JOST

ROCKINGER

TRIDEC

Edbro

Quicke

ANNUAL GROUP REPORT 2020

DRIVING GROWTH

JOST AT A GLANCE

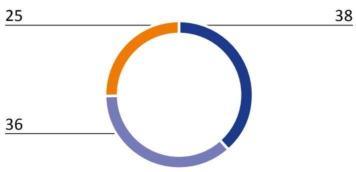
Key figures

in €million	2020	2019	Change
Consolidated sales	**794.4**	**736.4**	**7.9%**
thereof: Sales, Europe	482.2	431.7	11.7%
thereof: Sales, North America	172.3	161.8	6.5%
thereof: Sales, Asia, Pacific and Africa (APA)	139.9	142.9	–2.1%
Adjusted EBITDA[1]	102.7	100.8	1.9%
Adjusted EBITDA margin (%)	12.9	13.7	–0.8%-points
Adjusted EBIT[1]	73.2	76.8	–4.7%
Adjusted EBIT margin (%)	9.2	10.4	–1.2%-points
Equity ratio (%)	28.3	41.2	–12.9%-points
Net debt[2]	207.6	46.3	348.6%
Leverage[3, 9]	1.997x	0.46x	335.2%
Capex[4]	20.9	17.6	18.4%
ROCE (%)[5, 9]	12.2	18.4	–6.2%-points
Cash conversion rate (%)[6]	79.7	82.5	–2.8%-points
Profit after taxes	19.3	33.5	–42.5%
Earnings per share (in €)	1.29	2.25	–42.7%
Proposed dividend (€ per share)	1.00	0	–
Adjusted profit after taxes[7]	47.3	50.8	–6.9%
Adjusted earnings per share (in €)[8]	3.18	3.41	–6.7%

1 Adjustments for PPA effects and exceptionals
2 Interest bearing loans (excl. accrued financing costs) – liquid assets
3 Net debt/LTM adj. EBITDA
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 8
8 Adjusted profit after taxes/14,900,000 (number of shares as of December 31)
9 LTM figures for comparison purposes also include figures for Ålö before the January 31, 2020 acquisition date

Sales by application

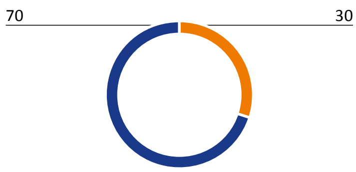
2020, in %



■ Trailer
■ Truck
■ Tractor

Sales by customer type

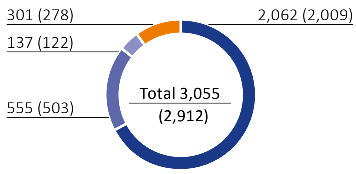
2020, in %



■ Aftermarket (AM) and Trading
■ Original Equipment (OE)

Emplyees by functions

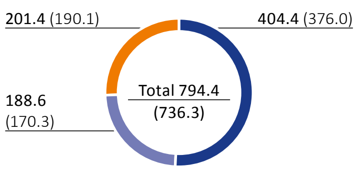
2020 (2019)



■ Production
■ Sales
■ R & D
■ Administration

Regional sales by destination

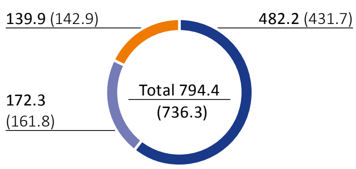
2020 (2019), in €million



■ Europe 51% (51%)
■ North America 24% (23%)
■ APA 25% (26%)

Regional sales by origin

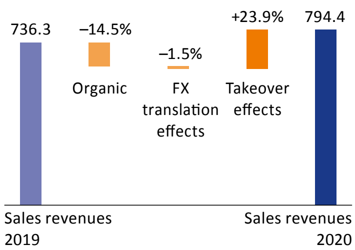
2020 (2019), in €million



■ Europe 61% (59%)
■ North America 22% (22%)
■ APA 17% (19%)

Organic sales development

2020, in €million, share in %



DRIVING GROWTH

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

JOST's global leadership position is driven by the strength of its brands, its long-standing client relationships serviced through its global distribution network as well as by its efficient and asset-light business model. With sales and production facilities in 25 countries across five continents, JOST has direct access to all major truck, trailer and agricultural tractor manufacturers worldwide as well as relevant end customers in the commercial vehicle industry.

JOST currently employs more than 3,000 staff across the world. The holding company JOST Werke AG has been listed on the Frankfurt Stock Exchange since July 20, 2017.

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JOST

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TRIDEC

8 **Steering systems**

9 **Axle suspensions**

Edbro

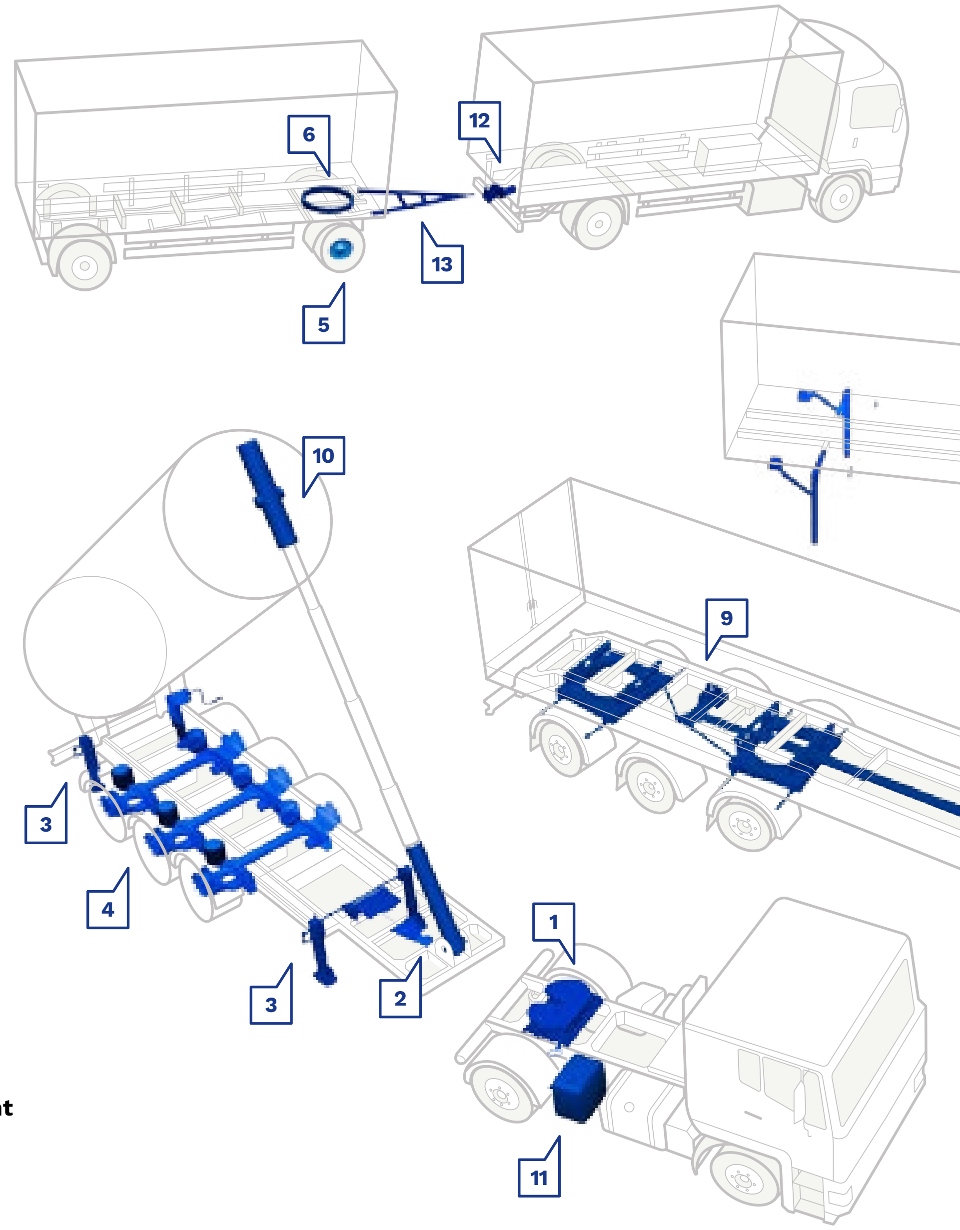
10 **Hydraulic cylinder**

11 **Hydraulic truck equipment**

ROCKINGER

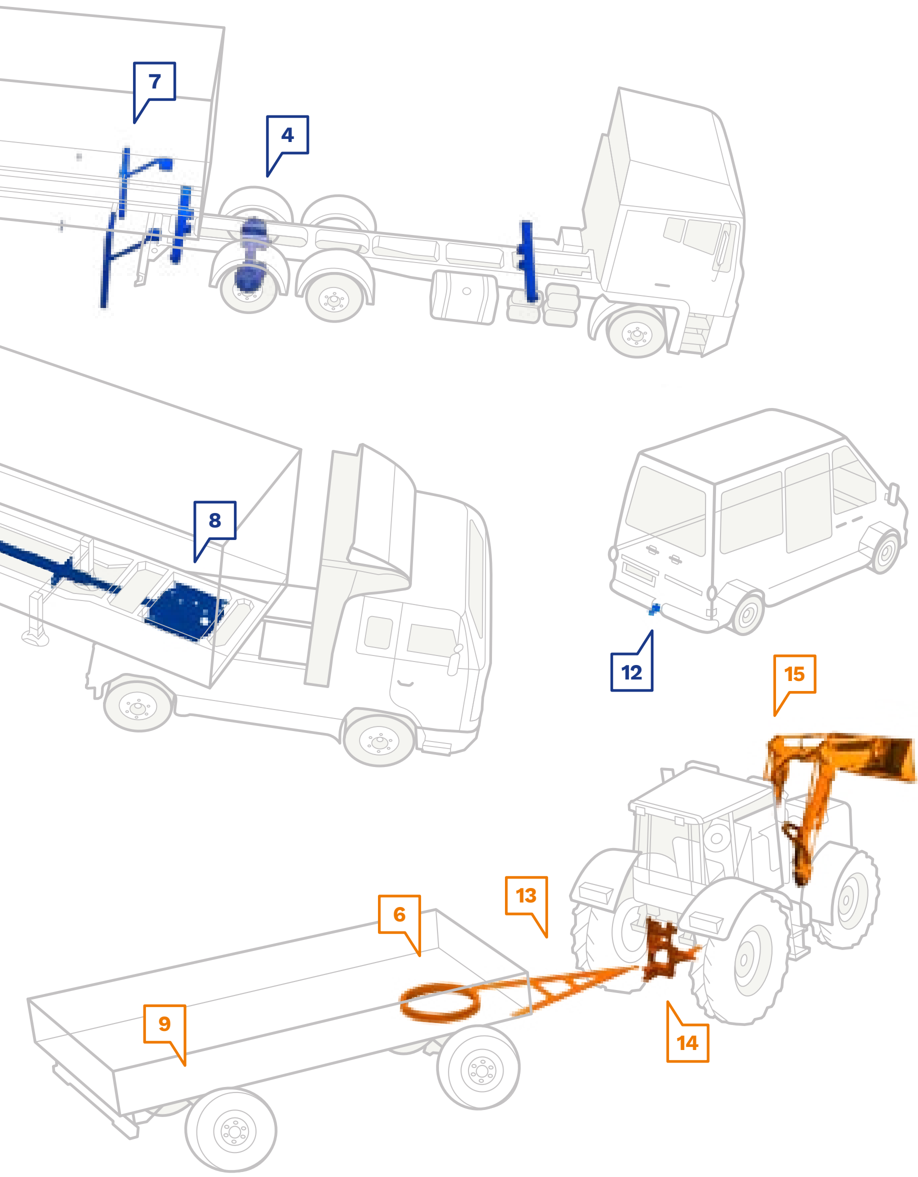
12 **Towing hitches**

13 **Drawbars and towing eyes**



STRONG BRANDS

JOST Werke AG's portfolio of strong brands comprise an extensive range of systems and components for the transport and agriculture industry.



AGRICULTURE

JOST

6 **Ball bearing turnables**

TRIDEC

9 **Axle suspensions**

ROCKINGER

14 **Hitching systems**

13 **Drawbars and towing eyes**

Quicke

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INTERVIEW

THE EXECUTIVE BOARD OF JOST WERKE AG REPORTS ON THE 2020 FISCAL YEAR AND TALKS ABOUT THE PROSPECTS FOR THE YEARS TO COME. THE INTERVIEW WAS CONDUCTED ON MARCH 10, 2021.

Joachim Dürr, Chief Executive Officer
Born in 1964, member of the Executive Board of JOST Werke AG since January 2019 and Chairman since October 2019, responsible for Sales, Strategy and Business Development, Research and Development, Human Resources, Marketing and Communication

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

Dr. Ralf Eichler, Chief Operating Officer
Born in 1964, member of the Executive Board of JOST Werke AG since July 2017, responsible for Procurement, Production, Logistics, Quality and Industrial Engineering

Mr. Dürr, 2020 was a challenging year for many companies. How happy are you with JOST's performance?

Joachim Dürr: 2020 was indeed a challenging year but ultimately a successful one, so I am quite happy with our development. The COVID-19 pandemic had a huge impact on our customers, staff and the course of our business. On the upside, JOST once again demonstrated the high level of flexibility that has carried us through cyclical fluctuations in the past and generated solid results. We also took important strategic decisions that will lead to profitable growth in the future.

Amid this difficult environment, we quickly took the necessary action, consistently served our customers and got important product innovations ready for the market. We also successfully integrated the Ålö Group we acquired in February 2020 – in spite of travel restrictions. We lifted sales by 7.9% in 2020 to €794m, achieving an adjusted EBIT margin of 9.2%. At all JOST sites, our staff and the management team did a terrific job, for which I would like to express my thanks and appreciation.

"2020 WAS A CHALLENGING YEAR BUT ULTIMATELY A SUCCESSFUL ONE, SO I AM QUITE HAPPY WITH OUR DEVELOPMENT."

JOACHIM DÜRR

Dr. Terlinde, how do you rate JOST's financial development in 2020?

Dr. Christian Terlinde: The acquisition of Ålö in early 2020 was the biggest acquisition JOST has ever made. We financed the purchase amounting to €245m with debt, which increased our leverage ratio to 2.84x at the beginning of the year. Our strong cash generation and disciplined working capital management enabled us to bring down the leverage ratio to below 2.0x in less than a year. The free cash flow rose by 63% to €98.1m. We continuously reinforced our financial position in spite of the pandemic and have enough latitude to take advantage of new opportunities for growth.

Our shareholders supported JOST by waiving their entitlement to a dividend during the coronavirus pandemic. We now want them to share in JOST's success, so we are going to propose to the Annual General Meeting that a dividend of €1.00 per share be paid for fiscal year 2020, giving a payout ratio of 77%, which is well above our target payout corridor. This is our way of saying thank you for the trust they have placed in us.

Dr. Eichler, the pandemic posed huge challenges on the production and supply chain side. How did JOST cope with these?

Dr. Ralf Eichler: Flexibility was the key. I have never experienced market volatility to the degree we saw last year. We went from a complete plant closure in Wuhan, China, in the first quarter of 2020 to record production volumes at the same plant two months afterwards. A similar picture could be observed in other regions some time later. The biggest challenge here was to quickly adapt cost structures and processes and prepare the organization for the abrupt market fluctuations in the different regions.

This meant that we had to change our internal work processes worldwide to protect the health of our employees during the pandemic, especially in production, where working from home is impossible. The number of infections in the workforce around the globe was minimal, which is a reflection of disciplined adherence to the protective measures devised.

The lockdowns and travel restrictions also put enormous strain on the entire supply chain. Thanks in part to our multi-sourcing strategy, we were able to change suppliers and, if necessary, implement alternative transport routes to secure the supply of parts to the plants. I am proud of what we achieved. It was a challenging year, but we coped with very well by all pulling together.

“THE BIGGEST CHALLENGE HERE WAS TO QUICKLY ADAPT COST STRUCTURES AND PROCESSES.”

DR. RALF EICHLER

As a result of the acquisition of Ålö, the agricultural sector has now gained more importance for JOST. Which goals is JOST pursuing here?

Joachim Dürr: For a long time we had been looking for a suitable target that is a good fit with JOST’s sales strategy and has deep market penetration based on strong brands. Ålö, with its established Quicke brand and successful product portfolio, came along at the right time. The pandemic did not affect the agricultural market to the same extent as other industries, so Ålö greatly helped us stabilize our sales and earnings from the get-go.

Despite the pandemic-related constraints, the integration teams worked well together, successfully integrating processes and identifying even more synergies. Now the focus is on launching Quicke products in new markets. JOST has strong sales and distribution operations in China, India and Brazil, three major agricultural markets where Quicke is not yet particularly active on the sales side. I see significant opportunities for growth in these countries, which we will proactively tap into going forward.

What are your expectations for 2021? Which areas will you be focusing on?

Joachim Dürr: Growth, innovation, and sustainability. JOST will lift its sales by a low double-digit percentage rate year-on-year in 2021. We will develop new agricultural markets and take advantage of the cyclical recovery of the transport market to bring out new products and expand our market share.

We got important innovations ready for the market in 2020: the automatic coupling system (KKS) for semi-trailers, the Drawbar Finder for trucks, and the Quicke Control system for agricultural front loaders. These were important milestones on the way to increasing intelligence and automation in commercial vehicles, which will attract new customers to JOST.

Our products are designed to help our customers become more efficient and also more sustainable. As JOST, we will make our own contribution to greater sustainability. We have set ourselves the goal of cutting our global carbon emissions per production hour by 50% before 2030. This will enable us to further improve the environmental footprint of the commercial vehicle industry within our area of application. Together with our customers we are working to achieve climate neutrality.

Dr. Ralf Eichler: We also have many plans in the areas of operations and supply chain. Rising material and logistics prices pose fresh challenges for us, but we will still see adjusted EBIT increase at a faster rate than sales in 2021 with a better adjusted EBIT margin than in the year before.

We intend to establish new production plants in Asia and Brazil to push JOST's agricultural business there. Proximity to customers and our local-for-local strategy are key success factors that will accelerate our growth in the agricultural market. The asset-light nature of our production will enable us to keep capital expenditure at around 2.5% of sales in 2021.

