earnings performance

Results of operations in 2018

in € thousands	2018	2017	% yoy
Sales revenues	**755,414**	**701,308**	**7.7%**
Cost of sales	–560,110	–507,962	
Gross profit	**195,304**	**193,346**	**1.0%**
Operating expenses / income	–142,117	–146,627	
Operating profit (EBIT)	**53,187**	**46,719**	**13.8%**
Net finance result	**–9,661**	**–146,702**	
Income taxes	9,924	37,136	
Profit / loss after taxes	**53,450**	**–62,847**	

Prices of raw materials, particularly steel, shot up in the first half of 2018 compared with the previous year, and in the second half of 2018 remained at this high level. In addition, capacity bottlenecks in the supply chain in both Europe and the United States led to variable additional costs being incurred in procurement and logistics. At the same time, we increased the level of automation in our production plants and invested in new, more efficient machinery, particularly in the USA. These efficiency improvement measures enabled us to compensate for part of the cost increase. Nonetheless, the cost of sales rose faster than sales at 10.3%. Consequently, the gross margin amounted to 25.9% in the reporting period (previous year: 27.6%). The 3.1% reduction in operating expenses had the opposite effect. Furthermore, our joint venture in Brazil raised its contribution to operating profit by 39.5% over the previous year to €3.0m. On the whole, earnings before interest and taxes (EBIT) grew by 13.8% to €53.2m. Apart from strong operating performance, the absence of one-off IPO expenses had a positive impact on operating profit in 2018.

Even adjusted for exceptionals, we succeeded in improving our operating profit year-over-year in 2018. Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) were up 5.3% or €5.0m year-over-year to €99.7m. Adjusted EBIT rose by 6.3% or €4.8m to €81.2m. In addition to the aforementioned sales growth, continual efficiency improvements in all segments coupled with disciplined cost management supported JOST's excellent performance. Accordingly, the Group's EBIT margin amounted to 10.7% (previous year: 10.9%) despite pressure from material costs, personnel expenses and freight costs.

First of all, we adjusted profit for both 2018 and 2017 for non-operating exceptionals arising from purchase price allocation effects in the amount of €25.4m (previous year: €25.6m). In the 2017 reference period, we adjusted for one-off IPO costs, and for the non-recurring costs of relocating our Chinese production activities from Shanghai to Wuhan. In 2018, we adjusted non-recurring costs associated with refinancing. The following table illustrates the adjustments to operating profit:

Reconciliation of adjusted earnings in 2018

in € thousands	2018	2017
Profit / loss after taxes	**53,450**	**–62,847**
Income taxes	9,924	37,136
Net finance result	–9,661	–146,702
EBIT	**53,187**	**46,719**
Refinancing	–622	0
Stock listing	0	–1,420
Other effects	–1,957	–2,666
D & A from PPA	–25,415	–25,592
Adjusted EBIT	**81,181**	**76,397**
Depreciation of property, plant and equipment	–12,787	–12,412
Amortization of intangible assets	–5,713	–5,864
Adjusted EBITDA	**99,681**	**94,673**

The net finance result improved significantly year-over-year to €–9.7m in fiscal 2018 (previous year: €–146.7m). This change was mainly attributable to the revaluation of no longer existing shareholder loans in 2017, which had strongly depressed the net finance result in the prior-year period. Thanks to an improvement in the debt financing structure, JOST also substantially reduced its interest payments to banks compared with 2017.

In 2018, JOST took advantage of the favorable conditions in the promissory note market to further boost the Group's long-term funding. We successfully issued promissory notes totaling €150.0m. The notes feature an attractive mix of fixed and variable interest rates without financial covenants. In addition to the promissory note loan, the revolving facility was increased from €80.0m to €150.0m.

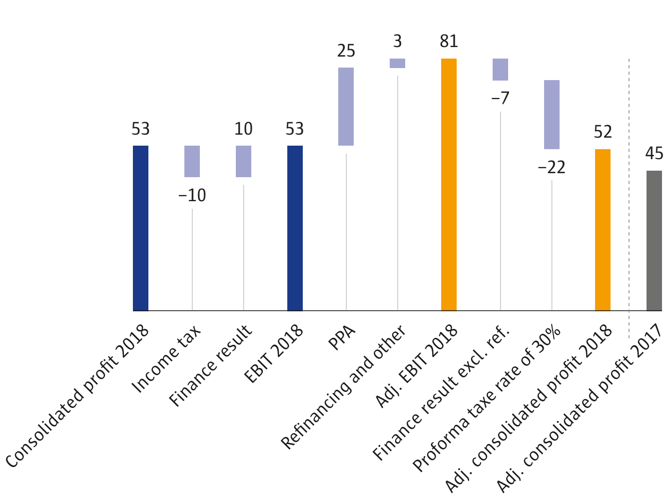
We used the proceeds of the issue to repay the old loan liabilities. We withdrew a further €30.2m from liquid assets to fully repay previously existing financing. The remaining accrued financing costs of the superseded financing arrangement amounting to €1.8m are recognized in finance expense. The financing costs of this transaction also raised finance expense by further €0.5m. → **Note 23**

In addition to refinancing, JOST improved its equity within the German tax group, which will enable the Group to utilize tax loss carryforwards in Germany faster in the future. Additional deferred taxes from interest and loss carryforwards amounting to €17.2m were recognized for this reason in 2018. → **Note 12** This had a positive effect on the income tax rate. In the prior-year period, income taxes were also positively influenced by the reversal of deferred tax liabilities in connection with the revaluation of shareholder loans. The opposite effect stemmed from taxes paid on the profit for fiscal 2018 in the amount of €12.7m (previous year: €15.4m). Tax income totaled €9.9m overall in 2018 (previous year: €37.1m).

Earnings after taxes rose by €116.3m to €53.4m in the 2018 fiscal year (previous year: €−62.8m). Earnings per share improved to €3.59 (previous year pro forma: €−4.22).

Reconciliation of adjusted earnings

in € million



Even adjusted for non-recurring tax and operating effects, earnings after taxes increased 15.7% or €7.0m to €51.6m (previous year: €44.6m). Adjusted earnings per share rose accordingly by 15.7% to €3.46 (previous year pro forma: €2.99).

egments

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.

Segment reporting in 2017

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

* Sales by destination in 2017:
- Europe: €389,114 thousand
- Americas: €124,319 thousand
- Asia, Pacific and Africa: €187,875 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 Group in 2018, accounting for 61.4% of total sales. The segment's external sales expanded by 5.1% to €463.8m. Adjusted EBIT for the segment grew 3.7% to €43.9m. In fiscal 2018, the EBIT margin amounted to 9.5% and, despite the sharp rise in personnel and material expenses and freight costs, was close to previous year's level (9.6%). The positive result is attributable to continual efficiency improvements in all European companies.

In 2018, we invested €10.6m in Europe (previous year: €13.0m), mainly in replacement investments for machinery and production plants as well as investments in establishing and commissioning our mainly new production facility in Turkey.

North America

The North America segment contributed substantially to sales growth in the 2018 fiscal year. Compared with the previous year, sales were up 22.8% to €145.6m; adjusted for currency effects, organic growth amounted to 28.4%. Market share gains allowed us to greatly outperform the market in the region. The North America region accounted for 19.3% of total consolidated sales (previous year: 16.9%). The sharp increase in steel prices and higher tariffs on imports in the first half of 2018 were major factors depressing operating profit. Moreover, the additional costs arising from hiring and training new employees at the beginning of the year affected earnings. In the second half of the year, however, we succeeded in sharply increasing profitability. JOST was able to pass on to its customers some of the cost pressure arising from the increase in material costs. At the same time, we were able to profit from the growing efficiency of our newly hired employees and generate a positive operating leverage effect. On the whole, adjusted EBIT rose by 18.4% year-over-year to €13.5m.

Changes in the customer mix in favor of the fast-growing original equipment manufacturers (OEMs) business diluted the margin to 9.3% in 2018 (previous year: 9.6%). Thanks to strong performance in the second half of the year, we significantly reduced the decline in the margin for 2018 as a whole (–30 basis points) compared to the first half of 2018 (–240 basis points).

We invested more heavily in the North America segment in the past fiscal year. In this context, we focused primarily on expanding production capacity in order to fulfill the unexpectedly strong rise in demand with our production volume. Total investments in North America amounted to €7.0m in fiscal 2018 (previous year: €2.8m).

Asia, Pacific and Africa (APA)

Despite a decline in truck production in China, we succeeded in growing sales in the APA segment by 3.1% to €146.0m and exceeded the strong increase in sales of the previous year (+37.1%). Like North America, APA sales also made up 19.3% of consolidated sales. In fiscal year 2018, adjusted EBIT rose by 1.2% to €20.7m in the APA region. The adjusted EBIT margin was 14.1% (previous year: 14.4%). This decline is partly due to the rise in material prices as well as start-up costs incurred in the first quarter of 2018 from relocating the production of trailer parts from Shanghai to Wuhan. The Company incurred additional costs in the third quarter of 2018 associated with the ramp-up of a newly-established production company in Thailand and a new sales subsidiary in New Zealand.

In fiscal year 2018, we invested €2.2m in APA. This figure was smaller than in 2017 (€3.5m) primarily because the investments for the purchase of new machinery in the course of moving production to Wuhan were mostly made in the fourth quarter of 2017. The investments in the reference period were higher as a result.

Net assets

Balance sheet structure

Assets

in € thousands	12/31/2018	12/31/2017
Noncurrent assets	309,602	336,704
Current assets	310,350	285,341
	619,952	**622,045**

Equity and Liabilities

in € thousands	12/31/2018	12/31/2017
Equity	251,613	209,333
Noncurrent liabilities	240,396	295,791
Current liabilities	127,943	116,921
	619,952	**622,045**

In fiscal year 2018, Group equity rose by 20.2% to €251.6m. As a result, the Group's equity ratio (equity divided by total assets) improved by 6.9 percentage points to 40.6% as of the reporting date of December 31, 2018 (previous year: 33.7%). In addition to the increase in equity driven by higher profits, the reduction in noncurrent liabilities also contributed significantly to the improvement in the equity ratio.

Noncurrent liabilities were mainly composed of interest-bearing loans and borrowings (€150.7m) and pension obligations (€58.7m). At the reporting date, noncurrent liabilities dropped by €55.4m to €240.4m. This was due mainly to the repayment of interest-bearing loans in the amount of €30.2m. Deferred tax liabilities also decreased by €25.1m to €24.5m. This effect is primarily related to the recognition of deferred taxes on loss carryforwards. → **Note 12**

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

Current liabilities principally comprise trade payables (€80.8m) and other provisions (€13.6m). At the reporting date, this item rose by €11.0m to €127.9m.

The decrease in noncurrent assets is mainly attributable to amortization of intangible assets arising from historical purchase price allocations (PPA) as well as to ongoing depreciation of property, plant, and equipment.

The ability to supply our customers around the world rapidly is one of the most important features of our business model and an important prerequisite for maintaining and building our market share. To ensure this, our inventory levels need to be high enough to meet demand immediately. The rise in business volumes in fiscal 2018 therefore resulted in an increase in inventories to €110.9m (previous year: €96.9m) and a rise in trade receivables and payables. These were the main reasons for the €25.0m increase in current assets to €310.4m.

Trade receivables climbed 3.6% to €109.7m (previous year: €105.9m), While trade payables saw an increase of 11.4% to €80.8m (previous year: €72.6m).

On the whole, net working capital grew by 7.3% to €139.8m year-over-year (previous year: €130.3m). Thanks to effective working capital management, the increase was slower than for sales (7.7%). As a result, the ratio of net working capital to sales improved to 18.5% (previous year: 18.6%), and we were therefore able to meet our communicated target of keeping this ratio below 20%.

In fiscal 2018, we used liquid assets to pay down the Group's interest-bearing loans by €30.2m and to distribute a dividend in the amount of €7.5m. Nonetheless, we were in the position to return our liquid assets to the previous year's level as of December 31, 2018. These totaled €66.1m as of the reporting date (previous year: €66.3m). We reduced net debt to €85.2m (previous year: €113.3m) and further improved the ratio of net debt to adjusted EBITDA (leverage) to 0.85x (previous year: 1.20x). As a result, we clearly exceeded our target of a leverage ratio below 1.0x.

Capital expenditures

In fiscal year 2018, we invested €19.8m throughout the Group (previous year: €19.3m). A total of €18.4m was spent on property, plant and equipment, mainly on replacement investments, on increasing production automation, on purchases of new machinery in connection with commissioning of our new production facilities in Turkey and Thailand, and on increasing production capacity in North America. We designated another €1.4m to intangible assets. This mainly concerned the capitalization of development costs and the harmonization of global IT infrastructures. Capital expenditure accounted for 2.6% of sales (previous year: 2.7%).

Liquidity and financial position

Cash flow

in € thousands	2018	2017
Cash flow from operating activities	**58,145**	**63,887**
thereof change in net working capital	–10,884	–11,150
Cash flow from investing activities	**–18,365**	**–14,781**
Cash flow from financing activities	**–39,512**	**–27,780**
Net change in cash and cash equivalents	**268**	**21,326**
Change in cash and cash equivalents due to exchange rate movements	–494	–2,202
Cash and cash equivalents at January 1	66,313	47,189
Cash and cash equivalents at December 31	**66,087**	**66,313**

The measures taken to manage net working capital supported the positive trend in operating cash flow during the fiscal year. Despite the increased volume of business in all segment and inefficiencies due to capacity bottlenecks in the supply chain, cash flow from operating activities was positive at €+58.1m in 2018 (previous year: €+63.9m).

Cash flow from investing activities decreased to €–18.4m (previous year: €–14.8m). This was mainly due to the increase in capital expenditure in fiscal 2018.