“WE HAVE SET OURSELVES THE GOAL OF CUTTING OUR GLOBAL CARBON EMISSIONS PER PRODUCTION HOUR BY 50% BEFORE 2030.”

JOACHIM DÜRR

Dr. Christian Terlinde: On the financial side we will systematically lower our debt level in 2021 and further reduce the leverage ratio, which is currently below 2.0x, over the course of the year. The aim here is to prepare JOST financially for further growth. We will also work on further structural improvements in working capital, though it will probably be higher than in 2020, because the targeted growth needs to be prefinanced. However, we are sticking to our goal of keeping working capital below 20% of sales. Furthermore, it is particularly important to improve our administrative processes, many of which need to be digitized.

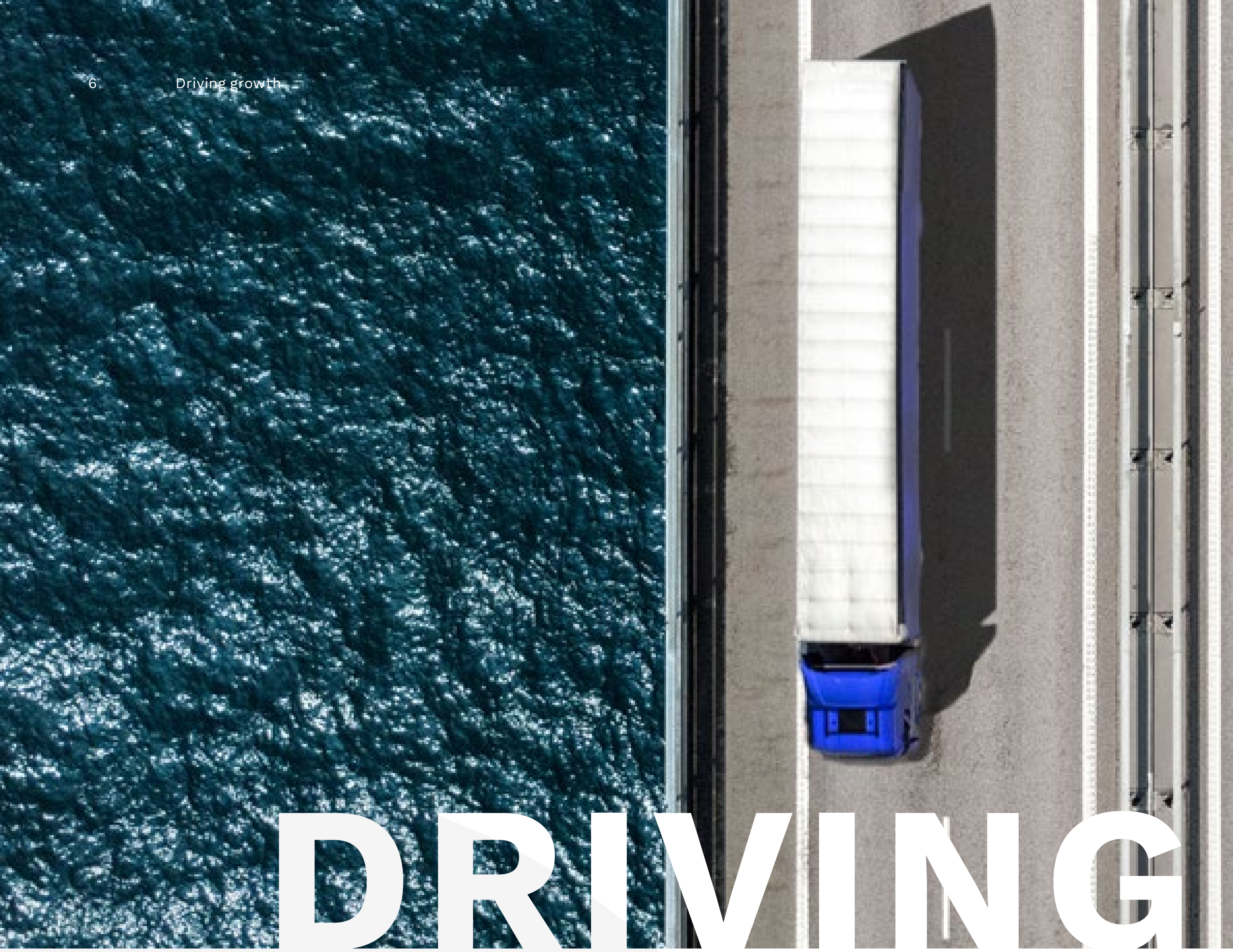
“THE AIM HERE IS TO PREPARE JOST FINANCIALLY PREPARED FOR FURTHER GROWTH.”

DR. CHRISTIAN TERLINDE

Final question, Mr. Dürr: What can you take away from the past year for JOST?

Joachim Dürr: Our strategy and business model have withstood the rigorous test of the pandemic, and our employees have delivered outstanding performance. Proximity to our customers and end users is crucial for anticipating the changing needs of our industry. Flexibility and adaptability are part of JOST's DNA. This has enabled us not only to weather market fluctuations, but also to identify and take advantage of new opportunities. We operate in industries that are essential for humankind and have considerable potential for growth.

I firmly believe that JOST has set the right strategic course for future growth. Curiosity, innovation and boldness are critical success factors in order to move with the times. This is vital to anticipate developments and offer our customers the right solutions at any given time. The future is now! I look forward to the new challenges and opportunities it brings.



DRIVING

YOU WILL FIND US EVERYWHERE OUR CUSTOMERS NEED US – AS WELL AS IN PLACES WHERE WE KNOW THEY WILL NEED US TOMORROW – ON OR OFF THE ROAD.

AS AN INNOVATION DRIVER, WE CONTINUE TO DEVELOP IDEAS THAT WILL SHAPE MOBILITY AND EFFICIENCY IN THE FUTURE.

The future is now

JOST equips the fleets and farmers of this world and prepares them for future challenges. We recognize future trends and offer systems and solutions for many on- and off-road applications. The sensor technologies and digital features built into our products enable our customers to stay abreast of developments in the digital age. But that is still not enough: we want to continue pushing forward with technological innovations that not only improve efficiency but also enhance safety and usability. We want to help shape the future of logistics and agriculture!

Megatrends such as urbanization, e-commerce and digitalization offer significant opportunities for the transport sector. Agriculture is also undergoing some fundamental changes. New, sustainable supply and logistics models will have to be developed and this

GROWTH

demands innovation and cooperation along the entire value chain. JOST is right at the forefront of innovation. Working closely with our customers and end users, we are carrying out research and development to find new, intelligent system solutions that will deliver efficiency, usability and safety gains to both the transport and agricultural sectors.

The future is sustainable

Our innovations are designed to help our customers work more sustainably and to continuously improve the environmental and social impact of their business. Greater user safety, reduced resource use, lower emissions, higher efficiency – these are the priorities that JOST has set for its products and production facilities.

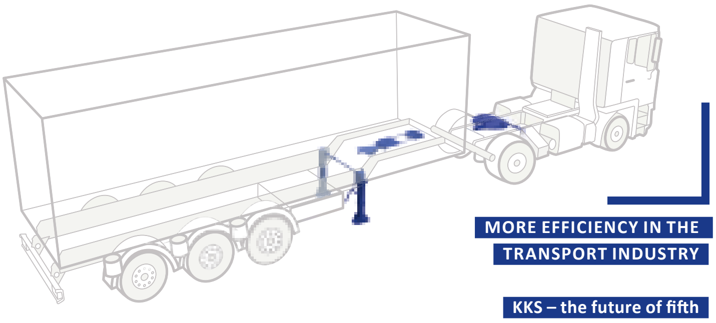
In fiscal year 2020, JOST (excluding Ålö) reduced its carbon emissions by –5.8% to 5.6kg CO_2 per production hour year-on-year. This represents a reduction of –37.0% compared with 2017, the first year in which JOST calculated its carbon emissions per production hour (2017: 8.9kg CO_2 per production hour).

The acquisition of the Ålö Group in February 2020 has changed our carbon footprint. Taking the figures for Ålö into account, our total carbon emissions in 2020 amounted to 6.9kg CO_2 per production hour. We accept this new challenge and take it as basis for the future: JOST intends to cut its group-wide carbon emissions per production hour to half their 2020 level by 2030.

The future starts today!
Join us on our journey.

FUTU IS

JOST IS REVOLUTIONIZING THE FIFTH WHEEL COUPLING PROCESS. THE KKS AUTOMATIC COUPLING SYSTEM IS THE FUTURE OF LOGISTICS.



MORE EFFICIENCY IN THE TRANSPORT INDUSTRY

KKS – the future of fifth wheel couplings – leading the field in efficiency, safety and ergonomics.

Swapping trailers at the touch of a button

Coupling and decoupling trailers is still time-consuming, costly and not without risk. Drivers have to pay attention to many details that take time and pose a risk to health and safety. With KKS, JOST now offers a uniquely smart integrated system that allows the driver to carry out the coupling and decoupling process quickly, automatically and safely by remote control from the cabin.

Greater efficiency with KKS

Using KKS can cut the time it takes to change a trailer by up to 50 percent, as there is no longer any need to manually crank the landing gear, connect the supply lines or open the fifth wheel coupling. As a result, KKS significantly reduces the total cost of every trip! KKS is ideal for transport companies operating short routes with frequent trailer changes – such as internal-works-traffic, for example – as the time savings offer tangible economic benefits.

The transportation of safety-sensitive cargoes such as hazardous materials is another application, as the sensor monitoring provides a high level of safety against trailer loss and improper coupling. KKS is also an ideal solution for companies that need to transport goods from the factory to logistics centers. The remotely controlled operation and monitoring of KKS almost entirely eliminates mistakes and damage during the coupling process.

Safe, ergonomic, KKS

KKS relieves drivers of the physically demanding work of coupling and decoupling trailers, allows trailer changeovers in all weathers and at any time of day, and greatly reduces the stress placed on the driver. Because the coupling process is automatic, the driver doesn't have to get in and out of the cabin so frequently – and not having to clamber onto the catwalk significantly reduces the potential for injury. The many benefits of KKS also offer operators a solution to demographic change and the skills shortage by making it possible for them to choose from a wider driver group of male and female drivers.

More information at
www.kks-futurenow.com/en.

WORK SMARTER

IN KEEPING WITH THE QUICKE PHILOSOPHY OF "WORK SMARTER, NOT HARDER", FRONT LOADERS, IMPLEMENTS AND INTELLIGENT CONTROL SYSTEMS HELP CUSTOMERS HARVEST EVEN MORE PRODUCTIVELY & MORE EFFICIENTLY.

Partner of choice for agricultural customers

The innovative Quicke Control System (QCS), launched in 2020, sets new standards for precise, intelligent and efficient loader control. Based on 70 years of experience in this market and backed by extensive global testing with farmers, the QCS offers a comprehensive range of controllers with an emphasis on robustness, performance and ease of use. From the simple Q^M-Command mechanical loader controller to the ergonomic, all-in-one Q^E-Command, we have a solution to suit every customer's application requirements.

Robust controllers for smart farming

With the Q^E-Command – the new electronic joystick – farmers can now operate all loader control functions using just their thumb. The innovative joystick ergonomics allow long working hours with minimal physical exertion. The Q^E-Command offers unmatched control precision thanks to its digital valves with built-in energy recovery and load compensation systems. Users can now concentrate on the task at hand rather than on the controls.

THE Q-COMPANION

The driver assistance system gives farmers full control: weighing function, status display and maintenance display support them in their daily work.

THE Q^{E}-COMMAND

Leading efficiency for daily loading work: The joystick has been developed according to the latest ergonomic principles based on extensive testing with farmers worldwide.

Simplicity and functionality

The combination of Q^{E}-Command and Q-Companion – a driver assistance system that weighs the load during the lifting process – extends and automates the functionality of the loader control system and gives the user complete control of user settings and the instructions on the display. Workflows can also be pre-programmed for each unit and task. Quicke’s 1 + 1 = 3 synergy is an example of how two perfectly matched product innovations can be combined to make work even easier and more efficient.

TO OUR SHAREHOLDERS

EQUITY MARKETS AND SHARE PRICE PERFORMANCE

2020 was an extremely volatile year for the capital markets. The outbreak of the coronavirus pandemic in China in January 2020 and the rapid spread of the virus around the world unsettled investors and triggered significant market upheavals.

The DAX reached a five-year low of 8,442 points in March 2020. However, the capital markets recovered over the course of the year, boosted by the introduction of monetary and fiscal policy measures. As a result, the DAX closed the final trading day of the year at 13,719 points – a gain of 2.5% compared to the year's opening price. Equities in the automotive sector recorded a similar performance, with the STOXX EU 600 Auto & Parts index ending 2020 up 2.6%. The SDAX, where the shares of JOST Werke AG are listed, recovered considerably faster to finish 2020 with a gain of 16.8%.

JOST Werke's shares were also subjected to major price fluctuations during the 2020 fiscal year, reaching a low of €19.56 on March 27, 2020. The market recovery, combined with strong operating results, convinced investors of the resilience and flexibility of JOST's business model. The group's shares ended the 2020 fiscal year up 15.4% and were quoted at €42.50 on the last trading day, reaching their annual high of €44.30 on December 23, 2020.

JOST was able to further strengthen its trading liquidity, increasing the average daily trading volume of its shares on XETRA by 10.5% to 39,683 shares (2019: 35,926). At 61%, off-market exchanges (OTC and so-called darkpools) still accounted for the majority of the total trading volume, while around 39% of traded shares were placed via XETRA and other stock exchanges.

Capital structure

The share capital of JOST Werke AG did not change in the course of 2020. At the reporting date, it amounted to €14,900,000.00, divided into 14,900,000 no-par-value bearer shares (December 31, 2019: €14,900,000.00). The nominal value per share is €1.00.

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, 2020	14,900,000
Stock exchanges	Frankfurt Stock Exchange, XETRA
Trading segment	Regulated market (Prime Standard)
Sector	Industrial
Industry	Automotive supplier, industry

2020 dividend

On July 1, 2020, the Annual General Meeting of JOST Werke AG adopted a resolution with a majority of 99.99% not to pay a dividend for the 2019 fiscal year. This waiver by the shareholders gave JOST the financial leeway to act flexibly during the crisis. The recovery of the transport markets at the end of the year and the acquisition of the Ålö Group in February 2020 enabled JOST to post earnings after taxes of €19.3m (2019: €33.5m).

The Executive Board and the Supervisory Board would like to thank the shareholders for their support during the crisis. The Executive Board and the Supervisory Board will therefore propose to the Annual General Meeting a dividend of €1.00 per share for the 2020 fiscal year (2019: €0). This represents a total dividend payout of €14.9m and a payout ratio of 77.2% (2019: 0%). The dividend payment would then, on a single occasion, clearly exceed the envisaged long-term distribution range of between 35% and 50% of consolidated profit. Based on the proposal for 2020 and calculated using the year-end closing price, the dividend yield amounts to 2.3%.

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.

Key figures for the JOST Werke share

		2020	2019
Equity per share	€	17.8	17.7
Adjusted consolidated earnings per share[1]	€	3.18	3.41
Consolidated earnings per share	€	1.29	2.25
Dividend per share[2]	€	1.00	0
Number of shares entitled to participate in dividends (Dec. 31)	million	14.9	14.9
Amount distributed	€ million	14.9	0
Dividend yield[3]	%	2.3	0
Share price at year-end[3]	€	43.10	37.30
High	€	44.30	39.60
Low	€	19.56	23.55
Market capitalization[3] (Dec. 31)	€ million	642.2	555.8
Average daily trading volume	shares	39,683	35,926

1 For a detailed presentation of the adjustments made, see note 8 “Exceptionals” in the consolidated financial statements.
2 Subject to approval by the General Meeting
3 XETRA closing price; source: Bloomberg

Shareholder structure

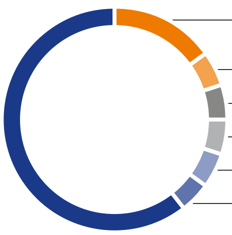
Our shares are primarily held by institutional investors such as funds, asset management companies and banks. According to Deutsche Börse’s definition, 95% of the JOST Werke AG shares are held in free float.

As of December 31, 2020, Allianz Global Investors GmbH was the largest shareholder of JOST Werke AG, holding 15.1% of the shares carrying voting rights. The six largest investors hold a combined total of around 40% of the share capital. More information on voting rights notifications pursuant to the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG) is available at → **http://ir.jost-world.com/voting-rights-notification**.

As of the reporting date, the members of the Executive Board held less than 1% of the company’s share capital. All transactions with JOST Werke AG shares or related financial instruments reported by the Executive Board and Supervisory Board in 2020 can be found at → **http://ir.jost-world.com/directors-dealings**.

The company’s Executive Board is not aware of agreements affecting the transfer of voting rights or shares of JOST Werke AG.

Shareholder structure of JOST Werke AG
As of December 31, 2020



General Meeting

On July 1, 2020, JOST Werke AG held its first virtual Annual General Meeting. The shareholder meeting originally scheduled for May 7, 2020, could not take place due to restrictions associated with the coronavirus pandemic. The virtual Annual General Meeting was broadcast to all registered shareholders of JOST Werke AG via the company’s website. Shareholders had the opportunity to submit their questions in advance and were able to exercise or transfer their voting rights online.

Overall, 73.93% of the company’s share capital was represented at the Annual General Meeting. Shareholders approved management’s proposal not to distribute a dividend for the 2019 fiscal year with a 99.99% majority. The Executive Board and Supervisory Board were both discharged of their responsibilities for the 2019 fiscal year. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, was appointed as the auditor of the annual and consolidated financial statements for the 2020 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 significantly stepped up our dialog with the capital markets during the 2020 fiscal year in order to keep investors up to date with the rapid changes in the market in a timely and transparent way. From March 2020 onwards, we used virtual formats to participate in roadshows and investor conferences. Overall, JOST attended 11 investor conferences and carried out ten roadshows during the 2020 fiscal year. We also continued our regular dialog with the capital markets by holding numerous individual meetings with institutional investors, private shareholders and analysts. There were hardly any field trips and production facility visits due to the pandemic.

Our discussions with the capital markets focused on expected market developments, the impact of the pandemic on the operating business and liquidity, and the integration of the recently acquired Ålö Group. The focus shifted in the second half of 2020, when investors were more interested in JOST’s growth prospects in the transport and agricultural sectors and the company’s future strategy in the agricultural business in particular.

Nine analysts monitored our stock during the 2020 fiscal year. As of the end of 2020, six issued a Buy recommendation, three recommended holding JOST’s shares.

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 the 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 2020 fiscal year was an unexpectedly challenging year for us all. JOST was also significantly impacted by the negative consequences of the coronavirus pandemic across its entire global business. Nevertheless, JOST demonstrated the considerable flexibility and resilience of its business model despite massive restrictions in all of its markets and ultimately generated robust results in a highly uncertain and volatile environment.

At this point – and on behalf of the entire Supervisory Board – I would like to express my thanks and appreciation to JOST's employees and Executive Board for their remarkable hard work and commitment under these challenging circumstances.

Thanks to a sound and effective crisis management, JOST managed to limit the negative impact of the crisis and consistently operate profitably from the very start of the pandemic. The acquisition of the Ålö Group completed at the end of January 2020 also contributed directly to the stabilization of the business and partially compensated for major fluctuations in demand in the transport market. During the second half of the year, JOST rapidly ramped up its production capacity amid rising demand and profited from recovering markets. As a result, JOST ended the 2020 fiscal year with an increase in sales compared to the previous year – driven by the Ålö Group – and the prospect of further strong growth in the future.

Composition of the supervisory board and its committees

The Supervisory Board of JOST Werke AG has been composed of six members since it was established in 2017: Prof. Dr. Bernd Gottschalk, Natalie Hayday, Rolf Lutz, Jürgen Schaubel, Klaus Sulzbach and myself, Manfred Wennemer. The term of office of the Supervisory Board members ends at the conclusion of the ordinary Annual General Meeting in 2022. Prof. Dr. Bernd Gottschalk was elected Deputy Chairman of the Supervisory Board and I was elected Chairman. There were no personnel changes in fiscal year 2020. No conflicts of interest occurred in the entire 2020 fiscal year.

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 2020 fiscal year

In the past fiscal year, the Supervisory Board supported the Executive Board in its management of the company in a process of intensive dialogue and by providing advice. In addition to monitoring activities, our work in the 2020 fiscal year primarily focused on overcoming the unusual challenges posed by the pandemic, advising the Executive Board on crisis management and, at the same time, driving forward the long-term strategic orientation of JOST Werke AG.

In doing so, the Supervisory Board was consistently satisfied with the legality, correctness, appropriateness and economic efficiency of the company's management activities. The Executive Board involved the Supervisory Board in all fundamentally important decisions and provided it with all the information required to fulfill its tasks properly and in a timely manner. The Supervisory Board was informed regularly and comprehensively of the committees' work by the respective committee Chairmen. The Executive 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 Executive Board to discuss the current business situation.

Risk exposure, corporate strategy, business development, planning, human resources policies, the implementation of the sustainability strategy 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 Executive Board to the Supervisory Board.

The Supervisory Board held a total of eight meetings during the 2020 fiscal year, including five face-to-face meetings and two conference calls. One resolution was adopted by way of written circulation. Five of the six Supervisory Board members attended all meetings and resolutions, while one member was prevented from participating in one conference call for good reason. As a result, the overall attendance rate was 98%; in the face-to-face meetings this rate was 100%. Every member of the Supervisory Board attended more than half of the meetings and conference calls held by the Supervisory Board and the committees of which they are members. Specifically, the Supervisory Board primarily addressed the following issues in its meetings and conference calls:

At its two meetings on January 22 and February 4, 2020, the Supervisory Board discussed and approved the final budget for the 2020 fiscal year.

The topics regularly discussed at all other meetings during the 2020 fiscal year included dealing with the effects of the COVID-19 pandemic, including measures to protect the health of employees in order to maintain business operations and deliveries to customers, and the progress of the integration of Ålö Group, which was acquired at the start of the year. The following individual issues were also discussed:

In its meeting on March 19, 2020, the Supervisory Board primarily focused on the consolidated and single-entity financial statements for the 2019 fiscal year, which it subsequently approved and adopted, as well as the proposed dividend for the 2019 fiscal year. It also dealt in detail with the non-financial report and the group's compliance and risk management activities.

In a conference call on March 24, 2020, the Supervisory Board agreed to withdraw the group's previous guidance in light of the impact of the COVID-19 pandemic, reschedule the Annual General Meeting on May 7, 2020 to a date yet to be determined at that point, and provisionally agree to maintain the dividend proposal of €0.80 per share.

At a meeting on May 7, 2020, the Executive Board and Supervisory Board selected July 1, 2020, as the date for the virtual Annual General Meeting. They also withdrew their original joint dividend proposal given the economic developments triggered by the pandemic and agreed to propose a dividend waiver. In addition, the Executive Board and Supervisory Board discussed the corporate strategy in individual business units and a new future organizational structure that better reflects the group's growth as a result of the Ålö acquisition.

The meeting held on September 25, 2020, focused on sales planning and further discussions about the future organizational structure. The members of the Supervisory Board also agreed to address the recommendations of the new German Corporate Governance Code.

On October 27/28, 2020, the Supervisory Board passed a resolution by written circulation to end the seven-month waiver of part of their remuneration.

The primary focus of the meeting on December 2, 2020, was an in-depth discussion of the budget for the 2021 fiscal year. The Supervisory Board also addressed issues such as retendering the audit mandate for the 2021 fiscal year onwards, progress made with cost adjustment measures in view of the consequences of the COVID-19 pandemic, and the organizational structure once again.

Work of the Executive and Nomination Committee

In accordance with their duties, the members of the Executive and Nomination Committee in fiscal year 2020 dealt with personnel planning for the Executive Board and discussed this matter in one face-to-face meeting and two telephone meetings. The overall attendance rate was 100%.

The deliberations mainly concerned proposals for the long-term succession planning of the Executive Board and for the Supervisory Board's skills matrix. These proposals were presented to the entire Supervisory Board and the Executive Board at the meeting on December 2, 2020, where they were discussed and finalized. The Committee also addressed the introduction of a new remuneration system for the Executive Board that will be presented to the Annual General Meeting on May 6, 2021, and put to a vote, as well as the adjustment of Executive Board contracts to meet the requirements of the new German Corporate Governance Code.

Work of the Audit Committee

The Audit Committee held a total of 12 meetings, including four face-to-face meetings and eight conference calls. Two of the three committee members attended all meetings, while one member was prevented from attending one conference call for good reason. As a result, the overall attendance rate was 97%; in the face-to-face meetings this rate was 100%.

In keeping with its role, the Committee regularly dealt with issues relating to the preparation and audit of the financial statements, risk management, and compliance and sustainability activities.

In its conference call on February 13, 2020, the Audit Committee discussed the status of the ongoing audit of the consolidated and single-entity financial statements for the fiscal year ended on December 31, 2019, with the relevant auditors at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main ("PwC").

The meeting on March 11, 2020, primarily dealt with providing support for the audit of the annual financial statements by PwC. Furthermore, the recommendations of the Supervisory Board on the approval and adoption of the annual and consolidated financial statements of JOST Werke AG for the 2019 fiscal year and the proposal for the election of the auditor for the 2020 fiscal year were prepared. Another topic of discussion was the findings of the review of the non-financial report by SPALL & KÖLSCH GmbH Wirtschaftsprüfungsgesellschaft, Kronberg im Taunus. In addition, the Audit Committee set the priorities in the area of compliance for the 2020 fiscal year. It also dealt with the priorities of the internal audit in the 2020 fiscal year, and the working capital management, purchase-to-pay (P2P) and management reporting projects.

The conference call on May 12, 2020, was held to discuss the results for the first quarter of 2020.

At its meeting on July 6, 2020, the Audit Committee primarily dealt with the audit tender for fiscal year 2021. In addition, it addressed the topics of risk management, ESG reporting, internal audit, compliance activities, treasury, and the Purchase-to-Pay (P2P), Working Capital Management, Ålö Integration, Controlling Roadmap and Management Reporting projects.

On August 11, 2020, the half-year results for the year intended for publication were explained to the Audit Committee by phone.

The topics discussed at the telephone meeting held on September 8, 2020, were the audit tender and the Management Reporting project.

The meeting held on September 25, 2020, focused on risk management, internal audit, treasury, compliance activities and the P2P and Working Capital Management projects as well as the further establishment of a suitable controlling structure.

In its conference call on October 8, 2020, the Audit Committee discussed the upcoming audit of the consolidated and single-entity financial statements for the fiscal year ending on December 31, 2020, with the relevant auditors at PwC.

At its conference call on November 2, 2020, the Audit Committee again dealt with the audit tender.

The conference call held on November 10, 2020, focused on the results for the third quarter of 2020.

At the meeting on December 2, 2020, representatives from the four shortlisted auditing firms introduced themselves.

The Audit Committee conference call on December 9, 2020, was again dedicated to compliance activities, risk management, treasury, internal audit, the audit tender, and the P2P, Working Capital Management, Controlling Roadmap and Management Reporting projects.

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

Self-assessment of the Supervisory Board

In the 2020 fiscal year, the Supervisory Board conducted a self-assessment of its effectiveness in carrying out its tasks. It was conducted internally based on extensive questionnaires. The self-assessment focused on the composition of the Supervisory Board, the exchange of information between the Executive Board and Supervisory Board, the organization of working practices, the quality and efficiency of work within the committees, and ensuring appropriate succession planning within the group.

The results of this self-assessment were discussed at the plenary meetings and presented to the Executive Board. Recommendations for action and implementation proposals were discussed and implemented.

Independence and conflicts of interest

All six Supervisory Board members are independent as defined by the German Corporate Governance Code (GCGC). No member of the Supervisory Board has any personal or business relations with the company, the Executive Board or a controlling shareholder. 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 Executive Board firmly believe that good corporate governance is an important foundation for the company's success and act accordingly. Together with the Executive Board, the Supervisory Board closely examined the applicability of the newly introduced recommendations of the new German Corporate Governance Code (2020 GCGC) to JOST Werke AG and the JOST Werke Group in fiscal year 2020. On December 2, 2020, together with the Executive Board it issued a declaration on this in accordance with Section 161 AktG and published it on the company's website. The Executive Board and Supervisory Board declared that the company – with certain exceptions – has been in compliance with the recommendations of the GCGC as amended on December 16, 2019, and will be in compliance in the future. The full text of the declaration can be read at → **http://ir.jost-world.com/corporate-governance-statement**.

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

Composition of the Executive Board

There were no personnel changes on the Executive Board in fiscal year 2020. Responsibility for quality has been assigned to Dr. Ralf Eichler (COO). Sustainability was appointed as a Board function and has been assigned to Dr. Christian Terlinde (CFO).

Review of the non-financial report

The Supervisory Board unanimously appointed SPALL & KÖLSCH GmbH Wirtschaftsprüfungsgesellschaft, Kronberg im Taunus, to provide a limited assurance opinion on the non-financial report for the fiscal year ending on December 31, 2020. The non-financial report for the first time was drafted in line with the requirements of the Global Reporting Initiative (GRI) and 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 Executive Board and SPALL & Kölsch GmbH at the Audit Committee meeting on March 11, 2021, and the Supervisory Board meeting on March 18, 2021. SPALL & KÖLSCH GmbH reported in detail about the subject matter, process and key findings of the audit and was available for additional questions and information.

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

Audit of the annual and consolidated financial statements

Based on a resolution adopted by the General Meeting on July 1, 2020, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main (PwC) was appointed as the auditor of the financial statements of JOST Werke AG for the fiscal year ending on December 31, 2020. This appointment also includes the appointment as auditor of the consolidated financial statements for the fiscal year ending on December 31, 2020. The auditor responsible for the audit is Stefan Hartwig. This is the fourth year he has held this position.

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

The annual financial statements, consolidated financial statements and combined management report as well as the auditor's reports issued by the auditor were made available to all members of the Supervisory Board. All documents were discussed in detail at the Audit Committee meeting on March 11, 2021, and the Supervisory Board meeting on March 18, 2021. 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 18, 2021, the Supervisory Board subsequently approved the annual financial statements prepared by the Executive Board and the consolidated financial statements of JOST Werke AG for the 2020 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 Executive Board regarding the appropriation of net retained profit and the distribution of €1.00 per share.

We would like to thank the members of the Executive Board and all employees of JOST for their hard work and commitment during the past fiscal year. This performance enabled us to make 2020 another successful fiscal year despite the negative effects of the pandemic. I wish the company and the members of the Executive Board continued success in the current 2021 fiscal year and look forward to a trust-based and constructive collaboration.

Neu-Isenburg, March 18, 2021

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
Appointed until: Annual General Meeting 2022
Year of birth: 1947
Place of birth: Ottmarsbocholt, Germany

Nationality: German

Current seats in Supervisory Board / control committees besides JOST Werke AG:
- Member of the advisory council of Brückner Technology Holding GmbH, Siegsdorf, Germany
- Chairman of the board of TI Fluid Systems plc, UK
- Member of the Board, ACPS Automotive GmbH, Ingersheim, Germany

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

Occupation: Managing Director, Autovalue GmbH, Frankfurt, Germany
Initial appointment: June 23, 2017
Appointed until: Annual General Meeting 2022
Year of birth: 1943
Place of birth: Lübeck, Germany

Nationality: German

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 Benteler International AG, Salzburg, Austria
- Member of the Supervisory Board of Plastic Omnium S.A., Paris, France

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

Occupation: Diplom-Ingenieur, retired
Initial appointment: June 23, 2017
Appointed until: Annual General Meeting 2022
Year of birth: 1952
Place of birth: Tübingen, Germany

Nationality: German

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
Appointed until: Annual General Meeting 2022
Year of birth: 1963
Place of birth: Bönningheim-Ludwigsburg, Germany
Nationality: German

Current seats in Supervisory Board / control committees besides JOST Werke AG:

- Chairman of the audit committee, Optimum Maritime Holding, Limassol, Zypern
- Member of the board of directors, MFD Rail Holding AG, Cham, Schweiz

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

Occupation: Managing Director at 7Square GmbH, Frankfurt

Initial appointment: June 23, 2017
Appointed until: Annual General Meeting 2022
Year of birth: 1976
Place of birth: Guildford, United Kingdom
Nationality: British

Current seats in Supervisory Board / control committees besides JOST Werke AG:

- none

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

Occupation: Auditor/Consultant

Initial appointment: June 23, 2017
Appointed until: Annual General Meeting 2022
Year of birth: 1959
Place of birth: Saarbrücken, Germany
Nationality: German

Current seats in Supervisory Board / control committees besides JOST Werke AG:

- none

SUSTAINABILITY

Corporate social responsibility is a prerequisite for achieving sustained commercial success in the international market. Maintaining a link between economic value creation on the one hand and ecological and social responsibility on the other is therefore vital.

We aim to ensure that all of our business units conduct themselves responsibly and sustainably. By doing so, they contribute to JOST's long-term success and help to increase the value of the company.

JOST has reported on the topic of sustainability since its IPO in the summer of 2017. For the first time in the 2020 fiscal year we issued a separate report, in compliance with the standards of the Global Reporting Initiative (GRI). The report was reviewed by Spall & Kölsch GmbH Wirtschaftsprüfungsgesellschaft. The complete sustainability report, including the independent auditor's limited assurance report, is available at → **https://www.jost-world.com/responsibility**.

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. Resource efficiency is an important objective of our corporate strategy. We are striving to use our resources efficiently and effectively at all times in order to not only generate an above-average margin but also continue reducing the ecological footprint of our production activities. The general goal of our climate and environmental responsibilities is to continually improve our environmental performance indicators.

Towards climate neutrality
(in kg CO_2eq / production hour, including Ålö Group)

Target: JOST aims to reduce group-wide Scope 1 and Scope 2 carbon emissions per production hour by 50% by 2030 compared to 2020.

The absolute reduction in energy consumption for electricity, natural gas and district heating in 2020 is due mainly to the COVID pandemic. Government lockdowns aimed at combatting the pandemic led to the temporary closure of our production plants in several countries, including China, India, South Africa and Brazil. We also significantly decreased our production utilization rate in Europe and North America, especially in the second and third quarter of 2020, as the pandemic led to a reduction in demand in these regions. → **Annual Report 2020/Course of business in 2020.**

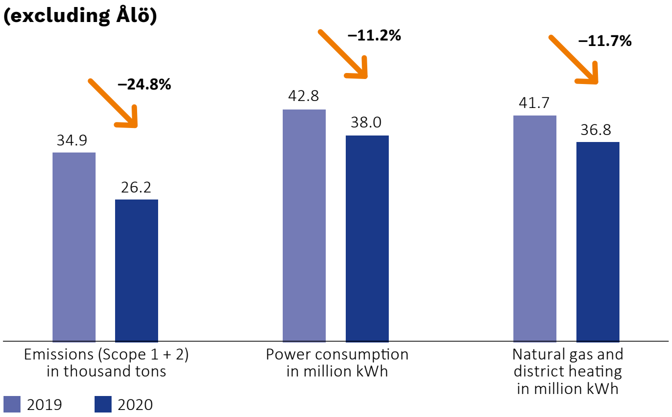
Indicator	Unit	2019	2020	Change vs. previous year
Electricity consumption				
JOST (excl. Ålö Group)	million kWh	42.8	38.0	–11.2%
JOST (incl. Ålö Group[*])	million kWh	-	50.1	-
Electricity consumption intensity				
JOST (excl. Ålö Group)	kWh/prod. hr.	7.4	8.2	11.4%
JOST (incl. Ålö Group[*])	kWh/prod. hr.	-	9.5	-
Natural gas and district heating				
JOST (excl. Ålö Group)	million kWh	41.7	36.8	–11.7%
JOST (incl. Ålö Group[*])	million kWh	-	47.8	-
Natural gas and district heating intensity				
JOST (excl. Ålö Group)	kWh/prod. hr.	7.2	7.9	10.7%
JOST (incl. Ålö Group[*])	kWh/prod. hr.	-	9.1	-
CO_2eq emissions absolute (Scope 1+2)				
JOST (excl. Ålö Group)	t CO_2eq	34,908.8	26,242.3	–24.8%
JOST (incl. Ålö Group[*])	t CO_2eq	-	36,249.1	-
CO_2eq emissions intensity (Scope 1+2)				
JOST (excl. Ålö Group)	kg CO_2eq/prod. hr.	6.0	5.7	–5.8%
JOST (incl. Ålö Group[*])	kg CO_2eq/prod. hr.	-	6.9	-

[*] There are no prior-year figures for the Ålö Group acquired in the 2020 fiscal year. The amounts for fiscal year 2020 only take into account three of the four Ålö Group sites. Since the US site was relocated from Telford/Tennessee to Simpsonville/South Carolina in fiscal year 2020, it was not possible to determine the relevant data. They will be collected as of the fiscal year 2021.