The improvement in JOST's debt financing structure led to a sharp reduction in interest payments to €–2.6m (previous year: €–10.4m), which had a positive effect on cash flow from financing activities. At the same time, the repayment of long-term loans as part of refinancing in the amount of €–30.2m and the €–7.5m dividend payment reduced the cash flow from financing activities. As of December 31, 2018, this figure amounted to €–39.5m (previous year: €–27.8m).

Liquid assets totaled €66.1m as of December 31, 2018 (previous year: €66.3m) and remained nearly at the previous year's level despite investments and payments.

Principles and objectives of financial management and the dividend policy

Our financial management is guided by our corporate strategy and by the requirements of our operating business. The objective of our financing policy is to hold ample liquidity reserves at all times to give the Group the necessary financial flexibility for further growth, to limit financial risks, and to optimize the cost of capital through an adequate capital structure. It will also allow the Group to take advantage of any acquisition opportunities that arise. For this, in addition to the possibility of raising additional finance on the capital markets, the Group has a revolving facility in the amount of €150.0m.

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 2018, management will propose to the General Meeting on May 9, 2019 that a dividend of €1.10 per share be paid (previous year: €0.50).

Management Board's overall assessment of the economic situation

In the 2018 fiscal year, JOST again stepped up business worldwide and repeated the successful performance of the previous year. We were able to increase sales as well as operating profit in all segments year-over-year and meet or exceed all of our targets. Thanks to a strong operating business, JOST further reduced net debt and reinforced the Group's balance sheet.

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

Research and development

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

Research and development expenses in the 2018 fiscal year amounted to €12.7m (previous year: €10.4m). In 2018, we employed an average of 120 people worldwide in research and development (previous year: 100). Our research and development activities in the fiscal year ended were focused on the further development of components for our autonomous coupling system. 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.

One example of this is our KKS2 system, which automates and accelerates the coupling process between a tractor unit and its trailer. We have also conducted research on additional features to enhance the value of our products and pushed on with expanding our program for demanding special applications. We have also developed products in the conventional mechanical segment with the aim of occupying new niches and markets.

There has been a continued focus on the areas of safety and convenience features and on efforts to cut weights and carbon emissions. Last but not least, we have also made considerable progress towards developing a lubricating grease that is biodegradable pursuant to OECD 301B specifically for use in our LubeTronic® automatic minimum lubrication system for fifth wheels. The new lubricant received a positive response from customers when it was shown at the IAA Commercial Vehicles in September 2018. Market launch and marketing are planned for 2019.

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

Risk and opportunity management system

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

The Management Board of JOST Werke AG determines the risk policy that forms the basis for the activities of all parties involved in the risk management process. The overriding principle is to identify and exploit opportunities to ensure 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.

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

The risks are recorded in an internally defined process by means of checklists and control procedures. After the risks for each risk field are identified in a structured manner (risk inventory), the assessment is carried out based on the relevance scale predetermined by the Management Board. These risk fields are based on the business processes and internal procedures of the JOST Werke Group and serve to structure the identification of risks and opportunities. Risk managers within the individual segments are directly responsible for identifying and managing business risks and opportunities. In addition to identifying and assessing these risks and opportunities, the risk managers’ role is to develop, introduce and monitor appropriate measures.

The relevance scale for risk assessment is an expression of the overall importance of each risk for JOST and is designed to combine communicability with risk quantification and prioritize risk management efforts. The assessment of all risks is based on realistic maximum losses (extent of loss) with a certain minimum probability of occurrence. Assessing the minimum probability of occurrence and maximum losses 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. This information is consolidated by the central risk management unit. The risk and opportunity management system was introduced in 2017. Twice a year, the Management Board receives an overview of the current risk situation in the form of a risk report. The Management Board will be informed promptly of any acute risks and opportunities.

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

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

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

In particular, the fundamental principles of the JOST 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.

Risks and opportunities

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

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

Risks

Macroeconomic and sector-specific risks

The macroeconomic and sector-specific environments have a significant impact on our business. Due to the economic dependency of the sector in which we operate, cyclical economic downturns, particularly in the commercial vehicle industry, may adversely affect our business. The political, social or economic environment 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.

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 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.

We currently expect global economic growth to continue over the next few years, accompanied by a rise in demand for commercial vehicles for road freight transport. However, signs of an economic cooldown increased during the course of 2018; as a result, a slight weakening of momentum can be observed despite the positive economic outlook. We therefore cannot rule out the possibility that economic development will deteriorate in individual regions and that the commercial vehicle industry will stagnate or decline. Expectations concerning the development of truck production are volatile and uncertain, particularly in China. For example, research institute LMC anticipates a further 16% decline in truck production in China in 2019. LMC also expects truck production in Europe to stagnate compared to 2018. The outlook for the trailer market has also deteriorated compared to 2018. Clear Consulting expects trailer production to decline in all regions except Latin America in 2019. → **See "Expected development of the general environment"**

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

We believe that current macroeconomic and sector-specific risks are moderate for the Europe and APA segments and low for the North America segment. 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.

Competition risks

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

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

We believe this risk is currently unlikely and of low significance for our business. This risk is unchanged compared to the previous year.

Risks arising from business activities

We generated more than one third of our 2018 sales from OEM truck customers. This is a highly concentrated market with only a limited number of global manufacturers. By contrast, the trailer market, where we also generate more than one third of our sales, is significantly more fragmented and is served by several hundred manufacturers, most of whom operate regionally. The remaining share of sales comes from our trading activities, where the number of customers is similarly high. Thanks to this well-balanced sales distribution, none of our customers is responsible for more than 10% of our sales despite high concentration within the truck market. We also aim to constantly win new customers while ensuring that our customer structure remains balanced by entering new regions and expanding our product portfolio. Nevertheless, the concentration of the market and bargaining power of major customers can have a negative impact on 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 risks arising from business activities are currently unlikely and of low significance for our business. This risk is unchanged compared to the previous year.

Production risks

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

As a result, we believe the potential impact of these risks is low and unlikely. This risk is unchanged compared to the previous year.

Corporate strategy risks

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

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

Having successfully positioned our business internationally with organic growth, technological developments and successful acquisitions, we believe that this risk is currently low and unlikely. This risk is unchanged compared to the previous year.

Procurement risks

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

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

We believe that procurement risks to our business are still low. However, 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. This risk has increased slightly 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 high level of employment 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.

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

We currently believe the human resources risks to our company are low and unlikely to possible. However, this risk increased slightly compared to the previous year.

IT risks

Faults in the operation of information systems and networks may threaten the availability of IT services at our locations and adversely affect productivity. 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. 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 crucially 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. We also constantly update our virus protection and firewall systems and take care of the lifecycle management of our IT landscape. Our employees are consistently made aware of the issue of data protection and data security and given training in this area. We currently believe that the impact of these IT risks on our net assets, financial position and results of operations is low and unlikely. This risk has increased slightly compared to the previous year.

Financial risks

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

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

Liquidity management within the Group protects us against liquidity shortages. Available liquidity reserves are constantly monitored and deviations between development targets and actual figures reviewed at regular intervals. In June 2018, JOST used promissory notes to refinance its loan liabilities, thus significantly reducing its financing risks by extending the Group's maturity profile and lowering its capital costs. In addition, these promissory notes are not linked to compliance with financial key performance indicators (covenants). 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, 2018, JOST's net debt amounted to €85.2m. The high levels of cash and cash equivalents and strong cash generation of our business model are a reflection of the Group's robust financing structure. We also have a revolving cash facility in place that has not yet been utilized.

Overall, we believe the financial risks to the Group are low and unlikely. Due to the refinancing carried out, they have decreased 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. 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 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 digitalization, sustainability, urbanization and e-commerce offer fundamental growth opportunities for road freight transport, as trucks and trailers are one of the primary means of transport for supplying towns and cities. 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 2018, we generated one quarter of group sales in emerging and developing markets. We are also supplying the Latin American market with JOST products via a joint venture in Brazil. Our strong global presence means 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 creating products and services 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 early step on the path to the autonomous driving of commercial vehicles. By doing this, it is important that we generate efficiency gains to create added value for the users of our products, i. e. fleet operators. JOST helped to pave the way for autonomous docking by exhibiting a concept vehicle with JOST's intelligent comfort coupling system (CCS) and the EF-S electronic steering system from TRIDEC on the innovation stage at the 2018 International Motor Show (IAA). 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 2019 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. For example, the regulation to limit truck overloading and the maximum permissible length and breadth of tractor-trailers in China introduced at the end of 2016 is still having an effect. In the medium term, this new standard will also force fleets to become more efficient and arouse their interest in technologically advanced products. We believe this presents us with good opportunities for expanding our product portfolio in Asia. We are also noticing a trend in which developing countries in particular are tightening their safety regulations for commercial vehicles and developing more stringent requirements for maintaining environmental standards. For example, China wants to

introduce stricter standards by 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 want to 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 2019 forecast period.

Procurement opportunities

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

We believe these opportunities will have a low to medium 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 track record in implementing and integrating acquisitions. Acquisitions are likely to continue making an important contribution to company growth in future. The Group's strong liquidity position and the opportunity provided by the stock listing to obtain additional financing from the capital markets as required gives us the necessary strength to be able to make further acquisitions in the short to medium term. We are constantly monitoring the market and actively searching for potential acquisition candidates that could further accelerate the implementation of our growth strategy.

Establishing subsidiaries in different regions could generate additional sales potential for the JOST Werke Group. To capitalize on these opportunities, JOST significantly expanded its global market presence during the 2018 fiscal year by establishing new production facilities in Thailand and Turkey and a sales subsidiary in New Zealand, for example.

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

Overall assessment of the Management Board on risks and opportunities

The JOST Werke Group's risk and opportunity management system enables the Company to identify, assess and, if necessary, counteract 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. Despite changes in the assessment of individual risks, there are no material changes to the overall risk assessment compared to the previous year. Overall, the identified risks are considered to be controllable. At present, the Management Board has not identified any risks that may individually or collectively threaten the continued existence of the Company and Group as a going concern.

The Management Board has introduced measures aimed at enabling the Company to seize the opportunities that present themselves without having to take unreasonably high risks. The profitability of the JOST Werke Group and its favorable business situation offer a solid foundation for the sustainable, positive development of the Company and the realization of its business plans. The Management Board is confident that the Group is well positioned to take advantage of the numerous opportunities on offer. From today's perspective, the Management Board does not expect the aforementioned risks and opportunities to change fundamentally 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

Economic outlook stable for 2019: There were indications of weaker economic momentum during 2018 before the OECD's leading indicators actually dropped below the trend in the middle of the year, thus underlining the deterioration in the economic outlook. Although the International Monetary Fund (IMF) anticipates stable growth in global gross domestic product (GDP) of 3.7% year-over-year for 2019 (2018: 3.7%), this estimate has been revised downwards by 20 basis points, reflecting the downward trend.

For Europe, the IMF expects economic output to expand by 1.9% compared to 2018. Economic growth is likely to continue in the USA. After recording a 2.9% gain in 2018, the US economy is expected to expand by a further 2.5% in 2019. The IMF is also forecasting a slight slowdown in China's economic output, with the Chinese economy expected to grow by 6.2% year-over-year in 2019 (2018: 6.6%). The country's slightly slower rate of growth is likely to determine the economic momentum in Asia's emerging and developing countries, where the IMF is forecasting growth of 6.3% (2018: 6.5%). After several years of crisis, the Latin American economy appears to be recovering further, with accelerated growth of 2.2% expected in 2019 (2018: 1.2%).

Sector-specific environment

Declining production figures for heavy trucks in 2019: LMC Automotive expects a decline in global heavy truck production of 7.4% in 2019 compared to 2018. This is primarily attributable to the expected fall in truck production in the APA region (2019: –13.6%), particularly in China (2019: –16.4%). LMC anticipates that heavy truck production in Europe will remain stable at its current high level (2019: +0.1%). By contrast, the North American market is expected to benefit from well-filled order books and grow by an additional 4.9% after a strong previous year. Overall, however, all markets in the typically cyclical truck industry are recording a very high level of activity that will have a positive impact on JOST's business.

Decline in trailer production in 2019: After a sustained period of growth and relatively high overall production figures in the 2018 fiscal year, forecasting institute Clear Consulting anticipates a 6.8% decline in global commercial trailer production for 2019 compared to the previous year. In Europe, trailer production is expected to shrink by 8.1% in 2019. Clear also estimates a 4.0% drop in trailer production in Asia in 2019. Market research firm FTR, which specializes in North America, anticipates a slight 1.7% reduction in production figures for this region compared to 2018. According to Clear, only Latin America will record growth at around 10.5% in the 2019 fiscal year, thus continuing its recovery trend of the past few years.

Outlook

Market analysts at LMC Automotive and Clear Consulting currently expect global production of both trucks and trailers to contract by 7% year-over-year in 2019. Given our broad international presence and strong brands, and with the support of the growth initiatives we have already introduced, we expect JOST to continue outperforming the global market.

We expect consolidated sales to increase by a low single-digit percentage year-over-year in 2019. However, due to the current economic uncertainties and given that visibility for the second half of 2019 remains limited at this time, we cannot rule out that consolidated sales could see a slight, single-digit percentage decline compared with 2018.

Adjusted EBIT should perform in line with sales in 2019. Although the Management Board expects further headwinds from rising personnel expenses and material costs, JOST's ongoing efficiency measures should enable the Group to compensate for this. As a result, the EBIT margin is expected to remain stable in 2019 compared to the previous year. Adjusted EBITDA, however, is expected to increase slightly faster than sales in fiscal year 2019 simply due to the effects of the first-time application of IFRS 16.