Reduced energy consumption is not the only reason for the sharp year-over-year reduction in carbon emissions. Three of our production plants have switched to 100% renewable electricity, allowing us to significantly increase the share of renewable energies in our electricity mix in 2020. This represents 6.8% of JOST's total electricity consumption excluding the Ålö Group. Other plants have also increased the share of renewable energy sources in their purchased electricity. This has improved the group's carbon footprint and is an important reason why we were able to reduce carbon emissions in the 2020 fiscal year by –24.8%, which is significantly greater than the reduction in the consumption of electricity (–11.2%) or natural gas and district heating (–11.7%).

The intensity ratios for electricity and natural gas (per production hour in each case) have deteriorated compared with the previous year, as vital installations such as the cathodic dip coating (CDC) facility must keep its basic processes running even during a plant closure. This is why it was not possible to achieve a reduction in energy consumption commensurate with the reduced number of production hours. The –5.8% improvement in carbon emission intensity to 5.7 kg CO_2 eq. per production hour (2019: 6.0) is due to the improved electricity mix and greater use of renewable energy. Further details about these developments and other ecological indicators such as water and waste can be found in the 2020 Sustainability Report.

Development of key environmental performance indicators (excluding Ålö)



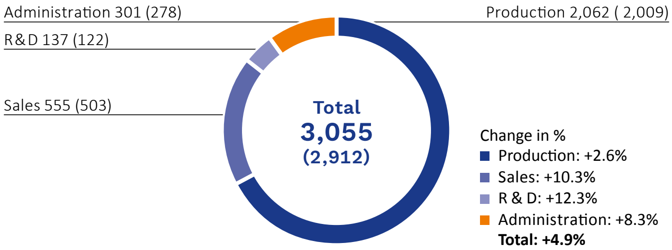
EMPLOYEES

The year 2020 presented us with some challenges that we had never had to deal with before. As a globally-based company active in many countries, all of our employees have been affected by the coronavirus pandemic. JOST experienced the full force of the pandemic from the very beginning. Our largest production plant in Asia is located directly in Wuhan in China, where the coronavirus was first reported in January 2020. Due to the lockdown measures imposed, our plant was completely closed for seven weeks. We were unable to restart production until mid-March. In the months that followed, our plants in other countries in the Asia, Pacific, Africa, Europe, North and South America regions were also affected by partial or complete closures. Our customers were also forced to close some of their plants, with the result that demand for our products fell drastically in the first half of 2020. → **Annual Report 2020 / Macroeconomic and sector-specific environment**

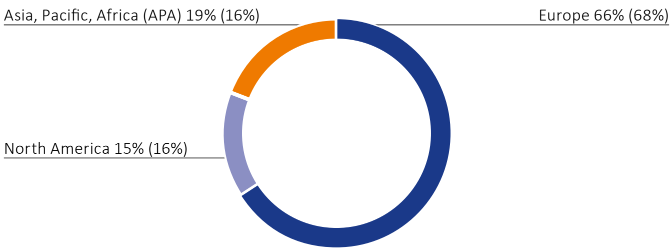
In this very unusual year, we had to completely rethink our workforce strategies. Most importantly, we strengthened the health policies and protections for all our employees. As a manufacturing company, the option of working from home is only available to a small proportion of our employees. So we had to take strong protective measures to keep our production workers safe. The main objective was to maintain the health of all our workers and to guide them safely through the pandemic, while at the same time keeping the business running.

On a more positive note, the staff turnover rate across the group, at 11.3%, was better than in the previous year (previous year: 14.4%). This figure represents the percentage of the total group workforce who left of their own volition during the year under review. The improvement shows a further strengthening of our employees' already high level of loyalty to JOST.

Average number of employees by function 2020 (2019)



Breakdown of employees by region as of December 31, 2020 (December 31, 2019)



In the 2020 fiscal year, we employed an average of 3,055 employees worldwide – a year-over-year increase of 4.9% (2019: 2,912). The increase is due to the acquisition of Ålö effective February 1, 2020, which saw all employees being taken over by JOST.

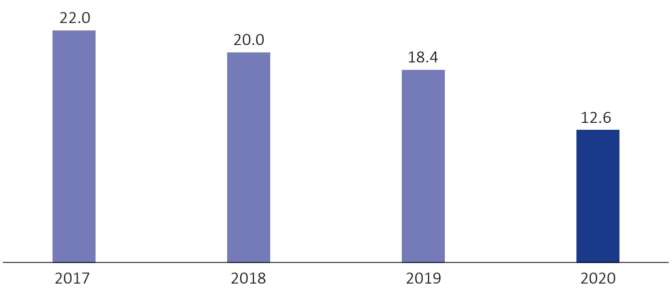
Despite the pandemic, a new group of commercial and technical trainees joined us during the 2020 fiscal year. This brought the total number of apprentices to 13, including 9 industrial business management assistants, 3 warehouse logistics specialists and one IT system integration specialist at the Neu-Isenburg plant. We continue to pursue the goal of eventually offering our commercial and industrial apprentices permanent jobs upon completion of their training. All of the three apprentices who completed their training in 2020 were then employed by the group (2019: 75%)

Occupational health and safety

Health and safety has been and remains a top priority for JOST. As a result of the pandemic, keeping our employees safe became an even more pressing concern in the 2020 fiscal year, and we had to alter our working conditions to accommodate the changes to day-to-day life. We made it easier for staff to work from home whenever possible, for example, and introduced a new software program to improve the virtual working environment. We modified the shift systems in productions to comply with social distancing rules and introduced numerous hygiene measures to help keep our employees safe.

Despite the disruption caused by the pandemic, the prevention of workplace accidents remained an important issue. Regular information, instruction, training and professional development 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.

Workplace accidents per 1,000 employees / per year (excluding Ålö))



We record and evaluate work-related accident figures at regular intervals. In the 2020 reporting year, the group-wide rate of accidents per 1,000 employees again improved to 12.6 (2019: 18.4). This calculation comprises all employees, including leased staff. Our aim is to continually reduce the number of accidents at work.

Our aim is to continually reduce the number of accidents at work. Only the accidents of JOST companies excluding the Ålö Group were taken into account in this key figure in the 2020 fiscal year. The plan for the next fiscal year is to include Ålö in the accident rate.

COMPLIANCE

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

JOST is committed to respecting human rights in accordance with the United Nations Universal Declaration of Human Rights, the labor standards of the International Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises, as well as the UN Convention on the Rights of the Child. JOST's internal Code of Conduct, the legal requirements it contains, and our voluntarily adopted ethical principles are a fundamental part of our compliance management system.

Prevention of corruption

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

JOST's share of consolidated sales generated in countries with a corruption index of <60 was 17.9% in the 2020 fiscal year (2019: 19.2%). This value is based on the Corruption Perceptions Index (CPI) compiled by Transparency International, which ranks countries by their perceived levels of public sector corruption. The lower the value, the greater the risk of corruption in that particular country. Initiatives for the early detection and prevention of corruption are therefore particularly important.

In order to proactively identify and uncover possible violations of statutory regulations and internal guidelines early, both our employees and business partners are encouraged to contact the persons directly or to make use of a whistleblower system, anonymously where necessary.

We received 25 incident reports in the 2020 fiscal year (2019: 8), 19 via the reporting system and 6 in person. The increase in the 2020 fiscal year reflects the success of the training conducted globally in 2019 on the Code of Conduct and the whistleblower system. The reports were related mainly to the conduct of colleagues or line managers and to occupational safety. All of these cases were investigated by the Compliance department and local (HR) departments within a reasonable period of time and either clarified or resolved. Much effort was spent during the Ålö integration in 2020 on expanding our whistleblower system by providing additional access options and staff training in the countries where Ålö companies are based.

Dialogue with stakeholders

We engage in dialogue with our stakeholders to discover which aspects of sustainability are of particular interest to them. Every year, we increase and improve the transparency of our non-financial reporting. In doing so, we wish to give our customers, employees, investors, suppliers and communities, as well as the inquiring public, an opportunity to see for themselves how JOST is continuously improving its environmental, social and corporate governance.

In recent years, JOST has been steadily improving its sustainability ranking with the various assessment organizations. In the 2020 fiscal year, for example, we received our first A in the MSCI ESG Research Ranking (2019: BBB).

We believe it is important to embed sustainability into all levels of our company, creating a balance between our business success and our social and ecological responsibilities as an internationally active company.

JOST's success story is based on our ability to adapt quickly and to collaborate with our stakeholders to develop solutions that are ahead of the curve. We have a lot more planned! You can find out more in our → **2020 Sustainability Report.**

JOST's contribution to the 2030 Agenda

JOST want to continue improving its impact on the environment and society and is committed to the United Nations' 2030 Agenda. JOST will focus its sustainability efforts on the following action areas going forward:

Priority action areas

Goal 2 – Zero Hunger: JOST wants to market its products for agricultural tractors in developing countries. By doing so, we can make an important contribution to increasing agricultural productivity in these countries, contributing to alleviate the risks of hunger.

Goal 4 – Quality Education: Through measures in the area of training and further vocational education, JOST provides its employees worldwide with opportunities for professional advancement. Our apprenticeship and talent management programs are aimed primarily at giving young employees new development prospects within JOST.

Goal 8 – Decent Work and Economic Growth: JOST pursues ambitious growth targets worldwide. In so doing, we pay attention to the health and safety of all our employees and ensure that human rights and social standards are respected. This also includes preventing all forms of discrimination.

Goal 9 – Industry, Innovation and Infrastructure: As a market leader, JOST sees innovation as the driver of its future growth. The development of eco-friendly products and processes that also meet the complex requirements of our customers is the key to our commercial success.

Goal 11 – Sustainable Cities and Communities: With our systems, we can help make the delivery of goods to cities and rural areas more sustainable and more efficient. Part of our research and development work is focused on developing efficient transport solutions for the logistics sector.

Goal 12 – Responsible Consumption and Production: JOST strives to minimize the consumption of resources during its production activities. We are constantly working to make our production processes more efficient and to reduce waste.

Goal 13 – Climate Action: As a manufacturer catering to the transport industry, we want to reduce our own greenhouse gas emissions substantially and help our customers in their quest for carbon neutrality. This important goal of our sustainability activities is reflected in our product innovations.

JOST WORLDWIDE

COMBINED MANAGEMENT REPORT

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Business model and organizational structure

JOST Werke AG is a listed corporation headquartered in Neu-Isenburg, Germany. It is the parent company of the JOST Werke Group ("JOST"), a leading global producer and supplier of safety-critical systems to the commercial vehicle industry. Under its five brands JOST, ROCKINGER, TRIDEC, Quicke and Edbro, the group offers a broad range of products for transport and agriculture.

The group's leading global position in the markets for fifth wheel couplings, landing gears and agricultural front loaders is further supported by close, long-standing customer relationships and a capital-efficient business model. JOST has an international distribution network at its disposal, which it uses to supply original equipment manufacturers (OEMs) of trucks, trailers and agricultural tractors. 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, repair shops, farmers and other end users.

JOST's core operations are structured by region, and accordingly split into the three geographical segments of Europe, North America, and Asia-Pacific-Africa (APA). These segments are also used to structure the group's internal organization, control and reporting.

On the reporting date of December 31, 2020, the JOST Werke Group consisted of 46 companies (2019: 31). This increase is due to the acquisition of the Ålö Group, which has been included in the basis of consolidation since February 1, 2020. → **Significant business events in 2020**. JOST also holds a 49% stake in a joint venture in Brazil, which is accounted for using the equity method. → **See note 5 of the notes to the consolidated financial statements**

In the 2020 fiscal year, JOST posted sales of €794.4m and employed an average of 3,055 (2019: 2,912) people worldwide. With 23 production facilities in 25 countries worldwide (including the joint venture in Brazil), JOST is an international company with excellent access to all manufacturers of trucks, trailers and agricultural tractors worldwide, and to all relevant end customers.

JOST's strong global presence is reflected in sales by product destination. In the 2020 fiscal year, JOST generated 50.9% of its sales in Europe. The second largest region was Asia-Pacific-Africa (APA) with a 25.4% share of sales, followed by North America with 23.7%. The Latin American market is mainly served by the joint venture in Brazil. These sales are not consolidated and are therefore not included in consolidated sales. In 2020, the sales revenues generated by the Brazilian joint venture fell to €45.7m due to the negative impact of the coronavirus pandemic on the business (2019: €65.0m).

Products and services

JOST products are primarily used in two application areas:

Transport: This includes products and systems for trucks and trailers that provide the interface connecting the truck to the trailer, such as fifth wheel couplings, landing gears and king pins as well as towing hitches, ball bearing turntables and drawbars. We also offer axle systems with or without modular suspension systems for trailers as well as leading and trailing axles for trucks, forced steering systems and hydraulic cylinders. Our product portfolio in the transport sector also includes solutions for intermodal transport.

Agriculture: This includes products such as agricultural front loaders for tractors, various implements for front loaders, subframes and towing hitches, drawbars, towing eyes and ladders for agriculture and forestry.

Complementing our product portfolio, we offer our OEM customers essential services that include just-in-sequence production and integrated logistics as well as the development of integrated sensor and operating systems.. We also supply wholesalers with components as well as JOST, ROCKINGER, TRIDEC, Quicke and Edbro original replacement parts. JOST also maintains an extensive technical customer service organization that is able to provide end users (such as fleet operators) with immediate assistance and guidance on using our products.

Group strategy

The objectives of JOST's strategy are to ensure sustainable, long-term operating success and the continuous increase in enterprise value this entails. For this purpose, we strive to grow our business and to achieve above-market revenue growth accompanied by strong profitability and cash flows.

To outperform the market, our goal is to constantly develop new products and services that enable our direct customers and end users to work more efficiently and sustainably. Our solutions can therefore help to further improve the economic, ecological and social balance of the transport and agricultural sectors.

To achieve these goals, we concentrate on the following strategic action areas:

Product innovations: We want to further consolidate and expand our position as our customers' preferred partner. As one of the world's leading producers of safety-critical systems for the commercial vehicle industry, we have introduced a large number of high-quality, robust and durable branded products to the market over the last few decades. With qualified employees, comprehensive expertise and a high level of product and service quality, we offer our customers the right solutions for their commercial vehicle applications with innovations and enhancements. We position ourselves as a development partner to our customers, using our products and services to assist the technological transition to more complex, environmentally friendly and intelligent commercial vehicles. Autonomous driving, digitalization and sustainability remain key growth drivers in both the transport and agricultural sectors – a trend that is reflected in JOST's product innovations.

Initiatives for growth: We want to consistently strengthen our international market position through organic and external growth. Our long-term customer relationships, existing sales channels and infrastructure and our global presence, combined with the prominence of our brands, provides a foundation for successful expansion. We are promoting the further growth of JOST based on our strong traditional core business in the transport sector and by deepening our range of products both on and off the road. We are actively expanding our product portfolio in a targeted way to include neighboring areas of application within the commercial vehicle industry in order to tap into new revenue streams. Megatrends such as urbanization and e-commerce offer us major growth opportunities in transport. In the agricultural sector, we are seeing strong demand for investments to increase agricultural productivity and secure the global food supply, particularly in emerging and developing countries. We want to further consolidate existing markets and open up new ones with our products and services.

Resource efficiency and cash flow: We want to expand the competitive advantages of our products and services further and successfully differentiate ourselves from our competitors with profitable growth. We are striving to use our resources efficiently and effectively at all times in order to not only generate above-average margins but also continue improving the ecological footprint of our production activities. This provides us with the flexibility we need to successfully compete in cyclical end markets. At the same time, we benefit from the strong cash flow generation available to us for investments in further business growth due to our low plant investment requirements, efficient use of resources and modular product design.

Corporate management and control

Key performance indicators (KPIs) are the primary tool used for the corporate management of the 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 at site, segment and 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 Executive Board and managers.

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

Calculation of financial key performance indicators

± Operating profit (EBIT)
\+ D & A from PPA
± Other exceptionals

= Adjusted EBIT
\+ Depreciation of property, plant and equipment
\+ Amortization of intangible assets

= Adjusted EBITDA

\+ Inventories
\+ Trade receivables – Trade payables

= Net working capital (NWC)
: Sales revenues x 100

= NWC as a percentage of sales

\+ Interest-bearing loans excluding accrued financing costs – Cash and cash equivalents

= Net debt
: Adjusted EBITDA

= Leverage

Adjusted EBIT
: Sales revenues x 100

= Adjusted EBIT margin

Net debt
: Equity x 100

= Gearing

The development of KPIs in the 2020 fiscal year and the deviations of results from targets are explained in the report on economic position.
→ **See course of business in 2020**

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

The disclosures as of December 31, 2020 required by Sections 289a and 315a 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, 2020, 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, 2020 – 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 Executive Board is not aware of any agreements affecting the voting rights or the transfer of company shares.

Interests in the share capital exceeding 10%: By the December 31, 2020 reporting date, the company had been informed of the following interests exceeding 10%: 15.1% of the voting rights in JOST Werke AG were allocated to Allianz Global Investors GmbH (Frankfurt, Germany) via its managed funds in accordance with Section 34 of the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG). Of this amount, Allianz SE (Munich, Germany) was allocated 11.4% of the voting rights of JOST Werke AG. Allianz Global Investors GmbH makes all decisions relating to the exercise of the voting rights in JOST Werke AG allocated to Allianz SE independently of Allianz SE. As a result, Allianz SE's voting rights are included in the voting rights allocated to Allianz Global Investors GmbH.

According to the notifications received by us in accordance with Sections 33 et seq. of the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG), there were no other direct or indirect interests in the company's share capital that reached or exceeded 10% of the voting rights as of December 31, 2020.