Capital expenditure is expected to continue to amount to around 2.5% of sales, excluding acquisition-related expenses. Investments will continue to focus on further increasing automation in production.

Net working capital as a percentage of sales is once again expected to remain stable slightly below the 20% mark during 2019.

Excluding any potential acquisitions, our leverage – the ratio of net debt to adjusted EBITDA – is likely to improve slightly in the 2019 fiscal year again.

From today's perspective and taking into account the operating performance of the JOST Werke Group during the first months of 2019, the Management Board is confident that the Group's economic position is sound. JOST is ideally positioned to effectively seize opportunities and continue to successfully execute its corporate strategy.

JOST WERKE AG (HGB – GERMAN COMMERCIAL CODE)

Headquartered in Neu-Isenburg, Germany, JOST Werke AG (formerly: Cintinori Holding GmbH) is the parent company of the JOST 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 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, the only sales revenues are generated from service contracts in respect of affiliated companies. In the reporting period, sales rose by 250.0% to €2.1m (previous year: €0.6m). This means that JOST Werke AG has met its guidance and grown sales significantly year-over-year. In 2018, gross revenue dropped sharply from €82.3m to €2.2m. This is mainly due to the effect from the reversal of write-downs on the carrying amount of shares in affiliated companies totaling €79.7m in the previous year, which had been recognized in other operating income.

Earnings after taxes fell by €77.0m to €–6.6m (previous year: €70.4m) year-over-year and were thus within our expectations (forecast for 2018 for the single entity JOST Werke AG: loss for the year in the lower single-digit million euro range). This is primarily due to the effect from the prior-year reversals of write-downs described above. In contrast, other operating expenses decreased from €9.1m to €3.5m due to the absence of the IPO-related expenses. Interest and similar expenses incurred in connection with the promissory notes increased by €1.5m to €1.6m (previous year: €0.1m). In the reporting year, net retained profit came to €16.4m.

Net assets and financial position (HGB)

Total assets rose from €558.7m to €709.4m in 2018. This is mainly the result of an increase in shares in affiliated companies by €149.7m. Shares in affiliated companies were up on account of a contribution to the capital reserves of Jasione GmbH totaling €149.7m. Prepaid expenses grew €0.4m due to a discount from the promissory note loans issued. In contrast, loans to affiliated companies were down €0.4m and receivables from affiliated companies were €0.2m lower.

As of December 31, 2018, equity amounted to €536.9m, down €14.1m from the level at year-end 2017. The net loss for the year of €6.6m and the dividend distribution totaling €7.5m had the effect of reducing equity.

In the past fiscal year, other provisions rose only slightly. The increase was generally attributable to provisions for impending losses from derivatives and personnel-related provisions. In the reporting period, liabilities to banks rose by €150.3m, primarily because of the placement of promissory note loans totaling €150.0m. Liabilities to affiliated companies rose €13.1m over the previous year. These mainly concern the settlement account with JOST-Werke Deutschland GmbH and other liabilities. Trade payables stood at €0.2m in the period under review, and other liabilities totaled €0.6m.

Cash flow from operating activities fell to €–6.1m (previous year: €+0.3m). The decline is primarily attributable to the net loss for the year. The loss for the year of €6.6m was influenced mainly by personnel expenses (€3.7m) and other operating expenses (€3.5m). As in the previous year, with the exception of the contribution to the subsidiary, no investments were made in property, plant and equipment or intangible assets. Cash flow from financing activities in the reporting period amounted to €+5.7m. The increase was mainly due to higher liabilities to affiliated companies. The dividend distribution of €7.5m had an offsetting effect.

As of December 31, 2018, liquid assets totaled €0.0m (previous year: €0.3m).

Report on expected developments (HGB)

For 2019, the Company anticipates a modest increase in sales compared with the previous year. Before investment income, we expect the single entity JOST Werke AG (HGB) to post similar earnings after taxes as in the previous year.

Net retained profit and proposal for the appropriation of net profit

A proposal will be made to the Annual General Meeting to distribute €1.10 per share from the net retained profit of €16.4m shown by the parent company, JOST Werke AG, for the period ended December 31, 2018.

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

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

Non-financial statement

For the non-financial report required to be provided under Section 289b (3) HGB and Section 315b et seq. HGB, please refer to the "Sustainability report" section of the 2018 Annual Report. → **See "Sustainability report"**

Remuneration report

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

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

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

CORPORATE GOVERNANCE

Consolidated Corporate governance statement

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

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

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

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 2018 fiscal year. It has been prepared in accordance with the recommendations of the German Corporate Governance Code (DCGK) 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, Dr. Ralf Eichler (COO) and Christoph Hobo (CFO) are entitled to a fixed annual one-off gross payment, which they may convert into an occupational pension component. Lars Brorsen (CEO) is entitled to an occupational pension paid by JOST-Werke Deutschland GmbH. There are no further pension entitlements.

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

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

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

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

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

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

Special bonus: In particular circumstances, special bonuses may be awarded to supplement the variable Management Board remuneration. This enables a Management Board member's particular achievements and duties as well as specific Company circumstances to be appropriately rewarded and the incentive component of the remuneration system to be maintained. Any special bonus is awarded at the discretion of the Supervisory Board. No special bonuses were granted in the 2018 fiscal year. In 2017, the CEO and CFO received special bonuses in connection with the Company's listing on the stock exchange.

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

In the event that his employment on the Management Board terminates early, the contract of Dr. Ralf Eichler provides for the fixed remuneration and half of the variable remuneration to continue to be paid for the remaining term of the 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.

Chief Financial Officer Christoph Hobo asked the Company's Supervisory Board to terminate his contract by mutual agreement as of the end of December 31, 2018. In this connection, a termination agreement was signed which does not provide for any additional benefits to be granted to him after December 31, 2018 – with the exception of the use of the company car until April 30, 2019. The variable remuneration for the year under review and the previous year will be determined in accordance with the contract and paid out on April 30, 2019 and April 30, 2020 respectively. In addition, a consultancy agreement was signed at customary terms that runs until April 30, 2019.

Management Board remuneration for 2018

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 (CEO) Year of appointment: 1999				Dr. Ralf Eichler (COO) Year of appointment: 2000			
in € thousands	2017	**2018**	Min.	Max.	2017	**2018**	Min.	Max.
Fixed remuneration	657	700	700	700	400	400	400	400
Fringe benefits	23	24	24	24	20	24	24	24
Total (fixed components)	**680**	**724**	**724**	**724**	**420**	**424**	**424**	**424**
Special bonus	750	0	0	0	0	0	0	0
One-year variable remuneration	917	336	0	630	149	157	0	333
Multi-year variable remuneration	195	411	0	770	182	192	0	407
Total (variable components)	**1,862**	**747**	**0**	**1,400**	**331**	**349**	**0**	**740**
Pension expense	1,150	0	0	0	0	0	0	0
Total remuneration, GCGC	**3,692**	**1,471**	**724**	**2,124**	**751**	**773**	**424**	**1,164**

Benefits granted II

	Christoph Hobo (CFO) Year of appointment: 2016				Total benefits, Management Board			
in € thousands	2017	**2018**	Min.	Max.	2017	**2018**	Min.	Max.
Fixed remuneration	400	400	400	400	1,457	1,500	1,500	1,500
Fringe benefits	12	15	15	15	55	63	63	63
Total (fixed components)	**412**	**415**	**415**	**415**	**1,512**	**1,563**	**1,563**	**1,563**
Special bonus	650*	0	0	0	1,400	0	0	0
One-year variable remuneration	149	157	0	333	1,215	650	0	1,296
Multi-year variable remuneration	182	192	0	407	560	795	0	1,584
Total (variable components)	**981**	**349**	**0**	**740**	**3,175**	**1,445**	**0**	**2,880**
Pension expense	0	0	0	0	1,150	0	0	0
Total remuneration, GCGC	**1,393**	**764**	**415**	**1,155**	**5,837**	**3,008**	**1,563**	**4,443**

* The special bonus for Christoph Hobo in 2017 was paid by the former shareholders of JOST Werke AG. At the same time, the bonus was recognized in capital reserves as share-based payment in accordance with IFRS 2.

Benefits received

	Lars Brorsen (CEO) Year of appointment: 1999		Dr. Ralf Eichler (COO) Year of appointment: 2000		Christoph Hobo (CFO) Year of appointment: 2016		Total benefits, Management Board	
in € thousands	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**
Fixed remuneration	657	700	400	400	400	400	1,457	1,500
Fringe benefits	23	24	20	24	12	15	55	63
Total (fixed components)	**680**	**724**	**420**	**424**	**412**	**415**	**1,512**	**1,563**
Special bonus	750	0	0	0	650	0	1,400	0
One-year variable remuneration	917	336	149	157	149	157	1,215	650
Multi-year variable remuneration	0	195	150	182	0	182	150	559
Total (variable components)	**1,667**	**531**	**299**	**339**	**799**	**339**	**2,765**	**1,209**
Pension expense	1,150	0	0	0	0	0	1,150	0
Total remuneration, GCGC	**3,497**	**1,255**	**719**	**763**	**1,211**	**754**	**5,427**	**2,772**

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

in € thousands	Lars Brorsen (CEO) Year of appointment: 1999 2017	2018	Dr. Ralf Eichler (COO) Year of appointment: 2000 2017	2018	Christoph Hobo (CFO) Year of appointment: 2016 2017	2018	Total benefits, Management Board 2017	2018
Fixed remuneration	657	700	400	400	400	400	1,457	1,500
Fringe benefits	23	24	20	24	12	15	55	63
Non-performance related component	**680**	**724**	**420**	**424**	**412**	**415**	**1,512**	**1,563**
Special bonus	750	0	0	0	0	0	750	0
One-year variable remuneration	917	336	149	157	149	157	1,215	650
Performance related component	**1,667**	**336**	**149**	**157**	**149**	**157**	**1,965**	**650**
Multi-year variable remuneration	0	195	150	182	0	182	150	559
Long-term incentive component	**0**	**195**	**150**	**182**	**0**	**182**	**150**	**559**
Total remuneration, Section 314 HGB	**2,347**	**1,255**	**719**	**763**	**561**	**754**	**3,627**	**2,772**
Special bonus granted by third parties	0	0	0	0	650*	0	650	0

* The special bonus for Christoph Hobo in 2017 was paid by the former shareholders of JOST Werke AG. At the same time, the bonus was recognized in capital reserves as share-based payment in accordance with IFRS 2.

Management Board remuneration from the perspective of JOST Werke AG

The following table outlines Management Board remuneration for the single-entity financial statements of JOST Werke AG:

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

in € thousands	Lars Brorsen (CEO) Year of appointment: 1999 2017	2018	Dr. Ralf Eichler (COO) Year of appointment: 2000 2017	2018	Christoph Hobo (CFO) Year of appointment: 2016 2017	2018	Total benefits, Management Board 2017	2018
Fixed remuneration	350	700	215	400	215	400	780	1,500
Fringe benefits	23	24	20	24	12	15	55	63
Non-performance related component	**373**	**724**	**235**	**424**	**227**	**415**	**835**	**1,563**
Special bonus	750	0	0	0	0	0	750	0
One-year variable remuneration	917	336	149	157	149	157	1,215	650
Performance related component	**1,667**	**336**	**149**	**157**	**149**	**157**	**1,965**	**650**
Multi-year variable remuneration	0	195	150	182	0	182	150	559
Long-term incentive component	**0**	**195**	**150**	**182**	**0**	**182**	**150**	**559**
Total remuneration, Section 285 HGB	**2,040**	**1,255**	**534**	**763**	**376**	**754**	**2,800**	**2,772**
Special bonus granted by third parties	0	0	0	0	650	0	650	0

Management Board members only received benefits for their Management Board activities upon appointment to the Management Board of JOST Werke AG from July 2017 onwards. From the perspective of JOST Werke AG, Management Board remuneration in the previous year was therefore granted on a pro rata basis only.

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 2018

in € thousands	2017			**2018**		
Supervisory Board members	Fixed remuneration	Committee work	Total	**Fixed remuneration**	**Committee work**	**Total**
Manfred Wennemer (Chair)	73	10	83	150	20	170
Prof. Dr. Bernd Gottschalk (Deputy Chair)	37	5	42	75	10	85
Jürgen Schaubel	24	10	34	50	20	70
Klaus Sulzbach	24	5	29	50	10	60
Natalie Hayday	24	5	29	50	10	60
Rolf Lutz	24	5	29	50	10	60
Total remuneration, Supervisory Board	**206**	**40**	**246**	**425**	**80**	**505**

For 2017, the remuneration for all Supervisory Board members was only paid on a pro rata basis from the date of the stock listing.