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

Appointment and dismissal of Executive Board members: The appointment and dismissal of Executive 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 Executive 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 Executive Board consists of one or more members. The number of Executive Board members is decided by the Supervisory Board, which may also appoint a Chair and a Deputy Chair of the Executive 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 Executive Board to issue and repurchase shares: Based on a resolution adopted by the General Meeting on May 4, 2018, the Executive 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 Executive Board has not yet exercised this authorization.

According to a further resolution adopted by the General Meeting on May 4, 2018, the Executive 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 Executive 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 Executive Board has not yet exercised this authorization. In order to service the bonds, the General Meeting conditionally increased the share capital of the company by up to €7,450,000.00 by issuing up to 7,450,000 new no-par-value bearer shares (Authorized Capital 2018; Article 6 of the Articles of Association).

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

Material agreements in the event of a change of control: Financing agreements exist as of the December 31, 2020 reporting date between JOST Werke AG and various lenders for promissory note loans totaling €150.0m that give creditors the right to terminate or call the financing in the event of a change of control if the parties concerned cannot agree a continuation. The company also has agreements with a consortium of banks for a revolving cash facility totaling up to €150.0m that give creditors similar termination rights in the event of a change of control. In addition, a new credit facility of €120m was agreed in December 2019 to finance the acquisition of the Ålö Group, which also gives creditors a right of termination in the event of a change of control.

Other takeover-related disclosures: There are no shares conveying special control rights A long-term incentive plan (LTIP) for executives (excluding the Executive Board) is in place at JOST, which is linked to the performance of phantom stocks in JOST Werke AG. The program does not grant shares or stock options. No compensation arrangements have been agreed between the company, the members of the Executive Board or employees in the event of a takeover.

REPORT ON ECONOMIC POSITION FOR 2020

Executive Board's overall assessment of the economic situation in 2020

The 2020 fiscal year presented JOST with a number of significant challenges. In addition to the unexpected and significant negative impact of the coronavirus pandemic on our global business, integrating the Ålö Group – the largest acquisition in JOST's history until now – was a key focus of our work. For JOST, the aim was to adapt quickly and consistently to rapidly changing market conditions while simultaneously taking the right steps for the future growth of the group.

The integration proceeded according to plan despite travel restrictions, which meant that the Ålö Group began making a positive contribution to earnings and improved the group's adjusted EBIT margin during the 2020 fiscal year. As a result, we have reached an important milestone in our acquisition strategy.

2020 saw an unprecedented level of market volatility. The impact of the coronavirus pandemic on demand was very difficult to anticipate, while the policy measures introduced in many countries to contain the pandemic had a profound impact on the operating activities of companies in these markets. This meant that both JOST and its customers and suppliers were forced to close entire production plants temporarily. Not all regions were affected at the same time or with the same intensity. JOST's presence across different regions and its global production network were major success factors here and allowed it to manage the crisis well.

Thanks to the acquisition of Ålö, JOST increased sales by 7.9% year-over-year to €794.4m during the 2020 fiscal year. Adjusted EBIT amounted to €73.2m, while the adjusted EBIT margin was 9.2%.

JOST was able to improve free cash flow (cash flow from operating activities less payments made for the acquisition of property, plant and equipment and intangible assets) considerably compared with the previous year. Despite the negative impact of the pandemic, we were able to generate positive liquidity in the operating business in every quarter of the 2020 fiscal year, demonstrating the high volume of cash generated by our business model. We used the liquid assets to repay financial liabilities totaling €51.0m.

As a result, we were able to reduce net debt, which had risen to €278.2m by the end of the first quarter of 2020 due to the acquisition of Ålö, to €207.6m by December 31, 2020. The ratio of net debt to adjusted EBITDA fell to 1.997x in the same period. JOST is particularly proud of this result, as our original goal (without taking into account the impact of the pandemic) was to move this figure to below 2.5x by the end of 2020. This meant that we significantly exceeded this target. Further information about target achievements can be found in the "Variance analysis of the financial key performance indicators" section. Details of JOST's performance during the 2020 fiscal year are reported in the section entitled "Course of business in 2020".

Although the coronavirus pandemic had a dramatic and tangible impact on our business, this impact was less negative than originally feared. We were able to react quickly and consistently in every region, adjust our costs and structures and perform well in the market. From the Executive Board's perspective, JOST's economic position is very sound, giving us the financial stability required to continue pursuing our growth strategy without interruption.

Significant business events in 2020

Consolidation and integration of the Ålö Group: On December 12, 2019, JOST entered into a purchase agreement to acquire 100% of the shares in Ålö Holding AB (Ålö). In January 2020, the relevant antitrust authority approved the acquisition without conditions. This enabled JOST to complete the planned transaction on January 31, 2020, and acquire 100% of the shares in Ålö.

The Ålö Group is headquartered in Umeå, Sweden, with production sites in Sweden, China, the USA and France as well as sales offices in other significant markets worldwide. The company develops, produces and markets its systems for agricultural applications under the internationally renowned Quicke brand. The acquisition enables JOST to transform its existing business with commercial vehicle components for the agricultural industry into another cornerstone of the group and build on its industrial expertise as a producer and supplier of systems and components for the agricultural sector.

JOST acquired a total of 14,207,973 shares with a notional value of SEK 10 per share. Goodwill (fixed purchase price plus loan liabilities assumed minus cash acquired) amounted to €245.4m. At the acquisition date, Ålö had liquid assets of €12.3m; the existing bank liabilities in the amount of €98.9m were repaid by JOST on January 31, 2020. The transaction was financed by the company's own liquid assets, utilization of existing credit lines and by raising new, long-term debt capital.

Another possible payment of up to €25m in 2021 was strictly linked to the achievement of clearly defined increases in earnings and the successful implementation of efficiency projects in 2020. Given the positive performance of the Ålö Group and the profitability improvements achieved despite the coronavirus pandemic, we currently expect a portion of the earn-out amount to be paid. At the time of preparing this management report, the specific amount is still being determined. According to calculations that are still preliminary, the amount will be in the lower half of the agreed range.

Ålö was included in the basis of consolidation of the JOST Werke Group effective February 1, 2020. Accordingly, the comparability of key financials with those of the previous year is limited. Despite the many challenges posed by the pandemic, such as travel restrictions, the integration of the Ålö Group into JOST proceeded almost entirely according to plan and, most importantly, successfully. Ålö began making a strong positive impression on JOST's business performance in the 2020 fiscal year, as the agricultural market was less severely affected by the pandemic than the transport market. This had a stabilizing effect on JOST's sales and earnings.

Macroeconomic and sector-specific environment in 2020

Macroeconomic environment

Coronavirus pandemic causes abrupt slump in global economy: The global economy was severely impacted by the coronavirus pandemic during the 2020 fiscal year. The first cases of this novel respiratory disease outside of China were already being reported at the end of January 2020. The rapid spread of coronavirus around the world, together with the associated countermeasures introduced to suppress or reduce the rate of infection, caused the global economy to slide into a deep recession. While the International Monetary Fund (IMF) was still expecting the economy to expand at the start of 2020, it was clear by March that the global economy would contract massively in 2020 as a result of the pandemic.

All major economies introduced far-reaching monetary and fiscal policy measures to cushion the impact of the pandemic, which led to a renewed increase in economic activity from the third quarter of 2020 in particular. However, these measures were not enough to offset the pandemic's serious consequences for the global economy. As a result, the global economy slumped in 2020 after many years of steady growth.

The IMF expect economic output to have contracted by –3.5% in the past fiscal year (2019: +2.8%). Global trade fell by –9.6% due to travel restrictions, lockdowns and other measures resulting from the pandemic (2019: +1.0%). According to the IMF, the economy in Europe contracted by –7.2% in the 2020 fiscal year (2019: +1.3%), while the U.S. recorded a –3.4% decline (2019: +2.2%).

Only China was able to recover rapidly from the economic slump triggered by the pandemic in the first quarter of 2020, recording an economic upturn as early as the second quarter. China was the only major industrialized economy to generate growth in the 2020 fiscal year at +2.3% (2019: +6.0%). By contrast, India recorded a slump of –8.0% (2019: +4.2%). India's poor performance is the main reason why the economy in Asia's emerging and developing markets is predicted to contract by –1.1% compared to 2019 despite China's positive influence (2019: +5.4%). The pandemic had a major impact on Latin America and Brazil in particular. The IMF believes that economic output in the region contracted by –7.4% in 2020 (2019: +0.2%).

Sector-specific environment

Anticipated decline in truck production exacerbated by the pandemic: Even before the outbreak of the pandemic, market experts were predicting that global heavy truck production would decline in 2020. After making substantial investments in previous years, fleet operators in many regions were coming to a natural break in the investment cycle. The slump in the global economy and the associated drop in global trade volume further dampened the investment activity of logistics fleets. Interruptions to the production and supply chains of many commercial vehicle manufacturers (OEMs) further exacerbated the negative development of the market.

The downward spiral slowed during the third quarter of 2020 and demand for heavy trucks stabilized gradually, particularly in Europe and North America. Although this recovery trend continued in the fourth quarter of 2020, the markets were unable to compensate for the sharp decline seen in the first half of the year. China was the only country to generate year-over-year growth in the truck market, assisted by the Chinese economy's rapid rebound from the second quarter of 2020 onwards. Excluding this development in China, global truck production contracted by –32.5% year-over-year in 2020, according to forecasting institute LMC Automotive.

In Europe, heavy truck production in 2020 fell by –26.3% compared to the previous year, much more sharply than the originally anticipated decline of –15%. The truck market in North America shrunk by –39.1% during the past fiscal year, with LMC originally expecting a reduction of –31%. By contrast, truck production in Asia-Pacific-Africa rose by 23.4%, driven by very strong growth in China from the second quarter onwards. LMC originally anticipated a drop of –11% for the region. Excluding China, however, the market in this region declined by –38.9%, primarily due to the collapse of the Indian market. According to LMC Automotive, the truck market in South America contracted by –21.9% in 2020 compared to 2019.

Decline in trailer production continues in 2020: The effects of the pandemic on the real economy have also left their mark on the trailer market in fiscal year 2020.

In Europe, Clear Consulting expects the trailer market to have fallen by around –28.2% during 2020 compared to 2019. The forecasting institute also anticipates an –11.3% year-over-year decline in Asia-Pacific-Africa. The Chinese trailer market contracted slightly despite the country's economic recovery. The dramatic slump in the Indian market and poor performance in other countries in the region hit particularly hard by the pandemic heaped additional pressure on the Asian trailer market. According to Clear Consulting, the trailer market in Latin America fell by –21.9% in 2020 compared to 2019. Demand for trailers also declined significantly in North America compared to 2019 due to the negative impact of the pandemic. The FTR Institute expects the North American trailer market to have contracted by –41.7% year-over-year in 2020.

Agricultural tractor market stable: As demand for food was not impacted by the pandemic, the agricultural sector was less affected than the truck and trailer market. Although economic uncertainty curbed farmers' willingness to invest in the first half of 2020, sentiment improved in the course of the third quarter. Price increases for agricultural products and rising cereal consumption, supported by the economic recovery and higher export demand for agricultural products, have had a positive impact on the market for agricultural tractors. Experts believe that the North American tractor market grew by around 10% year-over-year in 2020. In Europe, the tractor market fell by just –1% compared to 2019.

Course of business in 2020

Variance analysis of the financial key performance indicators

The unexpected outbreak of the coronavirus pandemic caused a significant and unforeseen deterioration in the global economic and sector-specific environment in 2020. The assumptions underlying our forecasts in the 2019 Annual Report no longer applied. Due to the spread of the pandemic, both JOST and its customers and suppliers experienced temporary plant closures, first in China and then in virtually every corner of the globe from the second quarter of 2020 onwards. Economic and public life was also severely impacted by the pandemic, which had further negative consequences for our business.

Due to the speed with which the coronavirus pandemic spread and a lack of clarity over the duration and severity of regulatory measures, it was impossible to reliably calculate the economic impact on JOST. As a result, JOST withdrew its original forecasts for the 2020 fiscal year in an ad-hoc announcement on March 24, 2020 and initially refrained from issuing new guidance.

The global economic situation stabilized during the third quarter, enabling us to once again calculate and set out our expectations for 2020. The positive market trend continued, with both the wider economy and specific sectors recovering faster and more strongly than anticipated. In particular, performance in the transport sector's typically weak fourth quarter was very strong, enabling JOST to raise its guidance for the year on December 9, 2020.

Due to the acquisition of the Ålö Group, consolidated sales increased in fiscal year 2020, by 7.9% to €794.4m (2019: €736.3m). The recovery in the transport market from the second half of 2020 onwards not only enabled us to meet our latest guidance but to even reach the lower end of the original guidance published with the 2019 Annual Report.

However, pandemic-related plant closures had a negative impact on operations. Despite the increase in sales, the associated fixed cost effects caused a reduction in operating profit. Adjusted earnings before interest and taxes (EBIT) decreased by 4.7% to €73.2m (2019: €76.8m) in 2020, and the adjusted EBIT margin was 9.2% (2019: 10.4%). Adjusted EBITDA outperformed the adjusted EBIT, increasing by 1.9% to €102.7m (2019: €100.8m). The adjusted EBITDA margin was 12.9% (2019: 13.7%). This means that we met the targets announced in the most recent forecast.

Investments in property, plant and equipment and intangible assets rose to €20.9m (2019: €17.6m). As a result, capital expenditure as a percentage of sales was 2.6% (2019: 2.4%). The increase is primarily attributable to higher investments in research and development in fiscal year 2020.

The development of net working capital and leverage was very positive, enabling us to comfortably exceed the targets communicated in the 2019 Annual Report despite the coronavirus pandemic. The entire organization placed a strong focus on working capital management and securing liquidity throughout the year. JOST successfully generated a positive free cash flow in every quarter of the year and gradually repaid the financial liabilities it took on to finance the acquisition of Ålö.

We were able to continually improve working capital and net debt during the year. This strong working capital and cash management was supported by an additional exceptional item as a customer settled receivables of €12m ahead of the due date at the end of December 2020. This improved both liquidity and working capital.

As a result, the ratio of net working capital to sales improved even further year-over-year to 16.4% (2019: 18.2%). We also strongly reduced our leverage ratio (ratio of net debt to adjusted EBITDA) to 1.997x in the first year of the acquisition, thus significantly exceeding our original goal of lowering leverage to below 2.5x.

Financial key perfomance indicators

Indicator	2019 results	2020 guidance	Adjustment on March 24, 2020	Adjustment on Sept 1, 2020	Adjustment on Dec 9, 2020	**2020 results**
Sales	€736.3m	high single-digit to low double-digitgrowth vs. 2019		slight decline vs. 2019	single-digit growth vs. 2019	+7.9% to €794.4m
Adjusted EBITDA	€100.8m	high single-digit to low double-digit growth vs. 2019		decline vs. 2019		+1.9% to €102.7m
Adjusted EBITDA margin	13.7%	decline vs. 2019	Due to the pandemic, the forecast was withdrawn, as there was insufficient visibility at the time	more than 10%	more than 12%	12.9%
Adjusted EBIT	€76.8m	high single-digit to low double-digit growth vs. 2019		strong decline vs. 2019		–4.7% to €73.2m
Adjusted EBIT margin	10.4%	decline vs. 2019		more than 7%	more than 8.5%	9.2%
Capital expenditures as a percentage of sales	€17.6m 2.4%	approx. 2.5%				€20.9m 2.6%
Net working capital as a percentage of sales	€133.9m 18.2%	approx. 18%				€133.0m 16.4%
Leverage	0.46x	lower than 2.5x				1.997x

Results of operations

Sales

Sales revenues by origin

in € thousands	**2020**	Organic sales trend	FX effects	Takeover effects	Overall performance vs. previous year	2019
Europe	482,235	–16.8%	–0.7%	29.2%	+11.7%	431,684
North America	172,298	–21.5%	–1.5%	29.5%	+6.5%	161,779
Asia-Pacific-Africa (APA)	139,877	+0.4%	–3.8%	1.3%	–2.1%	142,884
Total	**794,410**	**–14.5%**	**–1.5%**	**23.9%**	**+7.9%**	**736,347**

Fiscal year 2020 was heavily impacted by the effects of the coronavirus pandemic. As the virus spread across the world toward the end of the first quarter of 2020 and the number of cases and deaths rose dramatically, many governments introduced nationwide measures to contain the spread of the pandemic. The restrictions on movement, border closures and strong limitations on public life had a severely negative impact on the real economy and dampened demand for commercial vehicles.

While the effects of the pandemic were predominantly felt in China – the country that recorded the first cases of infection – during the first quarter of 2020, Europe and North America were hit particularly hard by the economic consequences of the pandemic during the second quarter. Truck manufacturers (OEMs) in both Europe and North America temporarily shut down their production plants due to the pandemic. OEMs in India, South Africa and Brazil were also forced to close plants on account of the national quarantine measures imposed. At the same time, the Chinese market staged a rapid recovery from the second quarter onward, which had a positive impact on JOST’s business.

The other regions likewise recovered from the third quarter, albeit at a slower pace than China. The level of demand for transport services and for trucks and trailers increased by comparison with the first half of 2020 in both Europe and North America. This positive trend continued in the fourth quarter.

The agricultural market remained relatively robust in 2020 despite the negative influence of the pandemic. Ålö thus provided a positive contribution to JOST's business performance in every quarter and partially made up for the strong level of fluctuation on the transport market.

This was the main factor behind the 7.9% increase in JOST's sales in 2020 year-over-year to €794.4m (2019: €736.3m). The positive effect from the acquisition of Ålö amounted to €175.7m. Without Ålö, JOST's consolidated sales dropped by –16.0% to €618.7m in the 2020 fiscal year.

European sales rose by 11.7% in 2020 to €482.2m (2019: €431.7m). Ålö's contribution was €126.0m. When adjusted for takeover effects, JOST's European sales fell by –17.5% year-over-year to €356.2m. In addition to the agricultural business, the increased share of the spare parts business in the transport sector significantly cushioned the sharp market decline.

Sales in North America grew by 6.5% to €172.3m (2019: €161.8m). When adjusted for takeover effects, JOST's sales in the region decreased by –23.0% to €124.5m in 2020. This means that JOST once again outperformed the truck market (–39%) and the trailer market (–42%), which was supported by gaining market share in the growing aftermarket business. JOST expects to have gained further market share in North America in the transport business in 2020 as well.

JOST's performance in the Asia-Pacific-Africa (APA) region was buoyed by its strong growth in China from the second quarter of 2020 onward. Other countries in the region such as South Africa and Australia also showed a positive trend from the third quarter onward and drove the growth in APA in the second half of the year. Only the Indian market remained at a record low throughout the year. Thanks to the strong performance of the Chinese market, in 2020 sales in APA dropped by just –2.1% year-over-year to €139.9m (2019: €142.9m). The contribution made by the acquisition of Ålö was marginal at €1.9m because the Ålö Group has not yet been heavily involved in sales activities in APA.

Earnings performance

Results of operations in 2020

in € thousands	2020	2019	% yoy
Sales revenues	**794,410**	**736,347**	**7.9%**
Cost of sales	–578,018	–548,801	
Gross profit	**216,392**	**187,546**	**15.4%**
Operating expenses/income	–192,341	–141,742	
Operating profit (EBIT)	**25,051**	**45,804**	**–45.3%**
Net finance result	**–5,850**	**–4,199**	
Profit / loss before taxes	**19,201**	**41,605**	**–53.8%**
Income taxes	89	–8,081	
Profit / loss after taxes	**19,290**	**33,524**	**–42.5%**

JOST increased its gross margin by 1.7 percentage points year-over-year to 27.2% in the 2020 fiscal year (2019: 25.5%). The group introduced numerous cost cutting measures worldwide during the pandemic. This resulted in an improvement in the overall gross margin as the markets recovered from the second half of 2020. Strong growth in the Asia-Pacific-Africa (APA) region, a more favorable product mix and the increased proportion of business accounted for by replacement parts all supported this development. In addition, the increase in the volume of business provided by agricultural products, due to the acquisition of Ålö, generated a further improvement in the gross margin year-over-year.

On the other hand, operating expenses increased by comparison with 2019, in particular due to the exceptionals associated with the acquisition of the Ålö Group. This initial consolidation is also the primary reason for the increase in administrative and selling expenses by comparison with the previous year. In addition, research and development expenses rose by 30.3% to €17.2m year-over-year (2019: €13.2m), since JOST continuously pushed ahead with the enhancement of its product portfolio in spite of the pandemic. → **Research and development** Overall in the 2020 fiscal year, earnings before interest and taxes (EBIT) decreased to €25.1m (2019: €45.8m).

Excluding exceptionals, the adjusted EBIT figure fell by just 4.7% to €73.2m (2019: €76.8m), despite the negative impact of the coronavirus pandemic on business. Boosted by the acquisition of the Ålö Group, JOST thus achieved an adjusted EBIT margin of 9.2% in the 2020 fiscal year (2019: 10.4%). This figure demonstrates its business model's high level of flexibility and the group's capacity to rapidly adapt to strongly fluctuating economic conditions.

Adjusted for exceptionals, EBITDA grew by 1.9% to €102.7m (2019: €100.8m), primarily due to the initial consolidation of the Ålö Group. The adjusted EBITDA margin was 12.9% (2019: 13.7%).

EBIT adjustments mainly concerned non-operating exceptionals arising from depreciation and amortization in connection with purchase price allocation (D&A from PPA) in the amount of €29.1m (2019: €25.1m). The year-over-year increase of €4.0m is exclusively attributable to the acquisition of Ålö. There was also a €9.6m adjustment from the use of step-ups on Ålö's inventories. Neither exceptional had an effect on liquidity. JOST also adjusted expenses by €2.0m, a substantial portion of which was triggered by consulting costs in connection with the acquisition of Ålö. An additional €4.5m concern one-off costs from an optimization project at Ålö, which was launched in 2018 and is expected to be completed in early 2021. The following tables show a summary of adjustments made:

Reconciliation of adjusted earnings in 2020

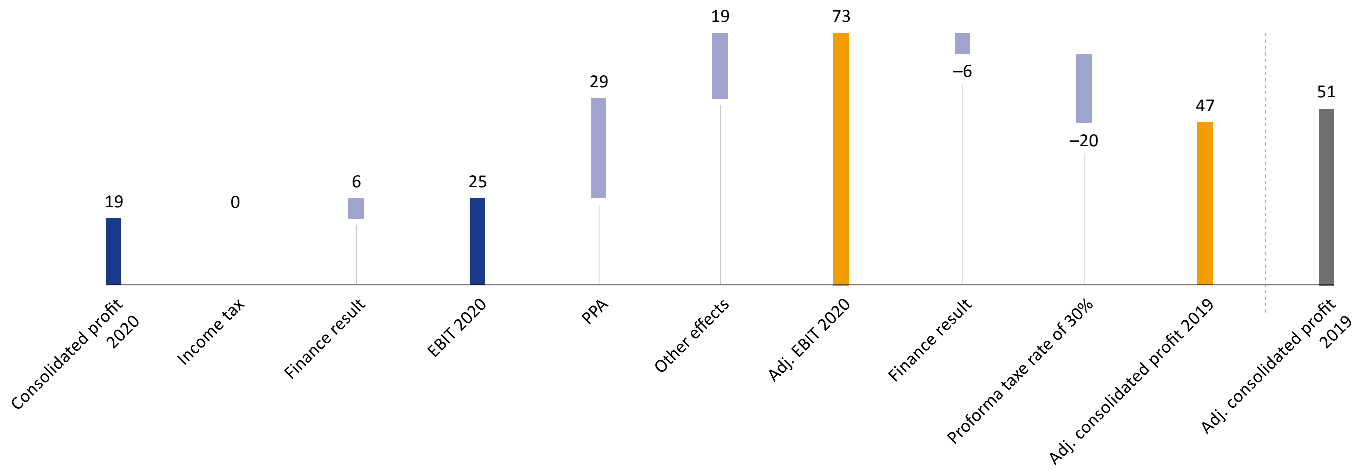
in € thousands	**2020**	2019
Profit / loss after taxes	**19,290**	**33,524**
Income taxes	89	–8,081
Net finance result	–5,850	–4,199
EBIT	**25,051**	**45,804**
D&A from PPA	–29,077	–25,108
Other effects	–19,098	–5,923
Adjusted EBIT	**73,226**	**76,835**
Depreciation of property, plant and equipment	–26,434	–21,735
Amortization of intangible assets	–3,015	–2,222
Adjusted EBITDA	**102,675**	**100,792**

The net finance result fell by €–1.6m to €–5.8m in fiscal year 2020 (2019: €–4.2m). The decrease is to some extent due to the increase in interest payments made in connection with the new loans taken out in early 2020 to finance the Ålö acquisition. Unrealized currency losses triggered by non-cash effects from the measurement of foreign currency loans also rose.

Profit after taxes in fiscal year 2020 amounted to €19.3m (2019: €33.5m). While the decline is mainly attributable to the negative effects of the pandemic on our operating business, the exceptionals associated with the acquisition of the Ålö Group also had an effect. Earnings per share amounted to €1.29 (2019: €2.25).

Adjusted for the exceptionals mentioned above, earnings after taxes came to €47.3m (2019: €50.8m) and earnings per share to €3.18 (2019: €3.41).

Reconciliation of 2020 adjusted earnings
in € million



Segments

Segment reporting in 2020

in € thousands	Europe	North America	Asia, Pacific and Africa	Reconciliation	Consolidated financial statements
Sales revenues*	757,761	187,315	218,042	–368,708	794,410**
thereof: external sales revenues*	**482,235**	**172,298**	**139,877**	**0**	**794,410**
thereof: internal sales revenues*	275,526	15,017	78,165	–368,708	0
Adjusted EBIT***	**37,275**	**11,847**	**21,292**	**2,812**	**73,226**
of which: depreciation and amortization	19,606	5,043	4,800	0	29,449
Adjusted EBIT margin	7.7%	6.9%	15.2%		9.2%
Adjusted EBITDA***	**56,881**	**16,890**	**26,092**	**2,812**	**102,675**
Adjusted EBITDA margin	11.8%	9.8%	18.7%		12.9%

* Sales by destination in 2020:
- Europe: €404,374 thousand
- Americas: €188,610 thousand
- Asia-Pacific-Africa: €201,426 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 2019

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

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

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

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

Europe

The decline in demand caused by the pandemic had a significantly adverse impact on JOST's European earnings in 2020. Demand for trucks and trailers in particular was significantly impacted by the pandemic. Nevertheless, JOST succeeded in tackling the significant market slump in the first half of the year with measures such as short-time work, renegotiations with suppliers and service providers and very strict and consistent cost controls across all European sites. The acquisition of Ålö effective February 1, 2020 had a particularly positive impact on earnings in Europe as the agricultural market suffered less than the transport market in the wake of the pandemic.

JOST generated an operating profit in Europe in 2020 despite the dramatic impact of the pandemic on its course of business: The newly gained agricultural front loader business enabled us to achieve an adjusted EBIT figure of €37.3m in Europe, despite the sharp decline in the transport market (2019: €38.2m). The group's administrative expenses, which are exclusively allocated to the Europe region and trigger a comparatively higher proportion of fixed costs, had a negative impact on earnings in the region. The increased share of business accounted for by the aftermarket cushioned some of this negative effect. Overall, the adjusted EBIT margin was 7.7% (2019: 8.8%). This represents an improvement on the adjusted EBIT margin in the first half of 2020 (H1 2020: 6.0%), which was strongly affected by the OEMs' plant closures due to the pandemic.

In 2020, we invested €15.8m in Europe (2019: €10.7m), with investments in intangible assets that were up €2.8m to €4.9m (2019: €2.1m) being the main reason for this increase. The increase is primarily attributable to higher investments in research and development. Investments in property, plant and equipment mainly comprised replacement investments for machinery and production plants.

North America

After a very weak first half of 2020 caused by the pandemic, the North American market slowly recovered toward the end of the third quarter. Demand for heavy trucks in particular rose sharply in the final months of the year. In the 2020 fiscal year, the market share gained over the past few years enabled JOST to partially offset the sharp decline in sales from OEM customers thanks to an increased volume of replacement parts business. In addition, the cost cutting measures introduced in the first half of 2020 quickly took effect, leading to a strong reduction in the region's cost of sales and administrative expenses. In the agricultural sector, Ålö's business performance was negatively affected by the relocation of a U.S. production plant from Telford/Tennessee to Simpsonville/South Carolina. This reduced the operating result for the region.

Despite the difficult market situation and the decline of around 40% in the level of demand for trucks and trailers year-over-year, JOST achieved an adjusted EBIT figure of €11.8m (2019: €15.5m) in North America in 2020. The adjusted EBIT margin accordingly declined to 6.9% (2019: 9.6%).

Total investments in North America amounted to €1.9m (2019: €4.8m). The sharp decline in demand in the U.S. has also reduced the need for capital expenditure compared with previous years. Due to the pandemic, JOST focused on necessary investments and postponed some projects to 2021.

Asia-Pacific-Africa (APA)

The APA segment was particularly hard hit by the outbreak of the coronavirus pandemic in the first half of 2020. JOST was forced to close its Chinese production plant in Wuhan, Hubei province, from the end of January to mid-March 2020. The plants in India and South Africa also had to be closed from the end of March to mid-May 2020 due to the pandemic. But the economic situation improved in most countries in APA during the second half of the year, with India being the exception.

JOST's robust positioning in China enabled it to benefit from the strong market recovery in this country. Over the course of the year, JOST recovered a large part of the sales missing due to plant closures. The high level of capacity utilization at the plant in China and a beneficial product mix in APA, together with the cost cutting measures introduced in every country in the region, resulted in an 8.0% increase in the adjusted EBIT figure to €21.3m year-over-year (2019: €19.7m), despite the decline in sales. The adjusted EBIT margin rose by 1.4 percentage points to 15.2% (2019: 13.8%).

In fiscal year 2020, we invested €3.2m in this region (2019: €2.1m). This mainly related to replacement investments for machinery and production plants.

Net assets

Balance sheet structure

Assets

in € thousands	**12/31/2020**	12/31/2019
Noncurrent assets	546,916	313,477
Current assets	391,649	325,075
	938,565	**638,552**

Equity and Liabilities

in € thousands	**12/31/2020**	12/31/2019
Equity	265,235	263,130
Noncurrent liabilities	411,941	267,851
Current liabilities	261,389	107,571
	938,565	**638,552**

In fiscal year 2020, group equity rose by 0.7% to €265.2m (December 31, 2019: €263.1m). This development is mainly due to non-cash exchange differences of foreign companies. The equity ratio decreased to 28.3% as of December 31, 2020 (December 31, 2019: 41.2%). The main reason for the reduction in the equity ratio is the increase in non-current and current liabilities triggered by the acquisition of the Ålö Group.

Noncurrent liabilities increased to €411.9m (December 31, 2019: €267.9m). They mainly comprise interest-bearing bank loans, pension obligations, deferred tax liabilities and other noncurrent financial liabilities. This growth predominantly reflects the €117.8m increase in interest-bearing bank loans to €268.2m (December 31, 2019: €150.4m), since JOST entered into a financing arrangement with a consortium of banks for an amount of €120.0m and a term of 5 years in order to finance its acquisition of Ålö. Of this amount, €6m was repaid as scheduled in December 2020. The remaining €150m consists of a promissory note loan placed in 2018. The future interest rate volatility of the floating-rate tranches is partly hedged with interest swaps. Pension obligations remained stable year-over-year at €69.9m (December 31, 2019: €69.1m). Deferred tax liabilities increased by €19.1m to €35.8m as a result of the purchase price allocation for the acquisition of Ålö (December 31, 2019: €16.7m). Other noncurrent liabilities increased only slightly to €28.9m (December 31, 2019: €25.2m).

The acquisition of Ålö also resulted in a rise in current liabilities. Short-term interest-bearing loans in particular increased due to the related utilization of the revolving credit facility. In the second half of 2020, JOST used liquid assets with a volume of €45m in order to repay a portion of the revolving credit facility. As of December 31, short-term interest-bearing loans thus amounted to €47.2m (December 31, 2019: €0.3m). The increase in trade payables to €127.3m year-over-year due to the initial consolidation of the Ålö Group and the uptick in business activity especially at the end of the fiscal year was another factor behind the growth of current liabilities (December 31, 2019: €64.2m).

The initial consolidation of the Ålö Group was another key factor for the €233.4m increase in noncurrent assets to €546.9m (December 31, 2019: €313.5m). As part of the purchase price allocation, significant intangible assets such as customer lists and brand names were identified and measured. As a result of the Ålö Group's strong market position and high profitability, as well as the expected synergies, goodwill of €92.1m was also recognized in intangible assets. A detailed overview of the assets identified in the acquisition can be found in note 4 of the Notes.

In contrast, the amortization of intangible assets arising from historical purchase price allocations (PPA) and ongoing depreciation of property, plant, and equipment reduced noncurrent assets.

The increase in property, plant and equipment by €24.1m to €133.8m (December 31, 2019: €109.7m) is largely due to the acquisition of Ålö. The €28.2m increase in inventories to €136.3m (December 31, 2019: €108.2m) and the €34.0m rise in trade receivables to €123.9m (December 31, 2019: €89.9m) are also mainly attributable to the initial consolidation of Ålö and the increased volume of business as of the end of the year. A customer's settlement of approx. €12m of receivables in late December 2020, ahead of the due date, had an offsetting effect.

Conversely, trade payables – which were also impacted by the initial consolidation of Ålö and the higher volume of business – increased. This enabled JOST to maintain a stable level of working capital year-over-year at €133.0m (December 31, 2019: €133.9m). The stable level of working capital, together with sales growth, resulted in a significant year-over-year improvement in the ratio of net working capital to sales, which fell to 16.4% (2019: 18.2%). JOST clearly exceeded its declared goal of maintaining a stable ratio of working capital to sales by comparison with the previous year. To avoid distorted key figures, Ålö's sales of the last twelve months have been taken into account.

Due to the high level of cash generated by JOST, the company increased its liquid assets year-over-year to €108.3m as of December 31, 2020 (December 31, 2019: €104.8m), even though the company utilized around €50m of available liquidity to finance its acquisition of Ålö in the first quarter of 2020 and used additional liquid assets of €51.5m to repay financial liabilities in the second half of 2020. The positive exceptional resulting from the customer's early payment also helped slightly to improve the level of liquidity.

Accordingly, net debt decreased by €70.6m to €207.6m by comparison with the first quarter of 2020 (March 31, 2020: €278.2m). This means that in the first year of the acquisition we already achieved a faster-than-expected reduction in the leverage ratio (the ratio of net debt to adjusted EBITDA) to under 1.997x and clearly surpassed our original target of bringing the leverage ratio down below 2.5x in the 2020 fiscal year. This ratio underlines JOST's strong operating performance and the high volume of cash generated by its business model.

However, these figures have risen compared to December 31, 2019 due to the acquisition of Ålö. As of December 31, 2019, net debt amounted to €46.3m and the leverage ratio was 0.46x.

Liquidity and financial position

Cash flow

in € thousands	**2020**	2019
Cash flow from operating activities	**118,956**	**77,563**
thereof change in net working capital	40,352	8,328
Cash flow from investing activities	**–260,993**	**–13,270**
thereof acquisition of a subsidiary, less cash acquired	–245,419	0
Cash flow from financing activities	**148,876**	**–26,331**
Net change in cash and cash equivalents	**6,839**	**37,962**
Change in cash and cash equivalents due to exchange rate movements	–3,336	763
Cash and cash equivalents at January 1	104,812	66,087
Cash and cash equivalents at December 31	**108,315**	**104,812**

Managing net working capital and safeguarding liquidity were key tasks in the 2020 fiscal year. Even in highly volatile markets, JOST demonstrated its business model's capacity to generate a high volume of cash. In every quarter of the 2020 fiscal year, despite the negative influence of the pandemic we achieved a positive cash flow from operating activities and a positive free cash flow. The stringent active measures taken to manage net working capital played a key role in this trend. Cash flow from operating activities increased by 53.7% in 2020 to €+119.0m (2019: €+77.6m).

Free cash flow (cash flow from operating activities less payments made for the acquisition of property, plant and equipment and intangible assets) increased to €+98.1m in the 2020 fiscal year (2019: €+59.9m).

The acquisition of the Ålö Group with effect as of January 31, 2020 was the key factor behind the strong change in the level of cash flow from investing activities year-over-year as this cash flow figure declined to €–261.0m (2019: €–13.3m).