The Management Board of JOST Werke AG

Neu-Isenburg, March 14, 2019

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2018, JOST Werke AG
Neu-Isenburg, Germany

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSES

for the twelve months ended December 31, 2018
JOST Werke AG

in € thousands	Notes	2018	2017
Sales revenues	(28)	**755,414**	**701,308**
Cost of sales	(29)	**–560,110**	**–507,962**
Gross profit		**195,304**	**193,346**
Selling expenses	(30)	–88,462	–85,070
thereof: depreciation and amortization of assets		–26,286	–26,464
Research and development expenses	(31)	–12,690	–10,386
Administrative expenses	(32)	–44,754	–53,226
Other income	(33)	6,672	5,580
Other expenses	(33)	–5,921	–5,703
Share of profit or loss of equity method investments	(34)	3,038	2,178
Operating profit (EBIT)		**53,187**	**46,719**
Financial income	(35)	1,254	1,589
Financial expense	(36)	–10,915	–148,291
Net finance result		**–9,661**	**–146,702**
Profit / loss before tax		**43,526**	**–99,983**
Income taxes	(39)	9,924	37,136
Profit / loss after taxes		**53,450**	**–62,847**
Weighted average number of shares		**14,900,000**	**7,475,000**
Basic and diluted earnings per share (in €)	(40)	**3.59**	**–8.41**
Number of shares as of December 31		**14,900,000**	**14,900,000**
Pro forma earnings per share (in €)	(40)	**3.59**	**–4.22**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the twelve months ended December 31, 2018
JOST Werke AG

in € thousands	Notes	2018	2017
Profit / loss after taxes		**53,450**	**−62,847**
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations		−3,945	−8,709
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(19)	321	1,505
Deferred taxes relating to other comprehensive income	(12)	−96	−452
Other comprehensive income		**−3,720**	**−7,656**
Total comprehensive income		**49,730**	**−70,503**

CONSOLIDATED BALANCE SHEET

as of December 31, 2018
JOST Werke AG

Assets

in € thousands	Notes	12/31/2018	12/31/2017
Noncurrent assets			
Intangible assets	(9)	203,736	232,082
Property, plant and equipment	(10)	82,824	80,039
Investments accounted for using the equity method	(11)	11,329	10,535
Deferred tax assets	(12)	10,270	12,516
Other noncurrent financial assets	(13), (15)	91	28
Other noncurrent assets	(16)	1,352	1,504
		309,602	**336,704**
Current assets			
Inventories	(14)	110,893	96,910
Trade receivables	(15)	109,707	105,932
Receivables from income taxes		5,705	3,624
Other current financial assets	(13), (15)	1,390	677
Other current assets	(16)	16,568	11,885
Cash and cash equivalents	(17)	66,087	66,313
		310,350	**285,341**
Total asstes		**619,952**	**622,045**

Equity and Liabilities

in € thousands	Notes	12/31/2018	12/31/2017
Equity			
Subscribed capital		14,900	14,900
Capital reserves		499,399	522,423
Other reserves		–33,921	–30,201
Retained earnings		–228,765	–297,789
	(18)	**251,613**	**209,333**
Noncurrent liabilities			
Pension obligations	(19)	58,673	59,349
Other provisions	(20)	1,796	2,550
Interest-bearing loans and borrowings	(23)	150,664	177,778
Deferred tax liabilities	(12)	24,466	49,563
Other noncurrent financial liabilities	(24)	696	0
Other noncurrent liabilities	(26)	4,101	6,551
		240,396	**295,791**
Current liabilities			
Pension obligations	(19)	1,821	2,225
Other provisions	(20)	13,572	18,521
Interest-bearing loans and borrowings	(23)	234	2
Trade payables	(24)	80,799	72,562
Liabilities from income taxes		7,094	5,201
Contract liabilities	(25)	2,708	0
Other current financial liabilities	(13), (24)	958	770
Other current liabilities	(26)	20,757	17,640
		127,943	**116,921**
Total equity and liabilities		**619,952**	**622,045**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from January 1, 2018 to December 31, 2018
JOST Werke AG

Consolidated statement of changes in equity for the fiscal year from January 1, 2018 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**

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

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

* Tax amounts to €0 thousand

Other reserves			
Exchange differences on translating foreign operations	Remeasurements of defined benefit pension plans	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**

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

CONSOLIDATED CASH FLOW STATEMENT

for the twelve months ended December 31, 2018
JOST Werke AG

in € thousands	Notes	2018	2017
Profit / loss before tax		**43,526**	**–99,983**
Depreciation, amortization, impairment losses and reversal of impairment on noncurrent assets	(38)	43,915	43,868
Other noncash expenses	(42)	–791	134,139
thereof: shareholder loan effects		0	134,033
Change in inventories	(14)	–15,464	–9,272
Change in trade receivables	(15)	–6,547	–18,815
Change in trade payables	(24)	11,127	16,937
Change in other assets and liabilities		–5,772	9,993
Income tax payments	(39)	–11,849	–12,980
Cash flow from operating activities		**58,145**	**63,887**
Proceeds from sales of intangible assets	(9)	63	0
Payments to acquire intangible assets	(9)	–1,427	–2,377
Proceeds from sales of property, plant, and equipment	(10)	243	449
Payments to acquire property, plant, and equipment	(10)	–18,431	–16,895
Dividends received from joint ventures	(11)	925	2,760
Interests received	(11)	262	1,282
Cash flow from investing activities		**–18,365**	**–14,781**
Interest payments	(23)	–2,617	–10,427
Proceeds from short-term interest-bearing loans and borrowings		1,626	0
Proceeds from long-term interest-bearing loans and borrowings	(23)	1,071	179,813
Refinancing costs	(23)	–594	–1,950
Repayment of short-term interest-bearing loans and borrowings		–1,394	–6,000
Repayment of long-term interest-bearing loans and borrowings	(23)	–30,154	–313,261
Repayment of long-term liabilities to shareholders	(22)	0	–700
Proceeds from the IPO	(18)	0	131,625
Payments for IPO costs deducted from equity	(18)	0	–6,880
Dividends paid to the shareholders of the Company	(18)	–7,450	0
Cash flow from financing activities		**–39,512**	**–27,780**
Net change in cash and cash equivalents		**268**	**21,326**
Change in cash and cash equivalents due to exchange rate movements		–494	–2,202
Cash and cash equivalents at January 1		66,313	47,189
Cash and cash equivalents at December 31	(17)	**66,087**	**66,313**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year from January 1, 2018 to December 31, 2018
JOST Werke AG

1. GENERAL INFORMATION

JOST Werke AG (hereinafter also the “Group,” or “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 December 31, 2018, all of JOST’s shares were held in free float as defined by Deutsche Börse.

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

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

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

2. BASIS OF PREPARATION OF THE 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 and its subsidiaries as of December 31, 2018, were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, that are effective as of the reporting date, and the Interpretations (IFRS IC) issued by the International Financial Reporting Interpretations Committee, as adopted by the European Union (EU), applying Section 315e of the Handelsgesetzbuch (German Commercial Code – HGB).

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

The Management Board approved the consolidated financial statements of JOST Werke AG for issue on March 14, 2019. The Supervisory Board is to approve the 2018 annual financial statements of JOST Werke AG and the 2018 consolidated financial statements together with the associated Group management report at the meeting on March 20, 2019.

New and amended standards applied in 2018

The following new and amended International Financial Reporting Standards and Interpretations that are effective for fiscal years beginning on or after January 1, 2018 were applied for the first time:

i. **IFRS 9 – Financial Instruments**
   In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, which replaces the standard in effect previously, IAS 39. The Group applied the standard for the first time for the fiscal year beginning January 1, 2018. The classification of financial instruments is based on the relevant business model in addition to contractual cash flow features. Measurement is now based on the expected credit loss model. These amendments did not have any significant impact on the current period or any prior period and are not likely to significantly affect future periods (see note 13).

ii. **IFRS 15 – Revenue from Contracts with Customers**
   The IFRS 15 standard published by the IASB in May 2014 replaces the previous guidelines on recognizing revenue, including IAS 18, IAS 11, and IFRIC 13. The newly introduced five-step model governs accounting for revenue from contracts with customers and constitutes a comprehensive framework for determining the amount and timing of revenue recognition. The Group applied the standard for the first time for the fiscal year beginning January 1, 2018, retroactively in accordance with IFRS 15.C3 (b). The appropriate supplementary disclosures in the notes and new contract asset / contract liability items (see note 25) in the balance sheet have been added insofar as they are relevant to JOST Werke AG. There were no changes in the timing of revenue recognition as a result of IFRS 15. The Group exclusively generates sales recognized at a particular point in time.

iii. **Classification and measurement of share-based transactions – Amendments to IFRS 2 Share-based Payment**
   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. **Other**
   “Annual Improvements to IFRSs 2014 – 2016 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 2018 and were not applied by the Group prior to their effective date

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 to the existing accounting in IAS 17 “Leases”. As a result of the first-time adoption, the majority of the liabilities from operating rental and lease agreements, currently presented in note 27 are taken into account. Current and low-value leases that are covered by the practical expedient have not been recognized in the balance sheet. This is reflected, among other things, as an extension of the consolidated balance sheet, with the respective right-of-use asset being recognized as an asset and the corresponding lease obligation being recognized as a liability. In the course of the Group-wide project on the initial application of this standard, the JOST Werke Group recognized an additional lease liability. The amount as of January 1, 2019 is in the single-digit percentage range of the total assets recognized as of December 31, 2018. This will also affect the consolidated income statement and the consolidated cash flow statement. JOST expects an improvement in EBITDA in an amount in the mid-single-digit millions of euros due to the breakdown of lease and rental expenses to date into depreciation and interest expense based on the leases existing as of January 1, 2019. Assuming payments stay the same, the consolidated cash flow statement will see cash flow from operating activities improve and cash flow from financing activities deteriorate as a result.

JOST will apply the standard as of the mandatory effective date on January 1, 2019. The Group intends to apply the simplified approach to transition to the standard, and will not retroactively adjust reference figures for the reporting year prior to initial application of the standard.

Effects on the consolidated financial statements

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 2018 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, 2018, 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.

Jost Axle Systems Southern Europe S.A.S., Lattes, France, was merged into JOST France S.à r.l., Paris, France, as of September 1, 2018.

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). Audited interim financial statements as of December 31, 2018 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, the subsidiaries, and the following joint ventures:

List of shareholdings

Company	Interest held by JOST Werke AG	Nature of business
Consolidated companies		
Jasione GmbH Neu-Isenburg	100.00%	Holding company
JOST-Werke Deutschland GmbH* Neu-Isenburg	100.00%	Production company Sales company
Jost-Werke International Beteiligungsverwaltung GmbH* Neu-Isenburg	100.00%	Holding company
Rockinger Agriculture GmbH* Waltershausen / Germany	100.00%	Production company Sales company
Regensburger Zuggabel GmbH* Neu-Isenburg	100.00%	Shelf company
JOST France S.à r.l.* Paris / France	100.00%	Sales company
JOST Iberica S.A.* 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
ooo JOST RUS* Moscow / Russia	100.00%	Sales company
JOST TAT LLC* Naberezhnye 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) Auto Component Co. Ltd.* Shanghai / PR China	100.00%	Production company Sales company
JOST (Shanghai) Trading Co. Ltd.* Shanghai / PR China	100.00%	Sales company
Jost Far East Pte. Ltd.* Singapore	100.00%	Sales company
JOST India Auto Component Pte. Ltd.* Jamshedpur / India	100.00%	Production company Sales company
JOST Japan Co. Ltd.* Yokohama / Japan	100.00%	Sales company
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

In 2018, the following companies were established: Jost Otomotiv Sanayi Ticaret A.S., Izmir, Turkey; Jost (Thailand) Co. Ltd., Bangsaotong, Thailand; and JOST New Zealand Ltd., Hamilton, New Zealand. The start-ups have not yet led to any significant sales revenues for the JOST Werke Group, nor did they have any significant effect on earnings yet.

In addition, Jost Axle Systems Southern Europe S.A.S., Lattes, France, was merged into JOST France S.à r.l., Paris, France, effective September 1. Other than that, the structure of the JOST Werke Group, including the subsidiaries and the joint venture, as of December 31, 2018, has not changed compared to December 31, 2017.

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 shareholder loans

Specific management judgment was also required until 2017 in connection with the valuation of the shareholder loans. In the course of the stock exchange listing, however, the shareholder loans were eliminated / contributed to equity. As discussed further in note 13 management previously had to take into account changed expectations of future cash outflows at each balance sheet date. Those assessments were based on the same assessments about future cash-flows for other purposes, e. g. when performing impairment tests.

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

The measurement of items of property, plant, and equipment, and intangible assets, with finite useful lives requires the use of estimates to measure fair value at the acquisition date, especially in the case of assets acquired in the course of a business combination. The expected useful life of these assets must also be estimated. Measuring the fair value of such assets, estimating their useful lives, and performing impairment tests if there are indications of impairment are based on management judgment. For 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 using different actuarial assumptions on 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 losses carried forward

Regarding the future use of interest carryforwards at Jasione GmbH, it is assumed that there has been no “detrimental acquisition of an interest” (schädlicher Beteiligungserwerb) within the meaning of Section 8c of the Körperschaftsteuergesetz (German Corporate Income Tax Act – KstG) that can result in a (proportional) forfeiture of the existing interest carryforwards. In addition, the equity comparison test (equity ratio for the Group must be lower than for the Jasione GmbH tax group) as of December 31, 2018 is expected to be positive. 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 interest carryforwards to be used in the future.

Goodwill and other intangible assets

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

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

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

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

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

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

Research and development expenses

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

Impairment of intangible assets with finite useful lives

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

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

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

Investments accounted for using the equity method

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

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

Inventories

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

Financial assets and financial liabilities

Financial assets and financial liabilities are initially measured at fair value. Special rules govern the initial recognition of trade receivables (see the next section "Receivables and other financial assets"). 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. Financial assets are classified based on the business model used to managed these financial assets and the features 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). As of December 31, 2018, however there were no longer any financial assets measured at fair value through profit or loss.

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. A financial liability is recognized when the entity becomes a party to the obligation specified in the contractual provisions of the liability.

A financial asset is derecognized when, and only when, the contractual rights of the Group to the cash flows from the financial asset expires or when the Group transfers the financial assets and the transfer qualifies for derecognition. A financial liability (or a part of a financial liability) is 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.

Until December 31, 2017, financial assets and liabilities were recognized in accordance with the measurement categories of IAS 39. The Group classified its financial assets and financial liabilities in the following categories: at fair value through profit or loss, loans and receivables, and other liabilities.