Investments in property, plant and equipment and intangible assets rose to €–20.9m (2019: €–17.6m). This was mainly caused by the increase in investments in intangible assets to €–4.9m (2019: €–2.1m), as investments in research and development increased significantly in the fiscal year compared to the previous year. Investments in property, plant and equipment rose only slightly to €–15.9m (2019: €–15.5m).

Cash flow from financing activities was also significantly impacted by the acquisition of Ålö. Cash inflows from long-term loans amounted to €+126.6m (2019: 0) and from short-term loans to €+110.0m (2019: 0). Thanks to the high volume of cash generated, in the 2020 fiscal year JOST was already able to repay a portion of its borrowings in the amount of €–71.8m (2019: 0). In addition, the 2020 Annual General Meeting adopted a resolution not to distribute a dividend for the 2019 fiscal year, which had a positive impact on the development of cash flow (2019: €–16.4m). Overall, cash flow from financing activities increased to €+148.9m in 2020 (2019: €–26.3m).

Despite the repayments and the impact of the pandemic on business, as of December 31, 2020, JOST was able to increase its liquid assets to €+108.3m year-over-year (2019: €+104.8m).

Principles and objectives of financial management and the dividend policy

Our financial management is guided by our corporate strategy and by the requirements of our operating business. The objective of our financing policy is to hold ample liquidity reserves at all times to give the group the necessary financial flexibility for further growth, to limit financial risks, and to optimize the cost of capital through an adequate capital structure. It will also allow the group to take advantage of any acquisition opportunities that arise. For this, in addition to the possibility of raising additional finance on the capital markets, the group has a revolving facility of €150.0m in place as of December 31, 2020, of which an amount of €105m remained available to us at the time of preparing this management report.

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.

In the 2020 fiscal year, the Annual General Meeting of JOST Werke AG resolved nearly unanimously not to pay a dividend for the 2019 fiscal year. This was a precautionary measure in order to protect the company's liquidity in the uncertain environment of the coronavirus pandemic. In view of the dramatic deterioration of the economic situation in the first half of 2020, the initial dividend proposal of €0.80 per share which had been announced prior to the outbreak of the pandemic no longer appeared appropriate.

The shareholders of JOST Werke AG adopted a resolution with a majority of 99.99% not to distribute a dividend for fiscal year 2019, in order to support the company during the coronavirus pandemic. The additional liquidity thus secured afforded JOST greater leeway during the challenging 2020 fiscal year.

The Executive Board and the Supervisory Board therefore intend to propose to the Annual General Meeting a dividend of €1.00 per share for the 2020 fiscal year (2019: €0). This represents a total dividend payout of €14.9m and a payout ratio of 80.0% (2019: 0%). The dividend payment would then, on a single occasion, clearly exceed the envisaged long-term distribution range of between 35% and 50% of consolidated profit. The Executive Board and the Supervisory Board would like to thank the shareholders of JOST Werke AG for their support and for the confidence which they have demonstrated during the crisis.

Research and development

Product innovations are an important pillar of our corporate strategy. We want our products and services to support the technological shift to more complex, sustainable and intelligent commercial vehicles in both the transport and agricultural sectors. At the same time, we want to design our products and manufacturing processes to be more sustainable in order to minimize the resources and energy used in production and thus improve our resource efficiency.

We want to apply our know-how in the transport and agriculture sectors to offer our customers innovative solutions and products that make commercial vehicles safer and easier to handle while enabling them to improve efficiency and expand the flexibility and versatility of their equipment.

Our product development capacities for both advance and application development of our transport business line are essentially concentrated in our facility at Neu-Isenburg in Germany. Product development for the agricultural segment is mainly located in Umeå, Sweden. Our longstanding international suppliers mostly receive technical support from Neu-Isenburg and Umeå and are closely involved in the development process. In 2020, we employed an average of 137 people worldwide in this area (previous year: 122). The increase is mainly attributable to the acquisition of Ålö.

Research and development expenses rose by 30.3% to €17.2m in 2020 (2019: €13.2m) despite the coronavirus pandemic, in part also due to the effect of the initial consolidation of Ålö.

It was important for us to continue pressing ahead with the further development of our product portfolio in order to enhance the future viability of JOST. By doing this, we want to help our customers to shape the transformation of our industry towards modern, more intelligent mobility and logistics models. We are therefore researching and developing new technologies and products to optimize our current connection solutions and enable their integration into digital or electric smart truck features.

In 2020, our research and development efforts focused particularly on bringing our fully automated coupling system (KKS system) for semi-trailers to the market. Despite the pandemic-related restrictions on our operations, we managed to finalize the project and begin marketing the system at the end of the third quarter of 2020. We also introduced the drawbar finder for tractor-trailers to the market in 2020. This consists of a camera system integrated into the towing hitch with an overlay software that makes the coupling process safer and easier for drivers.

In the agricultural sector, we developed and launched a new digital control system. This system offers new assistance functions and additional features that automate repetitive front loader tasks and make them more efficient. This is essential for professional use among agricultural service providers and large-scale farming operations. Connecting this control system to the cloud enables users to retrieve and evaluate operating data.

We focused on the areas of safety and convenience features and on efforts to cut weights and carbon emissions. We are working to develop new components and solutions that should help fleets to reduce fuel consumption and emissions and thus improve their ecological footprint. Detailed information about this can be found in the “Innovation and product management” section of the Sustainability Report 2020.

Related parties

Related party disclosures are presented in note 45 of the notes to the consolidated financial statements.

Report on post-balance sheet date events

We refer to the disclosures in note 51 “Events after the reporting date” in the notes to the consolidated financial statements.

REPORT ON OPPORTUNITIES AND RISKS

Opportunity and risk management system

As a result of its business activities as an international group, JOST is exposed to a number of risks that are inseparably linked with its commercial endeavors and cannot be completely eliminated despite taking all due precautions. JOST’s opportunity and risk management system is designed to identify and seize opportunities and at the same time to identify, assess and counteract risks at an early stage. In addition to meeting legal and regulatory requirements, a functioning risk management system ensures JOST’s long-term ability to perform in its competitive environment and achieve its corporate goals.

The Executive Board of JOST Werke AG is responsible for an effective opportunity and risk management system and determines the risk policy that forms the basis for the activities of all parties involved in the risk management process. The overriding principle is to identify and exploit opportunities to ensure the group’s achievement of corporate goals, continued existence, competitiveness and business success, and, in doing so, consciously take on the risks associated with the business while ensuring that such actions create value for the company and do not compromise its corporate objectives.

The JOST risk management system was introduced in 2017. It is based on the ISO 31000 standard entitled “Risk Management – Principles and Guidelines” and is an integral component of the management process. The system is aligned with the following core elements: risk identification, risk assessment, risk management and risk monitoring. At JOST, opportunities and risks are defined as potentially positive or negative deviations from targets and projected figures for earnings before taxes (EBT) or liquidity. As a result, it is important to ensure that the group’s opportunity and risk management system efforts are geared towards future value and possible events and thus make a contribution to the future viability of the group.

The risks were recorded in an internally defined process by means of checklists, control procedures, workshops and interviews. Newly identified risks can be included in the risk management system at any time. 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 Executive Board. These risk fields are based on the JOST process landscape and internal procedures of JOST and serve to structure the identification of opportunities and risks. Direct responsibility for identifying and managing business opportunities and risks at an early stage lies with the risk owners in each of our departments. In addition to identifying and assessing these opportunities and risks, the risk managers' role is to develop, introduce and monitor suitable measures. The purpose of these measures is to avoid, mitigate or transfer risks.

The relevance scale for risk assessment is an expression of the overall importance of each risk for JOST and is designed to combine communicability with risk quantification and prioritize risk management efforts. The assessment of all risks is based on a certain probability of occurrence (according to the levels: highly unlikely, unlikely, possible, likely, highly likely) and on the financial impact of the risk (extent of loss according to the levels: very low, low, moderate, high, very high), as shown in the matrix chart below. The probability of occurrence and the extent of loss are assessed after factoring in implemented measures (net approach). Assessing the probability of occurrence and the extent of loss of future events and developments is naturally subject to uncertainties. We cannot always precisely foresee and counteract these events and developments.

Relevance scale for the potential deviation from EBT or liquidity target

	Up to 3%	>3% up to 10%	>10% up to 40%	>40% up to 80%	>80%
Probability of occurrence	Highly unlikely	Unlikely	Possible	Likely	Highly likely
	Up to €1m	€1m to €3m	>€3m up to €10m	>€10m up to €20m	>€30m
Extent of loss	Very low	Low	Moderate	High	Very high

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

JOST has been using an integrated software solution for the risk management system since the start of 2019. This allows risk owners to monitor, manage and assess their risks independently in the system. This process is carried out independently by the risk owner once every six months. Once a year, interviews and workshops with the responsible persons are additionally organized. The system also enables JOST's risk owners to regularly check the current risk status. As a rule, risk owners must periodically update and assess their risks and, if necessary, initiate, confirm and approve suitable measures. This is then consolidated into a report in the system and reported to the Executive Board.

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

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

The goal of the internal control and risk management system related to the financial reporting process (ICS) is to ensure the correctness and effectiveness of the accounting and 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 policies. The ICS is intended to support the group in avoiding accounting errors and identifying any incorrect valuations in a timely manner so that users of the consolidated financial statements receive valid and reliable information.

In particular, the fundamental principles of the ICS implemented by JOST 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, personalized access rights and predefined approval processes. Internal Audit reviews compliance with the requirements of the internal control system as part of its activities and supports the continuous improvement of this system. A variety of 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 discovered at an early stage.

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

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

Opportunities and risks

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

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

The acquisition of Ålö meant that additional companies were incorporated into the risk assessment for the first time in 2020. Although this assessment was carried out in the same way as for the other companies, activities within the agricultural sector involve additional risks, particularly with regard to weather and climate change.

The opportunities and risks identified as significant are outlined below by business area. The exception to this is the risks that have arisen from the global spread of the novel SARS-CoV-2 virus (“coronavirus”) since the start of 2020. These are explained in further detail in a group-wide paragraph at the end of this section.

Risks

Macroeconomic and sector-specific risks

The macroeconomic and sector-specific environments have a significant impact on our business. Due to the economic dependency of the sector in which we operate, cyclical economic downturns, particularly in the commercial vehicle industry or in agriculture, may adversely affect our business. The acquisition of the Ålö Group enables JOST to exploit new markets and sales/economic cycles in the agricultural sector. We expect this to result in a more stable and less cyclical performance of our business overall.

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

Uncertainties surrounding overall economic development appear to be diminishing compared to the previous year. While there remains a lack of certainty surrounding the coronavirus pandemic and its negative impact on the global economy, all leading economic indicators point to a recovery in the global economy and international trade. The International Monetary Fund (IMF) expects economic output to grow in all of JOST's relevant economies in 2021.

Even with regard to the US-China trade conflict, the new US government has signaled a greater readiness to take a different foreign policy stance, which could ease tensions in the trade dispute. Nevertheless, new political and trade conflicts or an unexpected deterioration in the global economy could have a negative impact on willingness to invest in the commercial vehicle industry and thus adversely affect our business.

The asset-light nature of our production allows us to react quickly and flexibly to changes in demand. Likewise, the international scope of our business model enables us to reduce our dependency on individual countries and regions, thus allowing us to spread risk more effectively. Forecasting institute LMC currently expects global truck production excluding China to grow by 25.0% year-over-year in the 2021 fiscal year. Only China is expected to see a 19.6% drop in truck production in 2021. Forecasting institutes also expect the trailer market to grow in 2021.

In addition to overall economic developments, the weather, animal diseases and declining prices for agricultural products could all have a negative effect on the sales and earnings performance of our agricultural components business. Climate change and the associated rise in extreme weather events such as heatwaves, floods or drought could also have a direct negative effect on agriculture and could impact our sales of agricultural components.

We believe that current macroeconomic and sector-specific risks are moderate, albeit lower than in the previous year. We assess the probability of occurrence as possible. We believe these risks to be at the same level as the previous year, as the economic situation is still forecast to be somewhat uncertain and the restrictions imposed as a result of the pandemic will continue to be felt in the coming fiscal year.

Competition risks

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

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

We maintain a close and longstanding relationship with our customers and try to anticipate their needs and offer them suitable solutions with our products. By acquiring Ålö, we have expanded our presence in the agricultural market for commercial vehicles and given ourselves access to additional customers. Carrying out joint research and development activities and combining JOST and Ålö's sales channels should enable us to further expand our competitive advantages.

We believe the significance of these competition risks for our business is moderate and rate their probability of occurrence as unlikely.

Risks arising from business activities

We generated more than one third (about 42%) of our 2020 sales from OEM truck and OEM tractor customers. These are a highly concentrated markets with only a limited number of global manufacturers. By contrast, the trailer market, where we generate more than one fourth of our sales (about 28%), is significantly more fragmented and is served by several hundred manufacturers, most of whom operate regionally. The remaining share of sales (about 30%) comes from our trading activities, where the number of customers is similarly high. Thanks to this relatively well-balanced sales distribution, none of our customers is responsible for more than 10% of our sales despite high concentration within the OEM 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 bargaining power of major customers may still have a negative impact on our sales and results of operations.

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

We believe the significance of these risks (extent of loss) arising from our business activities is low, and we rate their probability of occurrence as possible. This risk is unchanged compared to the previous year.

Production risks

Our production processes are professionally managed. They are continually reviewed and improved as part of various certifications according to DIN ISO 9001 and IATF 16949 (quality), DIN ISO 14001 (environment) and, at selected sites, OHSAS 18001 (occupational safety). Nevertheless, we cannot completely rule out the possibility of unplanned business interruptions such as those caused by natural disasters or major events. Furthermore, the failure of important key systems cannot be fully excluded despite all due precautions and preventative measures. These risks are covered as far as possible by our insurance policies and are assessed and mitigated as part of our emergency planning. We also work to continually improve the efficiency and effectiveness of our production processes and management systems. The outbreak of epidemics in countries where JOST has production plants may also lead to downtime over which JOST will have no control.

Production risks also include quality risks because there maybe recalls after field trials despite a strong focus on quality, for example.

As a result, we believe the potential impact (extent of loss) of these risks is low. However, we believe the probability of occurrence for future production downtime is possible. This risk has increased compared to the previous year.

Corporate strategy risks

JOST's corporate strategy aims to continuously increase the value of the enterprise. Strategic decisions regarding investments, technology and product development, locations, acquisitions and joint ventures as well as structural changes within the organization are associated with complex risks that cannot be completely excluded. We may be unable to anticipate changing technologies in order to be able to adapt to them or take advantage of them. We may be unable to successfully integrate current or future acquisitions and joint ventures as well as newly opened, acquired or relocated plants, or achieve the expected benefits. These risks may reduce acceptance of our products, damage our brands' image, reduce our market share and adversely affect the results of operations and financial position of our group.

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

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

Procurement risks

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

To enhance the competitiveness of the group and safeguard our supply chain, we are continually on the lookout for new supply sources that are competitive in terms of both quality and price. We also negotiated longer-term contracts with major suppliers worldwide. In some cases, we were able to select new suppliers for certain products, which we qualified to maintain our high quality requirements beforehand. This is an ongoing and time-consuming process involving special requirements in terms of quality, compliance, sustainability and logistics. The aim is to further stabilize input material prices on the supply side and reduce them in relation to market indicators.

We believe that procurement risks to our business are low to medium. We assess the probability of occurrence of procurement risks as possible. This risk has grown compared with the previous year, as rising steel prices and a shortage of logistics capacity in global markets in particular pose an increased risk for the 2021 fiscal year. The impacts remain at the previous year's level.

Human resources risks

We rely upon qualified and motivated employees in order to continue competing successfully in the market in the long term. The shortage of skilled professionals and the demographic shift, as well as the different training and qualification standards in the various countries in which we operate, may mean we are unable to fill posts or fill them in a timely manner. The low level of unemployment in the countries in which JOST manufactures its products exacerbates the shortage of skilled workers and carries the risk of rising personnel expenses. Staff shortages can restrict the further development, production and sale of our products and services, which in turn can impact negatively on 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 also help us retain our employees while at the same time enabling them to perform their tasks more effectively. We counteract the loss of experts and senior managers in key positions by transferring know-how at an early stage.

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

IT risks

The security and reliability of information technology is of great importance to JOST. Faults in the operation of information systems and networks may threaten the availability of IT services at our locations and adversely affect productivity. Due to various quasi-monopolies in the IT market and a lack of competition, there is a dependence on individual software suppliers and service providers. 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.

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

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

Financial risks

Due to our international activities as a global group, we are inevitably exposed to financial risks primarily arising from fluctuations in currency prices, interest rates and prices. Credit losses also represent a special financial risk.

Significant exchange rate fluctuations in the euro against other currencies, particularly the US dollar, British pound, Swedish krona and Chinese renminbi, may have an impact on our income statement. JOST's traditional transport products are manufactured in its key sales markets, which provides 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. By contrast, a significant proportion of Ålö products are manufactured centrally before being sold to various sales markets around the world. The resulting risk of the impact of exchange rate fluctuations is partially offset by currency hedging. There is also a translation risk as a result of the currency translation of the balance sheets and income statements of our foreign subsidiaries into euros. Currency fluctuations can also influence payment streams from the dividends received from our subsidiaries and have an impact on profitability. Some of the currency risks are 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. There is an interest rate risk for the floating-rate promissory note loans, a portion of which is hedged by interest rate swaps. As at December 31, 2020, JOST's net debt amounted to €207.6m. The high levels of liquid assets and the strong cash generation of our business model are a reflection of the group's robust financing structure. We also have a revolving cash facility in place that had only been partially utilized as of the December 31, 2020 reporting date. Among other things, this partial use served to finance the Ålö acquisition.

Overall, we believe the extent of loss arising from financial risks is low and the probability of occurrence is unlikely. However, due to the acquisition carried out, they have increased slightly compared to the previous year. Further information on financial risks and their management can be found in note 46 of the notes to the consolidated financial statements.

Legal risks

We strive to avoid or control legal risks. Nevertheless, JOST 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 potential violations in order to minimize these risks. We also organize regular workshops on export control and permanently check our business partners against sanctions lists. In addition, we regularly train our employees on compliance issues. The group is currently exposed to legal risks arising from warranty obligations, disputes connected with damages claims and payment demands for which we have established appropriate provisions, however.