LaR = Loans and receivables

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

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

OL = Other liabilities

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

AFVP & L = At fair value through profit or loss
This category comprised financial assets held for trading. A financial asset was classified in this category if it was acquired principally for the purpose of selling in the short term. Derivatives were also categorized as held for trading unless they were designated as hedges. Assets in this category were classified as current assets if they were expected to be settled within twelve months, otherwise they were classified as non-current.

Receivables and other financial assets

Trade receivables are initially recognized at the amount of the unconditional consideration to which the Company is entitled. If they include significant financing components, they are instead measured at fair value including transaction costs, and subsequently measured at amortized cost using the effective interest method, net of any impairment losses. 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. Impairment losses / gains are recognized in the "Selling expenses" item in the income statement. The simplified approach according to IFRS 9 is used to measure expected credit losses. 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. The other financial assets are initially recognized at fair value including transaction costs.

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 fair value.

Pensions and similar obligations

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

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

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

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

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

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

Other provisions

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

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

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

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

Derivatives

The Group uses derivatives to hedge existing interest rate risks. These are initially 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 15 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 non-current liability when the remaining maturity of hedged items is more than twelve months, and as a current liability when the maturity of the hedged item is less than twelve months. If the fair value of a derivative is positive, it is classified as an asset.

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

Revenue recognition

Revenue 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. 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.

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 is based on experience (expected value 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. 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.

Taxes

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

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

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

Leases

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

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

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

Share-based payment in accordance with IFRS 2

Share-based payment transactions are treated in accordance with IFRS 2, "Share-based Payment", in the JOST Werke 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 Werke Group distinguishes between equity-settled and cash-settled plans. The financial benefit from equity-settled plans granted on grant date is recognized in equity over the expected vesting period. Expenses from cash-settled plans are also allocated over the expected vesting period, but recognized as a liability.

7. EXCEPTIONALS

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

In fiscal year 2018, expenses amounting to €27,994 thousand (2017: €29,678 thousand) were adjusted within earnings before interest and taxes (EBIT).

The items adjusted within EBIT relate to selling expenses arising from the purchase price allocations (PPA depreciation and amortization) in the amount of €25,415 thousand (2017: €25,592 thousand). In addition, administrative expenses were adjusted by €622 thousand (2017: €0 thousand) in connection with the refinancing. Cost of sales, selling expenses and administrative expenses – and other income in the previous year – were adjusted for costs relating other effects totaling €1,957 thousand (2017: €4,086 thousand). In the previous year, these costs were caused by the stock exchange listing.

Expenses of €2,232 thousand arising from the refinancing were adjusted within the net finance result in the 2018 fiscal year (2017: €134,033 thousand). In the previous year, these expenses were related to interest on and the measurement of the shareholder loans which no longer exist (see note 22).

Notional income taxes after adjustments were recognized in the amount of €22,126 thousand in 2018 (2017: €19,118 thousand).

The table below shows the earnings adjusted for these effects:

in € thousands	2018 Unadjusted	Refinancing	PPA depreciation and amortization	Other effects	Adjustments, total	**2018 Adjusted**
Notes			(8), (12)	(8)		
Sales revenues	**755,414**				**0**	**755,414**
Cost of sales	**–560,110**			**355**	**355**	**–559,755**
Gross profit	**195,304**	**0**	**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**
Number of shares as of December 31	**14,900,000**					**14,900,000**
Pro forma earnings per share (in €)	**3.59**					**3.46**

in € thousands	2017 Unadjusted	Stock listing and other	PPA depreciation and amortization	Shareholder loans	Adjustments, total	2017 Adjusted
Notes		(8)	(8), (12)	(12), (22), (36)		
Sales revenues	**701,308**				**0**	**701,308**
Cost of sales	**–507,962**	**95**			**95**	**–507,867**
Gross profit	**193,346**	**95**	**0**	**0**	**95**	**193,441**
Selling expenses	–85,070	47	25,592		25,639	–59,431
Research and development expenses	–10,386				0	–10,386
Administrative expenses	–53,226	3,911			3,911	–49,315
Other income	5,580	33			33	5,613
Other expenses	–5,703				0	–5,703
Share of profit or loss of equity method investments	2,178				0	2,178
Operating profit (EBIT)	**46,719**	**4,086**	**25,592**	**0**	**29,678**	**76,397**
Financial income	1,589				0	1,589
Financial expense	–148,291			134,033	134,033	–14,258
Net finance result	**–146,702**	**0**	**0**	**134,033**	**134,033**	**–12,669**
Profit / loss before tax	**–99,983**	**4,086**	**25,592**	**134,033**	**163,711**	**63,728**
Income taxes	37,136					–19,118
Profit / loss after taxes	**–62,847**					**44,610**
Weighted average number of shares	**7,475,000**					**7,475,000**
Basic and diluted earnings per share (in €)	**–8.41**					**5.97**
Number of shares as of December 31	**14,900,000**					**14,900,000**
Pro forma earnings per share (in €)	**–4.22**					**2.99**

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 the purchase price allocation (PPA) and impairment and reversal of impairment of property, plant, and equipment and intangible assets from the purchase price allocation (PPA). 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. The exceptionals comprise other non-recurring income and mainly relate to the refinancing (2017: mainly the IPO and the relocation of an operation in China). The exceptionals in 2018 have been allocated mainly to the operating segments Europe and North America. Share of profit or loss of investments accounted for using the equity method are not allocated to a segment and is therefore include in the “reconciliation / other” column.

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

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 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 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, 2017

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

* Sales by destination in the reporting period:
– Europe: €389,114 thousand
– Americas: €124,319 thousand
– Asia, Pacific and Africa: €187,875 thousand

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

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

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

The JOST Werke Group generated external sales revenues in the amount of €318,975 thousand (2017: €291,542 thousand) with its companies registered in Germany. The JOST Werke Group generated external sales revenues in the amount of €145,632 thousand (2017: €118,549 thousand) with its company registered in the USA.

Reconciliation of earnings to adjusted earnings figures as of December 31, 2018:

in € thousands	**2018**	2017
Profit/loss after taxes	**53,450**	**–62,847**
Income taxes	9,924	37,136
Net finance result	–9,661	–146,702
EBIT	**53,187**	**46,719**
Refinancing	–622	0
Stock listing	0	–1,420
Other effects	–1,957	–2,666
D&A from PPA	–25,415	–25,592
Adjusted EBIT	**81,181**	**76,397**
Depreciation of property, plant and equipment	–12,787	–12,412
Amortization of intangible assets	–5,713	–5,864
Adjusted EBITDA	**99,681**	**94,673**

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	241,219	29,682	28,340	0	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.

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

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

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

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 2018 and 2017.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

in € thousands	Goodwill	Internally generated intangible assets	Customer list	Other intangible assets	Total other intangible assets
Cost					
Balance at January 1, 2017	**74,267**	**9,659**	**395,889**	**90,000**	**495,548**
Additions	0	1,612	0	765	2,377
Currency and other changes	0	0	–1,673	–252	–1,925
Reclassifications	0	0	0	21	21
Disposals	0	0	0	–21	–21
Balance as of December 31, 2017	**74,267**	**11,271**	**394,216**	**90,513**	**496,000**
Additions	0	904	0	523	1,427
Currency and other changes	0	0	–500	–168	–668
Reclassifications	0	0	0	32	32
Disposals	0	0	0	–1,649	–1,649
Balance as of December 31, 2018	**74,267**	**12,175**	**393,716**	**89,251**	**495,142**
Amortization and impairment					
Balance at January 1, 2017	**74,267**	**6,080**	**170,751**	**57,174**	**234,005**
Additions	0	1,554	20,986	6,695	29,235
Currency and other changes	0	0	613	86	699
Disposals	0	0	0	–21	–21
Balance as of December 31, 2017	**74,267**	**7,634**	**192,350**	**63,934**	**263,918**
Additions	0	1,586	20,833	6,487	28,906
Currency and other changes	0	0	213	–45	168
Disposals	0	0	0	–1,586	–1,586
Balance as of December 31, 2018	**74,267**	**9,220**	**213,396**	**68,790**	**291,406**
Carrying amount as of December 31, 2017	**0**	**3,637**	**201,866**	**26,579**	**232,082**
Carrying amount as of December 31, 2018	**0**	**2,955**	**180,320**	**20,461**	**203,736**

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

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

10. PROPERTY, PLANT, AND EQUIPMENT

in € thousands	Land, land and rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	Total
Cost					
Balance at January 1, 2017	**47,929**	**58,316**	**25,234**	**322**	**131,801**
Additions	338	3,815	5,294	7,448	16,895
Currency and other changes	–1,654	–962	–2,736	–50	–5,402
Reclassifications	–16	564	105	–674	–21
Disposals	–22	–2,059	–1,441	–28	–3,550
Balance as of December 31, 2017	**46,575**	**59,674**	**26,456**	**7,018**	**139,723**
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**
Depreciation and impairment					
Balance at January 1, 2017	**17,749**	**20,407**	**13,506**	**0**	**51,662**
Additions	3,254	6,804	4,575	0	14,633
Currency and other changes	–550	–860	–2,100	0	–3,510
Reclassifications	0	–14	14	0	0
Disposals	–19	–1,923	–1,159	0	–3,101
Balance as of December 31, 2017	**20,434**	**24,414**	**14,836**	**0**	**59,684**
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**
Carrying amount as of December 31, 2017	**26,141**	**35,260**	**11,620**	**7,018**	**80,039**
Carrying amount as of December 31, 2018	**25,068**	**38,013**	**13,720**	**6,023**	**82,824**

For further details regarding depreciation, see note 38.

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.

in € thousands	**2018**	2017
Noncurrent assets	6,463	7,094
Current assets	19,894	15,561
Noncurrent liabilities	608	1,149
Current liabilities	8,634	6,244
Equity	17,115	15,262
Sales revenues	57,579	43,004
Income	58,654	44,715
Expenses	52,454	40,271
Profit or loss for the period*	6,200	4,444
Interest (%)	49	49
Share of profit or loss for the period	3,038	2,178
Carrying amount of investment at 12/31	**11,329**	**10,534**

* For 2018 and 2017 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	**2018**	2017
Net assets at 12/31	17,115	15,262
Interest in joint venture	8,387	7,478
Goodwill (translated at current fx rate)	2,740	3,065
Fx effects on net assets	202	–9
Carrying amount	**11,329**	**10,534**

Additional information:

in € thousands	**2018**	2017
Cash and cash equivalents	6,112	4,676
Current financial liabilities	95	97
Noncurrent financial liabilities	275	385
Depreciation and amortization	797	963
Interest income	1,024	1,598
Interest expenses	815	668
Income tax expenses	2,612	1,550

Dividend income of €925 thousand (2017: €2,760 thousand and interest received of €0 thousand (2017: €994 thousand) were recognized in fiscal year 2018.

An average of 277 people were employed in the reporting period (85 salaried employees and 192 hourly paid workers). In 2017, the headcount was 219 (77 salaried employees and 142 hourly paid workers).

As in prior years there were no contingent liabilities as at December 31, 2018.

12. DEFERRED TAX ASSETS AND LIABILITIES

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

in € thousands	2018	2017
Deferred tax assets		
Deferred tax assets realized after more than 12 months	8,578	9,485
Deferred tax assets realized within 12 months	1,692	3,031
Total	**10,270**	**12,516**
Deferred tax liabilities		
Deferred tax liabilities realized after more than 12 months	16,904	42,001
Deferred tax liabilities realized within 12 months	7,562	7,562
Total	**24,466**	**49,563**
Deferred tax liabilities (net)	**14,196**	**37,047**

The movement in deferred 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, 2017	**11,513**	**3,085**	**0**	**1,215**	**5,965**	**21,778**
Amount recognized in profit or loss	153	−132	8,060	2,593	−210	10,464
Amount recognized directly in equity	−452	0	0	0	0	−452
Currency changes	0	0	0	0	0	0
Balance as of December 31, 2017	**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**

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

Deferred tax liabilities in € thousands	Intangible assets	Property, plant and equipment	Investment in associates	Liabilities to shareholders	Total
Balance as of January 1, 2017	**74,622**	**2,472**	**207**	**60,418**	**137,719**
Amount recognized in profit or loss	–6,952	–666	–49	–34,416	–42,083
Amount recognized directly in equity	0	0	0	–26,002	–26,002
Currency changes	–797	0	0	0	–797
Balance as of December 31, 2017	**66,873**	**1,806**	**158**	**0**	**68,837**
Amount recognized in profit or loss	–7,936	–157	12	0	–8,081
Amount recognized directly in equity	0	0	0	0	0
Currency changes	–311	0	0	0	–311
Balance as of December 31, 2018	**58,626**	**1,649**	**170**	**0**	**60,445**

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% (2017: 30%) has been used: In addition to corporate income tax of 15% (2017: 15%), the solidarity surcharge amounting to 5.5% (2017: 5.5%) of corporate income tax and the average trade tax rate of 14% (2017: 14%) were taken into account.

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

in € thousands	2018	2017
Balance at 1/1 (net liability)	37,047	115,941
Expense (+) / income (–) in income statement	–22,636	–52,547
Income taxes recognized in OCI (– profit / + loss) (pensions)	96	–25,550
Currency changes	–311	–797
Balance at 12/31 (net liability)	**14,196**	**37,047**

Taxes on income in € thousands	2018	2017
Current tax on profit before tax	12,712	15,411
Deferred taxes	–22,636	–52,547
Taxes on income	**–9,924**	**–37,136**

Current tax on earnings before taxes comprise income for other fiscal years with an amount of €798 thousand (2017: expenses of €386 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	**2018**	2017
Profit / loss before tax	43,526	–99,983
Expected tax rate in %	30.0	30.0
Expected income taxes	13,058	–29,995
Taxes on distributed dividends	383	548
Differences due to deviating tax rates from Group tax rate	–3,444	–2,227
Recognition of deferred taxes on tax exemption grant for profits in economic zones	–657	–2,593
Recognition of deferred taxes on interest and loss carryforwards in Germany	–17,223	–8,060
Income tax reduction for results from associates	–879	–690
Tax effects of non-deductible income / expenses	–107	593
Tax effect of IPO costs deducted from equity	0	–2,070
Tax effects of interest expenses that are not tax-deductible immediately	–2,201	5,801
Losses for which no deferred taxes were recognized	2,318	562
Income / expenses for other fiscal years	–798	386
Other	–374	609
Effective tax charges	–9,924	–37,136
Effective tax rate in %	–22.8	37.1

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 €165,302 thousand (December 31, 2017: EUR 174,387 thousand), which are to remain permanently invested and therefore do not result to 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 €17,223 thousand (2017: €8,060 thousand) were recognized 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	**2018**	2017
Loss carryforwards in Germany	22,076	13,733
Interest carryforwards in Germany	215,284	280,029
Loss carryforwards outside of Germany	1,524	955
Total	**238,884**	**294,717**

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 €1,233 thousand (2017: €2,289 thousand).

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The transition to the new standard IFRS 9 did not result in any changes in the classification and thus the measurement of financial assets. The Group's financial instruments were as follows as of the date of first-time adoption, January 1, 2018:

in € thousands	Measurement categories in accordance with IAS 39	Measurement categories in accordance with IFRS 9	Original carrying amount 1/1/2018	New carrying amount 1/1/2018
Assets				
Cash and cash equivalents	LaR	FAAC	66,313	66,313
Trade receivables	LaR	FAAC	105,932	105,932
Other financial assets	LaR	FAAC	705	705
Total			**172,950**	**172,950**

in € thousands	Measurement categories in accordance with IAS 39	Measurement categories in accordance with IFRS 9	Original carrying amount 1/1/2018	New carrying amount 1/1/2018
Liabilities				
Trade payables	OL	FLAC	72,562	72,562
Interest-bearing loans and borrowings	OL	FLAC	179,568	179,568
Other financial liabilities	OL	FLAC	748	748
Derivative financial liabilities	AFVP & L	FLtPL	22	22
Total			**252,900**	**252,900**

LaR = Loans and Receivables, OL = Other Liabilities, AFVP & L = At Fair Value through Profit & Loss

The transition of the measurement of financial assets under IFRS 9 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 12/31/2018	Fair value 12/31/2018	Measurement categories in accordance with IAS 39	Carrying amount 12/31/2017	Fair value 12/31/2017	Level
Assets							
Cash and cash equivalents	FAAC	66,087	66,087	LaR	66,313	66,313	n/a
Trade receivables	FAAC	109,707	109,707	LaR	105,932	105,932	n/a
Other financial assets	FAAC	1,481	1,481	LaR	705	705	n/a
Total		**177,275**	**177,275**		**172,950**	**172,950**	

Cash and cash equivalents, trade receivables, receivables from shareholders, loans to shareholder as well as other financial assets have in general short durations. The fair value therefore roughly corresponds to the carrying amount. As of the reporting date, all other financial assets are measured at amortized cost (FAAC); the same applied to December 31, 2017.

in € thousands	Measurement categories in accordance with IFRS 9	Carrying amount 12/31/2018	Fair value 12/31/2018	Measurement categories in accordance with IAS 39	Carrying amount 12/31/2017	Fair value 12/31/2017	Level
Liabilities							
Trade payables	FLAC	80,799	80,799	OL	72,562	72,562	n / a
Interest-bearing loans and borrowings*	FLAC	151,305	151,255	OL	179,568	179,568	2
Other financial liabilities	FLAC	958	958	OL	748	748	n / a
Derivative financial liabilities	FLtPL	696	696	AFVP & L	22	22	2
Total		233,758	233,708		252,900	252,900	

* excluding accrued financing costs (see note 23)

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 financial liabilities are measured at amortized cost (FLAC). Derivative financial liabilities are measured at fair value through profit or loss (FLtPL).

in € thousands		Net gains / losses 2018	Carrying amount 12/31/2018	Fair value 12/31/2018		Net gains / losses 2017	Carrying amount 12/31/2017	Fair value 12/31/2017
Of which aggregated by measurement categories in accordance with IFRS 9					Categories in accordance with IAS 39			
Financial assets at amortised costs	FAAC	–280	177,275	177,275	LAR	–23	172,950	172,950
Financial liabilities at amortised costs	FLAC	–7,734	233,062	233,012	OL	–146,441	252,878	252,878
Financial assets and liabilities at fair value through profit or loss	FAFLtPL	–696	696	696	AFVP & L	0	22	22

The net loss on financial assets measured at amortized cost amounts to €280 thousand and stem from the impairment of trade receivables as of December 31, 2018. The net loss from financial liabilities measured at amortized cost amounts to €7,734 thousand and stems from interest expense and other financial expenses (see note 36). The prior-year figure mainly included the losses from the revaluation of the shareholder loans. The net loss from financial liabilities measured at fair value amounts to €696 thousand and stems from the measurement of interest rate swaps at fair value as of December 31, 2018 (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 2018 and 2017.

The fair value of the interest-bearing loans and borrowings is determined in 2018 and 2017 considering actual interest curves and classified as level 2 of the fair value hierarchy.

The measurement of derivatives is described in notes 6, 21, 23 and 24.

14. INVENTORIES

in € thousands	**12/31/2018**	12/31/2017
Raw materials, consumables, and supplies	49,214	45,715
Work in process	17,950	14,166
Finished goods and merchandise	43,729	37,029
Total	**110,893**	**96,910**

As at December 31, 2018 impairments on inventories amounting to €9,090 thousand (December 31, 2017: €9,280 thousand) were recognized. The Group reversed €190 thousand of previous impairments on inventories as the Group sold the respective goods. They are included in cost of sales.

15. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables

Trade receivables amounted to €109,707 thousand at the closing date (2017: €105,932 thousand).

Allowances for doubtful accounts changed as follows:

in € thousands	**2018**	2017
Balance at 1/1	**2,078**	**2,112**
Additions	496	274
Utilization	–14	–251
Currency and other changes	–310	–57
Balance at 12/31	**2,250**	**2,078**

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, 2018	111,957	90,732	16,159	1,474	658	684	2,250
December 31, 2017	108,010	82,302	21,939	897	669	125	2,078

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

As of December 31, 2018, trade receivables of €2,250 thousand (2017: €2,078 thousand) were impaired. The aging of these receivables is as follows:

in € thousands	Total	past due up to 6 months	past due more than 6 months
December 31, 2018	2,250	651	1,599
December 31, 2017	2,078	523	1,555

As of the reporting date, all receivables are due within one year.

Other financial assets

Other financial assets primarily include overpayments to suppliers in the amount of €208 thousand (2017: €161 thousand) and deposits in the amount of €356 thousand (2017: €375 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 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 €17,920 thousand (2017: €13,389 thousand). Other noncurrent assets consist of pension liability insurance claims (2018: €89 thousand; 2017: €84 thousand) and from prepaid expenses for a period of more than one year. Other current assets primarily include VAT receivables (2018: €10,129 thousand; 2017: €4,647 thousand), prepaid expenses (2018: €4,302 thousand; 2017: €3,867 thousand), recoverable taxes from business operations (2018: €235 thousand; 2017: €985 thousand), and current liability insurance claims (2018: €710 thousand; 2017: €2,655 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	**12/31/2018**	12/31/2017
Cash on hand and bank balances	60,464	58,252
Bank bills of exchange	5,623	8,061
Total	**66,087**	**66,313**

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, 2018, 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.

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

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

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

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

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

The JOST Werke Group's shares began successfully trading on the Prime Standard segment of the Frankfurt Stock Exchange on July 20, 2017. The issue price for JOST Werke's shares was €27.00 (price range of €25.00 to €31.00). In the course of the stock listing, the Company carried out a capital increase by 4.875 million shares amounting to €131.625m (with €4.875m attributable to subscribed capital and €126.75m to capital reserves).

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

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

An amount of €20,304 thousand was taken from capital reserves and transferred to retained earnings in fiscal year 2017.

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 by up to €7,450,000 by issuing up to 7,450,000 new no-par value bearer shares.

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 include the net profit for the reporting period of €53,450 thousand.

An amount of €23,024 thousand was taken from capital reserves and transferred to retained earnings in fiscal year 2018.

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 2018 recognized in other reserves in an amount of €–3,720 thousand includes exchange differences on translating foreign operations of €–3,945 thousand, remeasurements from defined benefit plans with an amount of €321 thousand and deferred taxes relating to remeasurements from defined benefit plans of €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 JOST Werke Group entities, particularly in Germany, have established pension plans for their employees. As of December 31, 2018, the defined benefit obligations amounted to €60,494 thousand in total as calculated pursuant to IAS 19 with a discount rate of 1.7%, 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 1/1/2017	**69,305**	**–6,906**	**62,399**
Current service cost	251	0	251
Past service cost	1,097	0	1,097
Interest cost	1,041	–105	936
Reclassification to other assets	0	2,655	2,655
Remeasurements on obligation	–1,436	–8	–1,444
thereof: experience adjustments	–1,436	0	–1,436
thereof: return on plan assets	0	–8	–8
Benefits paid	–4,274	0	–4,274
Employer contributions	0	–46	–46
Balance at 12/31/2017	**65,984**	**–4,410**	**61,574**
Current service cost	334	0	334
Past service cost	0	0	0
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**

The past service cost in 2017 resulted from increases in pension commitments.

in € thousands	2018	2017
Recognized provision (unfunded pension obligation)	60,494	61,574
Funded pension obligation	4,029	4,410
Total pension obligations	**64,523**	**65,984**
Total pension obligations	64,523	65,984
Net of plan assets	–4,029	–4,410
Carrying amount (corresponds to underfunding)	**60,494**	**61,574**
Reimbursement rights	**89**	**84**
Expense reported in the income statement	**1,253**	**2,283**
consisting of		
Service cost	334	251
Past service cost	0	1,097
Interest cost	988	1,041
Interest income on plan assets	–67	–105
Interest income on reimbursement rights	–2	–1
Total	**1,253**	**2,283**

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

in € thousands	2018	2017
Income and expenses from remeasurements recognized in OCI	–466	–1,444
Changes in the defined benefit obligation in the fiscal year		
Balance at 01/01	**65,984**	**69,305**
Current service cost	334	251
Past service cost	0	1,097
Interest cost	988	1,041
Remeasurements on obligation	–498	–1,436
Benefits paid	–2,285	–4,274
Balance at 12/31	**64,523**	**65,984**
Fair value of plan assets		
Balance at 01/01	**4,410**	**6,906**
Interest income	67	105
Reclassification to other assets	0	–2,655
Return on plan assets	–32	8
Employer contributions	46	46
Benefits paid	–462	0
Balance at 12/31	**4,029**	**4,410**

The plan assets only relate to Germany and include with 100% (2017: 100%) pension liability insurances with guaranteed return and are not quoted in an active market. The total amount of expenses recognized in the Statement of Comprehensive Income was included in administrative expenses. The reclassification of plan assets to other assets made in 2017 relates to plan assets for which the corresponding pension provision was paid out before the reporting date. As it was no longer possible to offset these plan assets, they were reclassified to other assets.

Fair values of reimbursement rights

in € thousands	2018	2017
Balance at 1/1	**84**	**80**
Interest income	2	1
Employer contributions	3	3
Balance at 12/31 (fair value)	**89**	**84**

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	2018	2017
Discount rate	1.7%	1.5%
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. 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:

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%

2017

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

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:

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

2017

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

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

The weighted average duration of the defined benefit obligation is 17 years (2017: 17 years).

Expected contributions to plan assets and reimbursement rights for the year ending December 31, 2019 are €46 thousand (2018: €46 thousand).

20. OTHER PROVISIONS

Other provisions changed as follows:

in € thousands	Warranties	Customer commissions and bonuses	Personnel-related provisions	Other Legal disputes and other costs	Total
Balance at 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

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

Warranties

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

Customer commissions and bonuses

Provisions for sales transactions mainly include expected bonuses and commissions that were granted to contractual partners in the year under review or earlier, but are only paid out in subsequent years. Bonus payments depend on the final agreement with the customers. Since January 1, 2018, customer rebates have been shown under contract liabilities (see note 25).

Personnel-related provisions

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

Other legal disputes and other costs

Above and beyond specific circumstances arising from warranty claims, JOST is involved in other legal disputes in and out of court arising from the Group's general business activities. The outcome of these disputes cannot be predicted with certainty. In such cases, provisions are recognized to the extent utilization of the provision is probable and the anticipated amount of the necessary provision can be estimated reliably. Because this process is based on assumptions, the recognition and measurement of provisions for other legal disputes are associated with a degree of uncertainty. The provisions recognized for other legal disputes as of the reporting date mainly relate to cases involving taxes and claims for damages. The provision amounts are reviewed regularly and adjusted as necessary. 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, 2018. 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	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:

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	694	31,920	20,164	52,778
thereof: variable	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**

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 €2,920 thousand for fixed-interest and an anticipated €4,472 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, 2017:

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

The following table shows the fixed and expected cash outflows as of December 31, 2017, broken down by time of occurrence:

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
Liabilities to banks	2,693	188,018	0	190,711
thereof: fixed	0	179,566	0	179,566
thereof: variable	2,693	8,452	0	11,145
Other liabilities to banks	2	0	0	2
Trade payables	72,562	0	0	72,562
Other financial liabilities	748	0	0	748
Derivatives	22	0	0	22
Total	**76,027**	**188,018**	**0**	**264,045**

Liabilities to banks have been uncollateralized since fiscal year 2017.

22. LIABILITIES TO SHAREHOLDERS

Up until its IPO in July 2017, the Group's financing also included shareholder loans.

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

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

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

in € thousands	Notes	Carrying amount	Nominal value
1/1/2017		**132,474**	**333,867**
Partial repayment		–700	–700
Accrued interest	(36), (42)	10,262	19,312
Financial expense from remeasurement of shareholder loans based on revised expected cash outflows according to IAS 39	(36), (42)	123,771	0
Contributions of the shareholder loan by assignment based on extraordinary shareholders' meeting as of June 23, 2017 respectively assignment agreement dated June 23, 2017, with the consolidation effect (of shareholder loan receivables (€352,479 thousand) and liabilities (€86,672 thousand before tax)) having been recognized directly in equity	(18)	–265,807	–352,479
12/31/2017		**0**	**0**

23. INTEREST-BEARING LOANS AND BORROWINGS

Effective 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 to the revolving credit facility.

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

All of the loans under the facilities agreement and 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, 2018 and the loans under the old facilities agreement of the previous year:

in € thousands		12/31/2018	12/31/2017
Promissory note loans	5 years, fixed	29,000	–
	5 years, variable	86,500	–
	7 years, fixed	20,000	–
	7 years, variable	14,500	–
Senior loans	Facility A	–	171,228
	Facility A (USD tranche)	–	8,338
		150,000	**179,566**
Other		1,305	2
Interest bearing loans		**151,305**	**179,568**
Accrued financing costs		–407	–1,788
Total		**150,898**	**177,780**

As of December 31, 2018 and as of December 31, 2017, the Group has not drawn the available revolving facility. Interest payments were made in the amount of €2,617 thousand (2017: €10,427 thousand). Furthermore, repayments of the previous senior loan were made in the amount of €30,154 thousand (2017: €319,261 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. The costs incurred in connection with the financing agreement dated July 24, 2017 have been spread evenly until mid-2022 in accordance with the effective interest method. Due to the new financing agreement, the accrued finance costs of the previous financing remaining at the time of refinancing have now been recognized in full under finance expense.

24. TRADE PAYABLES AND OTHER FINANCIAL LIABILITIES

Trade payables recognized at the reporting date are non-interest bearing. The fair value therefore corresponds to the carrying amount. As of the end of the year, trade payables amount to €80,799 thousand (2017: €72,562 thousand).

Other financial liabilities primarily include overpayment from customers in the amount of €567 thousand (2017: €748 thousand).

Future interest rate volatility is hedged via four interest rate swaps. Overall, the interest rate swaps as of December 31, 2018 had a negative fair value of €696 thousand (2017: €22 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 23.

As in the previous year, the Group did not apply hedge accounting in accordance with IFRS 9 in the reporting period (IAS 39 in the previous year).

25. CONTRACT LIABILITIES

As a result of the implementation of IFRS 15 – Revenue from Contracts with Customers, contract liabilities have been reported as a separate balance sheet item since January 1, 2018. There were no contract assets in 2018. According to the standard, these assets and liabilities arise from customer contracts depending on the net amount of goods and services provided by the Company and payments made by the customer. The Group’s contract liabilities result from prepayments received and obligations from sales transactions (particularly rebates). The latter were included in other provisions in the previous year.

26. OTHER LIABILITIES

Other liabilities amount to €24,858 thousand (2017: €24,191 thousand). They primarily include €15,563 thousand in employee benefits (2017: €13,313 thousand) and €1,661 thousand in other liabilities from social insurance contributions (2017: €2,257 thousand). Furthermore, other liabilities include VAT liabilities in the amount of €1,342 thousand (2017: €1,607 thousand) and wage taxes in the amount of €776 thousand (2017: €1,974 thousand).

27. OTHER FINANCIAL OBLIGATIONS

The Group's other financial obligations include, in particular, financial obligations and warranty commitments of €40,568 thousand (2017: €42,254 thousand) under lease and rental agreements relating primarily to the production sites in Poland and China, IT systems, various forklifts, and passenger vehicles. The payment obligations are generally minimum lease obligations. As of December 31, 2018, lease agreements have lease terms of up to ten years. For most of the leases, the Company does not have the option to purchase the assets at the end of the lease agreement. The lease agreements relieve the Company from capital expenditure payments. The Company recognized €8,406 thousand (2017: €7,801 thousand) in rental and lease expenses in 2018. There are also other financial obligations from purchase commitments for property, plant and equipment amounting to €1,432 thousand.

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

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	**Total**
2018	8,137	19,303	3,834	31,274
2017	7,780	17,877	7,804	33,461

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	**2018**	2017
Europe	463,776	441,190
North America	145,632	118,549
Asia, Pacific and Africa	146,006	141,569
Total	**755,414**	**701,308**

The increase in sales revenues is mainly driven by positive market trends in Europe and North America.

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

in € thousands	**2018**	2017
Truck	263,104	250,193
Trailer	300,639	276,009
Trading	191,671	175,106
Total	**755,414**	**701,308**

Sales revenues include sales revenues of €245 thousand (2017: €362 thousand), which as of December 31, 2017 were shown as contract liabilities in other liabilities.

29. COST OF SALES

Cost of sales mainly comprise the following: cost of materials of €–412,076 thousand (2017: €–375,678 thousand), personnel expenses of €–66,309 thousand (2017: €–57,573 thousand), depreciation of property, plant and equipment of €–10,340 thousand (2017: €–10,071 thousand), amortization of intangible assets of €–79 thousand (2017: €–62 thousand). Reversals of impairments on inventories amounting to €190 thousand (2017: €2,976 thousand) had an offsetting effect.

30. SELLING EXPENSES

Selling expenses mainly comprise the following: personnel expenses of €–29,121 thousand (2017: €–25,969 thousand), depreciation of property, plant and equipment of €–3,091 thousand(2017: €–3,092 thousand) and amortization of intangible assets €–23,195 thousand (2017: €–23,372 thousand).

31. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly comprise personnel expenses of €–8,387 thousand (2017: €–7,300 thousand) and amortization of intangible assets of €–1,602 thousand (2017: €–1,654 thousand).

32. ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise the following: Personnel expenses of €–22,132 thousand (2017: €–27,147 thousand), purchased services of €–7,626 thousand (2017: €–9,002 thousand), rent of €–1,148 thousand (2017: €–1,304 thousand), insurance of €–1,794 thousand (2017: €–1,675 thousand), depreciation of property, plant and equipment of €–1,437 thousand (2017: €–1,323 thousand) and amortization of intangible assets of €–4,030 thousand (2017: €–4,147 thousand).

33. OTHER INCOME / OTHER EXPENSES

As of the end of the year, other income amounted to €6,672 thousand (2017: €5,580 thousand) and other expenses to €–5,921 thousand (2017: €–5,703 thousand).

In 2018 and 2017, other income mainly comprises currency gains of €4,203 thousand (2017: €2,744 thousand). Also included is income from the reversal of provisions and government grants. Other expenses mainly compromise currency losses in the amount of €5,641 thousand (2017: €4,264 thousand).

34. SHARE OF PROFIT OR LOSS OF EQUITY METHOD INVESTMENTS

The share of the profit or loss of equity method investments (2018: €3,038 thousand; 2017: €2,178 thousand) relates to JOST Brasil Sistemas Automotivos Ltda.

35. FINANCIAL INCOME

Financial income is composed of the following items:

in € thousands	**2018**	2017
Interest income	263	299
Realized and unrealized currency gains	955	1,185
Other financial income	36	105
Total	**1,254**	**1,589**

36. FINANCIAL EXPENSE

Financial expense is composed of the following items:

in € thousands	2018	2017
Interest expenses	−3,816	−21,729
thereof: shareholder loan interests	0	−10,262
Realized and unrealized currency losses	−1,497	−810
Result from measurement of derivatives	−696	0
Other financial expenses	−4,906	−1,981
Revaluation shareholder loans	0	−123,771
Total	**−10,915**	**−148,291**

Interest expense was significantly reduced due to the refinancing. Prior to the stock listing, the shareholder loans were converted in June 2017. Such effects are not to be expected anymore going forward.

37. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are composed of the following items:

in € thousands	2018	2017
Employee benefit expenses	−107,916	−101,906
Social security contributions*	−17,699	−14,735
Pension expenses	−334	−1,348
Total	**−125,949**	**−117,989**

* The Company incurred expenses for employer contributions to the statutory pension insurance system in the amount of €3,033 thousand in fiscal year 2018 (2017: €2,769 thousand).

38. DEPRECIATION, AMORTIZATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT

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

in € thousands	Depreciation / impairment of property, plant and equipment	Amortization / impairment of intangible assets
Cost of sales	−10,340	−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

Depreciation, amortization, and impairments charge for 2017 is recognized in the following line items in the income statement:

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

* PPA: Purchase Price Allocation

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 €9,924 thousand (2017: €37,136 thousand) includes deferred tax income from the origination and reversal of temporary differences of €4,756 thousand (2017: tax income of €41,894 thousand), deferred tax income from the recognition of tax exempt grants of €657 thousand (2017: €2,593 thousand), deferred tax income from interest loss carryforwards of €17,223 thousand (2017: €8,060 thousand) and current tax expenses on profit for the year at an amount of €–12,712 thousand (2017: €–15,411 thousand).

In connection with the refinancing, the JOST Werke Group 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 income from interest and loss carryforwards of €17,223 thousand.

In fiscal year 2018, the Group made income tax payments of €11,849 thousand (2017: €12,980 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, 2017, there were 14,900,000 shares. The number of shares remained unchanged as of December 31, 2018.

The diluted earnings per share (in €) correspond to basic earnings per share. In addition to the basic and diluted earnings per share, which are calculated on the basis of the weighted average number of shares, “pro forma earnings per share” were calculated based on the shares outstanding as of December 31, 2018:

Earnings per share

	2018	2017
Profit / loss after taxes (in € thousand)	53,450	–62,847
Weighted average number of shares	14,900,000	7,475,000
Basic and diluted earnings per share (in €)	**3.59**	**–8.41**
Number of shares as of December 31	14,900,000	14,900,000
Pro forma earnings per share (in €)	**3.59**	**–4.22**

41. NUMBER OF EMPLOYEES

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

Average number of employees	**2018**	2017
Production	1,977	1,985
Sales	477	444
Research and development	120	100
Administration	270	261
Total	**2,844**	**2,790**

For details on personnel expenses see notes 29 to 32.

42. CASH FLOW STATEMENT

The consolidated cash flow statement was prepared in accordance with IAS 7 and classifies cash flow into operating, investing and financing activities. Cash flow from operating activities was determined using the indirect method, whereas cash flow from investing activities was calculated on the basis of the direct method. Investing activities relate to the acquisition and disposal of noncurrent assets that are not included in cash equivalents. Cash flow from financing activities is also determined using the direct method. Financing activities are activities that affect the extent and composition of equity items and the Company's borrowings. The other noncash expenses in the previous year mainly comprised accrued interest expense on the shareholder loans (2018: €0 thousand; 2017: €10,262 thousand) and losses from the revaluation of the shareholder loans (2018: €0 thousand; 2017: €123,771 thousand). The shareholder loans were contributed to equity as a non-cash contribution, which made it a non-cash transaction.

Net debt is as follows:

in € thousands	**12/31/2018**	12/31/2017
Cash and cash equivalents	66,087	66,313
Interest-bearing loans and borrowings, repayable within one year	–234	0
Interest-bearing loans and borrowings, repayable after one year*	–150,664	–177,780
Net debt	**–84,811**	**–111,467**
Cash and liquid assets	66,087	66,313
Gross debt – at fixed interest rates*	–50,211	0
Gross debt – at variable interest rates*	–100,687	–177,780
Net debt	**–84,811**	**–111,467**

* including refinancing costs

Net debt is reported to the Management Board without taking into account accrued refinancing costs and shareholder loans and amounts to €85.2m (2017: €113.3m).

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

	Other assets	Liabilities from financing activities				
in € thousands	Cash and cash equivalents	Short-term interest-bearing loans and borrowings*	Long-term interest-bearing loans and borrowings*	Accrued refinancing costs	Shareholder loans	**Total**
Net debt at 01/01/2017	**47,189**	**–6,002**	**–314,023**	**0**	**–132,474**	**–405,310**
Changes from financing cash flows	21,326	6,000	133,448	1,950	700	163,424
Effect of changes in foreign exchange rates	–2,202	0	1,009	0	0	–1,193
Other changes	0	0	0	–162	131,774	131,612
Net debt at 12/31/2017	**66,313**	**–2**	**–179,566**	**1,788**	**0**	**–111,467**
Changes from financing cash flows	268	–232	29,083	450	0	29,569
Effect of changes in foreign exchange rates	–494	0	–288	0	0	–782
Other changes	0	0	–300	–1,831	0	–2,131
Net debt at 12/31/2018	**66,087**	**–234**	**–151,071**	**407**	**0**	**–84,811**

* 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 other party.

The structure of the JOST Werke Group as of December 31, 2018, including the subsidiaries and the joint venture, changed as follows compared to December 31, 2017 and is also presented in note 4. In fiscal year 2018, the following companies were established: Jost Otomotiv Sanayi Ticaret A.S., Izmir, Turkey; Jost (Thailand) Co. Ltd., Bangsaotong, Thailand; and JOST New Zealand Ltd., Hamilton, New Zealand. The start-ups have not yet led to any significant sales revenues for the JOST Werke Group, nor did they have any significant effect on earnings yet. In addition, Jost Axle Systems Southern Europe S.A.S., Lattes, France, was merged into JOST France S.à r.l., Paris, France, in the third quarter.

The ownership structure of JOST Werke AG has changed since December 31, 2017. As of December 31, 2018, Allianz Global Investors GmbH (Germany) was the largest shareholder of JOST Werke AG, holding 10.03% of the shares carrying voting rights. 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 Atlantic Value General Partner Ltd. (UK) is 7.1%; of Black Diamond Capital Management, L.L.C. (USA) is 5.1%, and of Paradice Investment Management Pty Ltd (Australia) is 5.1%.

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
Chairman of the Management Board
Chief Executive Officer
- Chairman of the Supervisory Board, Dinex A/S, Middelfart, Denmark (until April 30, 2018)

Joachim Dürr, Diplom-Ingenieur, Dachau (from January 1, 2019)
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

Christoph Hobo, Diplom-Kaufmann, Frankfurt am Main
(until December 31, 2018)
Chief Financial Officer
- No posts on supervisory / control bodies

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

The total cash benefits (= total benefits) of the Management Board members in accordance with HGB amounted to €2,772 thousand in the reporting period (2017: €3,627 thousand). Total remuneration in accordance with IFRSs in the reporting period amounts to €3,008 thousand (2017: €5,838 thousand) and comprises short-term benefits of €2,213 thousand (2017: €3,478 thousand), long-term employee benefits of €795 thousand (2017: €560 thousand), post-employment benefits of €0 thousand (2017: €1,150 thousand), and share-based payments of €0 thousand (2017: €650 thousand). Provisions and liabilities for remuneration amounted to €7,722 thousand (2017: €7,804 thousand).

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

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

Prof. Dr. Bernd Gottschalk (Deputy Chair)
Occupation: Management consultant, Managing Partner of AutoValue GmbH

- Member of the supervisory board, Schaeffler AG, Herzogenaurach, Germany
- Member of the supervisory board, Plastic Omnium S.A., Paris, France
- Member of the advisory board, Plastic Omnium GmbH, Munich, Germany
- Chairman of the advisory board, WOCO Franz Josef Wolf Holding GmbH, Bad Soden-Salmünster, Germany
- Chairman of the advisory board, Facton GmbH, Potsdam, Germany
- Member of the advisory board, Serafin Unternehmensgruppe GmbH, Munich, Germany
- Member of the advisory board, BLG Logistics Group AG & Co. KG, Bremen, Germany
- Member of the economic advisory board, Bankhaus Lampe, Düsseldorf, Germany
- Managing Partner, AutoValue GmbH, Frankfurt, Germany

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

- Member of the board of directors, Veridis Environment Israel Ltd. Herzliya, Israel

Klaus Sulzbach
Occupation: Auditor / tax advisor

- No other posts on supervisory / control bodies

The Supervisory Board received remuneration of €505 thousand in the 2018 fiscal year (2017: €246 thousand).

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

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

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

In connection with their work on the advisory board, Prof. Dr. Gottschalk and Mr. Schaubel charged the JOST Werke Group €21 thousand and €28 thousand, respectively, for consulting services in 2017. Mr. Wennemer charged the JOST Werke Group €102 thousand for consulting services in 2017. No consulting services were billed in fiscal year 2018, so that no payments were outstanding as of December 31, 2018 (December 31, 2017: EUR 0 thousand).

The consulting services invoiced by the former Managing Director Mr. Schmidt amounted to €500 thousand in 2017.

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

Related party transactions as of December 31, 2017

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

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.

There are no longer any long-term bank liabilities denominated in foreign currencies in the current fiscal year. In 2017, JOST International Corp. had long-term bank liabilities denominated in USD of €8,338 thousand corresponding to USD 10,000 thousand as part of the A Tranche. In the past, the volatility of the US dollar against the euro regularly triggered changes in long-term bank liabilities. A change in the exchange rate by 5%, with all other variables remaining constant, in fiscal year 2017 would have resulted in a €22 thousand change in interest expense on the USD tranche of the senior loans. Such a change in the exchange rate would have an impact of €–397 thousand or €439 thousand on total bank liabilities. Fx changes do only have an effect on equity, but no effect on income statement. To avoid greater risk concentration (interest rate risk) the Company hedges the interest. Termination of the credit agreement 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, would change trade receivables by €3,254 thousand and trade payables by €2,672 thousand.

Exchange rate losses totaling €–542 thousand (2017: exchange rate gains of €375 thousand) were recognized in fiscal year 2018 due to exchange rate movements. The Group transacts a significant portion of its sales revenues in euros. Subsidiaries in non-eurozone countries mainly invoice in their local currency and also procure their supplies largely on the local market, with the result that exchange rate risk from operating activities in the Group is low.

The exchange rates of the major currencies developed as follows:

Exchange rate €1 =	ISO CODE	Closing rate 12/31/2018	Closing rate 12/31/2017	Average rate for the year 12/31/2018	Average rate for the year 12/31/2017	Net gain sensitivity € thousands	Equity sensitivity € thousands
Australia	AUD	1.62	1.53	1.58	1.47	–110.57	–616.58
Brazil	BRL	4.44	3.97	4.31	3.61	–144.68	–399.35
China	CNY	7.88	7.80	7.81	7.63	–316.57	–1,310.69
Great Britain	GBP	0.89	0.89	0.88	0.88	84.18	–236.84
Hungary	HUF	320.98	310.33	318.89	309.19	0.00	0.00
India	INR	79.73	76.61	80.73	73.53	–29.55	–441.73
Japan	JPY	125.85	135.01	130.40	126.71	–3.29	–15.89
New Zealand	NZD	1.71	1.69	1.71	1.59	7.79	–13.71
Poland	PLN	4.30	4.18	4.26	4.26	–245.98	–969.64
Russia	RUB	79.72	69.39	74.04	65.94	–64.62	–156.59
Singapore	SGD	1.56	1.60	1.59	1.56	–116.16	–247.91
Thailand	THB	37.05	39.12	38.16	38.30	6.88	–5.76
Turkey	TRY	6.06	4.55	5.71	4.12	8.81	–43.81
United States	USD	1.15	1.20	1.18	1.13	–441.51	–1,342.07
South Africa	ZAR	16.46	14.81	15.62	15.05	–181.35	–538.85

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

Market risk / interest rate risk

The Group is exposed to interest rate risk because it has borrowed funds at variable rates of interest. Interest rate risk arises in particular from the variable interest rate portion of its interest rate exposure, which is pegged to current market interest rates and affects cash flow from financing activities. A 10 basis point change in the variable interest rate (EURIBOR / LIBOR), with all other variables remaining constant, in fiscal year 2018 results in a €51 thousand and USD 6 thousand (2017: €74 thousand / USD 11 thousand) increase / decrease in the Group's interest expense.

Cash flow risk arises primarily from changes in market interest rates. Higher market interest rates result in an increase in cash outflow from financing activities, while lower rates result in a decrease. To mitigate the risk of changing cash flows in the future, the Company entered into four interest rate swaps as of December 31, 2018, each with a term starting on January 1, 2020. In fiscal year 2018, the Company generated no interest income but incurred interest expense of €30 thousand (2017: €161 thousand) from these hedging transactions. The Group did not apply hedge accounting in accordance with IFRS 9 / IAS 39 in fiscal year 2018 or in the previous year.

The following table shows the development of interest rate swaps and caps:

in € thousands	Type	Maturity	Nominal amount at 12/31/2018	Negative fair value at 12/31/2017	Change in fair value	Negative fair value at 12/31/2018
UniCredit Bank	SWAP	12/30/18	0	22	–22	0
DZ Bank	SWAP	06/29/23	12,500	0	144	144
BayernLB	SWAP	06/29/23	15,000	0	174	174
BNP	SWAP	06/29/23	12,500	0	145	145
UniCredit Bank	SWAP	06/29/23	20,000	0	233	233
Total			**60,000**	**22**	**674**	**696**

Credit risk / Default risk

Credit risk denotes the risk to the Group that customers will fail to discharge their payment obligations. 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 and 15).

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 2018, the Company discharged all of its payment obligations under the bank liabilities. The total amounts in fiscal year 2018 were:

Interest payments: €2,617 thousand (2017: €10,427 thousand)
Principal repayments: €30,154 thousand (2017: €319,261 thousand)

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

The contribution of the shareholder loan to equity in the form of a non-cash contribution and the proceeds from the IPO in July 2017 improved the Company's liquidity position as it has significantly reduced borrowings. 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, the JOST Werke Group is able to use a revolving facility amounting to €150,000 thousand to finance its operating business; the facility has not been drawn as of the reporting date.

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 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	**12/31/2018**	12/31/2017
Interest-bearing loans	150,898	177,780
Cash and cash equivalents	66,087	66,313
Net debt	**84,811**	**111,467**
Equity	251,613	209,333
Net debt to equity ratio	34%	53%

Under the new financing arrangements, the obligation to comply with various covenants now only applies to the revolving credit facility. In previous years, the 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.

JOST Werke AG, Neu-Isenburg, complied with the relevant covenants at all times in 2018 and 2017.

46. AUDITOR'S FEES

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

in € thousands	**2018**	2017
Audit services	413	628
Other assurance services	0	564
Tax advisory services	174	318
Total	**587**	**1,510**

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.

47. 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://www.jost-world.com/en/corporate/investor-relations/corporate-governance/

48. APPROPRIATION OF PROFITS OF JOST WERKE AG

A proposal will be made to the Annual General Meeting to distribute €1.10 per share from the net retained profit of €16.4m shown by the parent company, JOST Werke AG, for the period ended December 31, 2018.

49. EVENTS AFTER THE REPORTING DATE

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

Neu-Isenburg, March 14, 2019

Lars Brorsen

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 14, 2019

Lars Brorsen 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 GmbH, Neu-Isenburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31. December 2018, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1. January to 31. December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of JOST Werke AG, which is combined with the Company's management report, for the financial year from 1. January to 31. December 2018. 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 paragraph 1 HGB (German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31. December 2018, and of its financial performance for the financial year from 1. January to 31. December 2018, 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 paragraph 3 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 1. January to 31. December 2018. 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:

- Recognition of deferred taxes on the interest carryforward

Our presentation of these key audit matters has been structured in each case as follows:

- Matter and issue
- Audit approach and findings
- Reference to further information

Hereinafter we present the key audit matter:

Recognition of deferred taxes on the interest carryforward

- In the consolidated financial statements of JOST Werke AG, a gain on the recognition of deferred tax assets in respect of a portion of the as-of-yet unutilized interest carryforward was recognized in the amount of EUR 17.2 million. This was recognized in connection with the refinancing undertaken in the previous year, brought about an improvement in equity within the German consolidated tax group and will enable the Group to utilize the full amount of the interest carryforward within the German consolidated tax Group going forward. 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 interest carryforward to be utilized. From our point of view, the recognition of deferred taxes on the interest carryforward was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore subject to uncertainties.

- As part of our audit, we assessed the method used for the calculation, recognition and measurement of the deferred taxes. We also assessed the amount of the deferred tax assets in respect of the interest carryforward on the basis of the Company's internal forecasts of its future earnings situation of the consolidated tax group, and the appropriateness of the underlying estimates and assumptions. On the basis of our audit procedures, we were able to reproduce the management's assumptions relating to the recognition and measurement of deferred taxes and verify the appropriateness of those assumptions.

- The Company's disclosures on deferred taxes are contained in sections 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 publication „Annual Group Report 2018 JOST Werke AG" – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to §315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 4, 2018. We were engaged by the supervisory board on November 21, 2018. We have been the group auditor of the JOST Werke AG, Neu-Isenburg, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Hartwig.

Frankfurt am Main, March 14, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Hartwig	ppa. Benedikt Goldschmidt
Public Auditor	Public Auditor

INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT

INDEPENDENT PRACTITIONERS' LIMITED ASSURANCE REPORT ON NON-FINANCIAL REPORTING

JOST Werke AG, Neu-Isenburg, prepared a separated non-financial report pursuant to Section 315b Para. 3 HGB et seq. (German Commercial Code) for the period from January 1, 2018, to December 31, 2018, which is integrated in the non-financial report of the parent company in accordance with Section 289b Para. 3 HGB (hereinafter the "non-financial report"). Pursuant to section 315b Para. 3 No. 2 Letter b) HGB, the non-financial report was published together with the Annual Group Report for fiscal year 2018. The non-financial report is published in the "Sustainability Report" section of this Annual Group Report. The auditing firm SPALL & KÖLSCH GmbH Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of the non-financial report and issued an independent practitioners' report, authoritative in German language which has been translated as follows:

To the Supervisory Board of 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 seq. (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 2018. The audit of information regarding prior years was not within the scope of our engagement.

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 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 2018 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 2018 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 January 1, to December 31, 2018 has not been prepared, in all material respects, in dependence on the DNK,

and

- the non-financial report of the Company for the period January 1, to December 31, 2018 has not been prepared, in all material respects, in accordance with Section 315b and 315c in conjunction with 289c to 289e of the HGB.

Restriction of Use / Clause on General Engagement Terms

This report is issued for purposes of the Supervisory Board of JOST Werke AG, Neu-Isenburg, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of JOST Werke AG, Neu-Isenburg, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften). By reading and using the information contained in this assurance report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to EUR 4 million as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Kronberg, March 14, 2019

Spall & Kölsch GmbH

Wirtschaftsprüfungsgesellschaft (Auditing firm)
[Original German Version signed by:]

Christian Spall	Karsten Kölsch
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

MAY 09, 2019
ANNUAL GENERAL MEETING

MAY 28, 2019
INTERIM REPORT
Q1 2019

AUGUST 22, 2019
INTERIM REPORT
H1 2019

NOVEMBER 21, 2019
INTERIM REPORT
9M 2019

This annual report has been translated into English. Both language versions are available for download on the Internet at https://www.jost-world.com/. In case of any conflicts, the German version of the annual report shall prevail over the English translation.

Publishing Information

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