We therefore believe that the potential impact of legal risks on our net assets, financial position and results of operations is low and unlikely. The probability of occurrence for this risk has also increased slightly compared to the previous year.

Risks arising from coronavirus

2020 presented us with unprecedented challenges. The global spread of the novel coronavirus has impacted all of the group's markets and activities in one form or another since the outbreak of the pandemic. For a company with a global presence, the effects of the coronavirus pandemic can be felt differently in various areas and regions. The measures introduced to protect the population are also impacting the commercial activities of some companies. As a result, there is a risk of market slumps, further production reductions or interruptions, supply chain disruption, bad debts arising from insolvencies as well as the risk of infection among our employees.

Due to dynamic developments in the spread of the virus and new mutations, uncertainties remain and the future economic impact is difficult to assess. In the past fiscal year, however, measures were introduced to protect our employees and steps were taken to maintain production at all plants, which means that the risk of the pandemic to our business is currently assessed as medium.

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 transport and the growth of international transport infrastructure, particularly in emerging and developing countries.

Megatrends such as urbanization, e-commerce and digitalization offer fundamental opportunities for transport, as trucks are one of the primary means of transport for supplying towns and cities. Growth markets in Asia, South America, Africa and Eastern Europe represent major opportunities for JOST, as a significant amount is being invested in developing transport infrastructure in these markets.

Demand for food to support the world's growing population is also steadily increasing. According to the United Nations report "The State of Food Security and Nutrition in the World 2020", around 690 million people were suffering from hunger as of 2019. The coronavirus crisis has created additional burdens for the world's starving people. Increasing agricultural productivity and rural development are therefore vital for food security. Part of JOST's future growth strategy is to sell Quicke's systems and components for agricultural tractors not only in Europe and North America but also in developing and emerging countries where demand for the industrialization of agriculture is steadily increasing. We see major opportunities for our company in this area.

In 2020, we generated about one quarter of consolidated sales in emerging and developing markets. We are also supplying the Latin American market with JOST products via a joint venture in Brazil. Due to our strong global presence, we 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 Europe, especially in Eastern Europe, could grow faster as a result. We believe the opportunities provided by this development to be moderate and their probability of occurrence to be possible in the 2021 forecast period.

Sustainability opportunities

Growing awareness of the need for a more sustainable economy also opens up new prospects for JOST. Sustainable value chains are becoming increasingly important in both the transport and agricultural sectors.

As a company that thinks and acts sustainably, our products and developments can help our direct customers and end users of our products to become more sustainable. At the same time, we can also exert an influence on our own operating activities and find opportunities to run our business in a more efficient, environmentally friendly way. We want to significantly reduce the energy consumption and carbon emissions involved in manufacturing our products.

We also see opportunities to develop new systems and products in both the transport and agricultural businesses that offer our end users an improvement in occupational health and safety. By introducing more automation, sensor technology and mechatronics, our newly developed systems can minimize human error, prevent industrial accidents and reduce fatigue during long operating times. This is crucial for professional use and adds value for fleets and agricultural service providers. → **See Sustainability Report / Innovations and Product Management.**

We believe the opportunities provided by this development to be moderate and their probability of occurrence to be possible in the 2021 forecast period.

Sector-specific opportunities

Autonomous driving is an important industry trend that is opening up major growth opportunities for our group. We consider ourselves to be a market leader in manufacturing products and systems that link trucks with trailers. For this reason, we are making it a point of emphasis to invest 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 to some extent today is still carried out manually by the driver. We see this as an important step on the path to the fully autonomous driving of commercial vehicles.

By doing this, it is important that we generate efficiency gains to create added value for the users of our products, i. e. fleet operators. We also expect electrification to provide an additional boost to the market, from which we can benefit.

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. However, we believe the opportunities provided by this development to be low and their probability of occurrence to be unlikely in the 2021 forecast period.

Opportunities arising from regulatory changes

New regulatory requirements for commercial vehicles represent important opportunities for our group, as they are often associated with accelerated orders of commercial vehicles that can still benefit from the old standards or subsequent orders that meet the new requirements.

In the medium term, new standards in the transport or agricultural markets will compel or at least incentivize fleets and farmers to become more efficient and sustainable. This will increase interest in more technologically advanced and sustainable products. We believe this presents us with good opportunities for expanding our product portfolio in Asia in particular. We are also noticing a trend in which more and more developing countries 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 in 2021 aimed at reducing truck exhaust emissions. Developments such as these will increase the demand for new products and replacement parts in the region. As a result, we will continue developing our sites in Asia in order to profit from the growing replacement parts market in this region.

Overall, we believe that these opportunities are of moderate significance for the APA segment. We believe that these opportunities have a low significance for our North America and Europe segments in the 2021 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. When checking the credentials of new suppliers, we also pay attention to compliance with sustainability standards and ensure that our supply chain becomes increasingly sustainable with the help of our Supplier Code.

The acquisition of Ålö has strengthened JOST's negotiating position vis-à-vis some of its suppliers. As part of the integration process, we have identified global procurement synergies that we will leverage in the short term. This will enable us to further optimize our international goods flows and rapidly reduce procurement costs for JOST.

We believe these opportunities will have a low to medium positive impact on the results of operations of all our operating segments and rate their probability of occurrence as low.

Corporate strategy opportunities
Growth through acquisitions and investments is another part of our business strategy aimed at both expanding and further deepening our product and process portfolio. We have a proven expertise in implementing and integrating acquisitions. The successful acquisition and integration of the Ålö Group in fiscal year 2020, despite the negative impact of the coronavirus pandemic on business and travel, is a testament to this expertise.

The integration of Ålö provides us with opportunities in product development and purchasing as well as in the joint commercialization of products for the agricultural industry marketed under JOST's current brand ROCKINGER and Ålö's brand Quicke. Combining the two companies' joint expertise should enable JOST to successfully develop new promising business areas and markets, especially in APA.

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 thus gives it the necessary strength to be able to make further acquisitions in the short to medium term. We are constantly monitoring the market and actively searching for potential acquisition candidates that could further accelerate the implementation of our growth strategy.

We believe the short- to medium-term opportunities in terms of corporate strategy are moderate and their probability of occurrence is low.

Overall assessment of the Executive Board on opportunities and risks

JOST's opportunity and risk management system enables the company to identify, assess and, if necessary, counteract going-concern risks and other material risks at an early stage as well as to identify and seize opportunities. The aforementioned risks represent a consolidated consideration of all risks derived from the group-wide early warning system that, if they occur, may lead to a negative deviation from the company's forecasted results. Overall, due to the measures taken to mitigate them, the risks identified do not have any impact on our net assets, financial position and results of operations that could endanger our continued existence as a going concern and are assessed as manageable. Due to changes in the assessment of individual risks, the overall risk assessment has increased, mainly in terms of probability of occurrence. Overall, this represents an increase compared with the previous year. However, at present the Executive 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 Executive 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 JOST offers a solid foundation for the sustainable, positive development of the company and the realization of its business plans. The Executive Board is confident that the group is well positioned to take advantage of the numerous opportunities on offer. From today's perspective, the Executive 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

Expected macroeconomic environment

Global economy expected to recover from recession in 2021: Uncertainties remain due to the coronavirus pandemic. Although the approval of various vaccines in major economies has brightened market sentiment, new mutations and persistently high infection rates are dampening expectations that the pandemic will be brought fully under control during 2021.

Despite this uncertainty, the International Monetary Fund (IMF) expects the global economy to record strong growth of 5.5% in 2021 compared to 2020 (2020: –3.5%). After the severe global recession in the past fiscal year, all major economies are likely to return to growth in 2021. Global trade is forecast to increase by 8.1% year-over-year during the 2021 fiscal year after the unexpected decline in 2020 (2020: –9.6%).

For Europe, the IMF expects economic output to expand by 5.1% compared to 2020 (2020: –3.4%), while economic output in the USA is likely to increase by 4.3% (2020: –4.9%). The IMF also expects growth in China to accelerate compared to the previous year, with the Chinese economy predicted to grow by 8.1% year-over-year in 2021 (2020: 2.3%). Overall, the economy in Asia's emerging and developing countries is likely to expand by 8.3% in 2021 (2020: –1.1%). The economy in Latin America is also expected to rally strongly to record year-over-year growth of 4.1% in 2021 (2020: –7.4%).

Expected sector-specific environment

Global truck market on road to recovery in 2021: The outbreak of the coronavirus pandemic in the past fiscal year significantly curbed logistics fleets' willingness to invest in 2020. However, this sharp decline shortened the typical downturn in the fleet investment cycle, which means truck markets are once again expected to grow in the 2021 fiscal year. This positive trend is further supported by recent price increases for freight and logistics. As a result, forecasting institute LMC Automotive expects global truck production excluding China to grow by 25.0% year-over-year in the 2021 fiscal year.

The heavy truck market in Europe is predicted to expand by 14.4% in 2021 compared to the previous year. Market research firm FTR, which specializes in North America, expects strong growth of 41.2% in the North American truck market compared to 2020. By contrast, LMC anticipates that the truck market in Asia-Pacific-Africa (APA) will contract by around 15.3% in 2021 compared to 2020. This is primarily due to China, as the Chinese truck market bucked the general market trend and shrugged off the coronavirus pandemic to record strong growth in 2020, leading market analysts to expect a natural pause in the fleet investment cycle in 2021. However, LMC Automotive believes that the other countries in this region will grow in 2021. Excluding China, the institute expects the APA truck market to expand by 29.1% year-over-year. According to LMC, the truck market in South America is also likely to recover by 20.2% compared to 2020 in the 2021 fiscal year.

Trailer market set to grow in 2021: After the sharp decline in the trailer market in 2019 and 2020, forecasting institute Clear Consulting anticipates growth in the 2021 fiscal year. In Europe, Clear expects trailer production to increase by 26.4% year-over-year, while the market in Asia-Pacific-Africa is predicted to expand by 11.1%. According to FTR, the North American trailer market is set to grow by 13.6% compared to 2020. Clear Consulting also expects the Latin American market to increase by 7.3% year-over-year.

Market for agricultural tractors also expected to grow in 2021: The year 2021 also got off to a positive start for the agricultural market. In North America, the mood among farmers brightened considerably as a result of government support and rising prices for agricultural products. Tractor stocks fell below the historical average in early 2021, prompting experts to anticipate robust demand in 2021. The North American agricultural market is likely to grow by around 5% in 2021 compared to the previous year. In Europe, a better harvest and the resulting increase in cereal production partially offset weaknesses in dairy and livestock farming. The mood among farmers here also improved by the end of 2020, resulting in a greater willingness to invest. Experts believe that the European tractor market will remain at the previous year's level or grow slightly in 2021.

Group outlook

JOST is positive about its prospects in 2021. Despite the ongoing uncertainty caused by the coronavirus pandemic, all leading indicators suggest that the global demand cycle for trucks and trailers is back on track for growth. Market research firms expect demand to increase in all major regions with the exception of China in 2021, providing a broad basis for cyclical recovery. The agricultural market is also likely to record slight growth.

In light of the positive overall macroeconomic and sector-specific environment, the Executive Board expects consolidated sales to increase in the low double-digit percentage range year-over-year (2020: €794.4m).

Adjusted EBIT is predicted to grow stronger than sales, rising by a low double-digit percentage (2020: €73.2m). As we do not expect any further pandemic-related plant closures in 2021, the utilization of our plants is set to improve accordingly. With this in mind, JOST anticipates a small increase in the adjusted EBIT margin in 2021 compared to the previous year (2020: 9.2%). Our ongoing efficiency improvement measures will help us to offset some of the expected impact of rising commodity and logistics prices as well as wages. Adjusted EBITDA will develop in line with adjusted EBIT.

This forecast is based on the assumption that there will be no plant closures at JOST or its important customers or suppliers during the 2021 fiscal year. It also assumes that the global economic situation will not unexpectedly and rapidly deteriorate.

Our investment activity will focus on increasing the level of automation in production. We also want to continuously improve the energy efficiency of our plants to reduce our carbon emissions even further. We will invest in the agricultural sector to strengthen the positioning of our front loader business in South America and APA. Overall, capital expenditure (excluding acquisition-related expenses) in relation to sales is expected to remain at around 2.5%.

Net working capital in relation to sales is likely to increase compared to 2020 (2020: 16.4%), primarily as a result of higher business volumes. There was also an exceptional item during the 2020 fiscal year in which a customer made a payment well before the due date; this is not expected to repeat in 2021. We expect net working capital in relation to sales to remain below our 20% target in the 2021 fiscal year.

Leverage (ratio of net debt to adjusted EBITDA) will continue to improve in 2021 compared to 2020. Excluding any acquisitions, we anticipate a further reduction in leverage compared to 2020 by the end of 2021 (2020: 1.997x).

From today's perspective and taking into account the operating performance of JOST during the first months of 2021, the Executive Board is confident that the group's economic position is sound and offers an excellent basis for effectively seizing opportunities. JOST believes that it is well positioned to further reinforce its international position in the transport and agriculture markets with its innovative products and reliable customer service. Despite the coronavirus pandemic, we were able to decisively improve our economic and financial position during 2020. We want to build on this strong performance in order to open up new markets and continue to successfully implement our corporate strategy.

JOST WERKE AG (HGB – GERMAN COMMERCIAL CODE)

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

The company is stock corporation under German law. As of July 20, 2017, its shares have been listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange. They were also admitted to the SDAX in March 2018.

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

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

Results of operations (HGB)

The gross revenue of JOST Werke AG fell by €–2.1m to €2.1m in 2020 (2019: €4.2m). Since JOST Werke AG is purely a holding company without its own operations, only sales revenues from service contracts in respect of affiliated companies in the amount of €1.8m (2019: €2.0m) and income from cost transfers to affiliated companies in the amount of €0.3m (2019: €2.1m) are generated. The decline in gross revenue is due mainly to the fact that, in the previous year, JOST Werke AG charged on intra-group costs for the acquisition of Ålö to the acquiring subsidiary. There were no similar intra-group transfers in fiscal year 2020. The performance was in line with our expectations for the fiscal year (forecast for 2020 for the single entity JOST Werke AG: slight year-over-year decline in sales).

Earnings after taxes fell year-over-year by €–1.5m to €–9.9m (2019: €–8.4m), and were thus slightly below our expectations (forecast for 2020 for the single entity JOST Werke AG: slight year-over-year decline in earnings after taxes).

The fall is attributable mainly to the increase in interest and similar expenses of €3.2m to €5.7m (2019: €2.5m). The latter relates primarily to new bank borrowings to finance the acquisition of the Ålö Group.

The decrease in personnel expenses of €–0.8m had an opposite effect. This was due to the reduction in the number of Executive Board members from four to three and the fact that the Executive Board and employees of JOST Werke AG voluntarily forewent 5% of their contractually agreed fixed monthly remuneration in order to ease the strain on the company during the coronavirus pandemic. In addition, other operating expenses improved by €1.3m to €–4.0m (2019: €–5.3m), due mainly to the year-over-year decrease in legal and advisory costs. Furthermore, interest income increased to €1.7m year-over-year as a result of the new loans granted to affiliated companies (2019: 0).

The net retained profit in the reporting period amounted to €14.9m (2019: €16.4m).

Net assets and financial position (HGB)

Total assets rose by €121.6m to €830.4m in fiscal year 2020 (December 31, 2019: €708.8m).

The main reason being the rise in receivables from affiliated companies of €121.4m to €123.5m (December 31, 2019: €2.1m). This change is attributable to a loan granted to affiliated companies (€91.3m; 2019: 0) and the rise in intra-group allocations (€32.2m; 2019: €2.1m) in connection with the acquisition of the Ålö Group.

Reflecting the net loss for the year, equity declined by €9.9m to €502.2m (December 31, 2019: €512.2m). The equity ratio fell to 60.5% (December 31, 2019: 72.2%) due predominantly to the rise in liabilities to banks by €159.3m to €309.7m (December 31, 2019: €150.3m). To finance its acquisition of the Ålö Group, JOST Werke AG entered into a financing arrangement with a consortium of banks for an amount of €120.0m and a term of five years. Of this amount, €6m was repaid as scheduled in December 2020. For the same purpose, the company drew down a further €110.0m from a revolving credit facility, of which €65.0m was repaid in the course of the year. In addition, as in the previous year, there were promissory note loans totaling €150.0m.

Liabilities to affiliated companies fell by €27.4m year-over-year to €11.2m. These mainly concern the settlement account with JOST Werke Deutschland GmbH, which the company uses as its main source of funding its operating business, and other liabilities (December 31, 2019: €38.6m). Trade payables stood at €0.2m in the year under review (December 31, 2019: €0.2m) and other liabilities amounted to €0.8m (December 31, 2019: €0.8m).

Report on expected developments (HGB)

For 2021, the company anticipates a slight decrease in sales compared with the previous year. Before investment income, we likewise expect the single entity JOST Werke AG (HGB) to post slightly lower earnings after taxes by comparison with fiscal year 2020.

Net retained profit and proposal for the appropriation of net profit

A proposal will be made to the Annual General Meeting to distribute €1.00 per share from the net retained profit of €14.9m shown by the parent company, JOST Werke AG, for the period ended December 31, 2020.

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

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

Non-financial report

For the non-financial report required to be provided under Section 289b (3) HGB and Section 315b et seq. HGB, please refer to the separate Sustainability Report 2020.

Remuneration report

The report on the remuneration of the Executive 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 HGB

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

CORPORATE GOVERNANCE

Consolidated corporate governance statement

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

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

The declaration of conformity issued by the Executive Board and Supervisory Board on December 2, 2020 reads as follows:

"1. The German Corporate Governance Code was revised on December 16, 2019, and upon its publication in the German Federal Gazette on March 20, 2020, became the basis for the Declaration of Compliance ("GCGC 2020"). JOST Werke AG has complied and will continue to comply with the recommendations of the GCGC 2020 with the following exceptions:

- Recommendation B.1: As a precautionary measure, a deviation from the recommendation regarding the composition of the board of directors is declared. The Supervisory Board pays attention to diversity when selecting members of the Board of Executive and has passed a quota of 25% female members for the Executive Board. At the same time, the Supervisory Board is of the opinion that the decisive factor for an appointment to the Executive Board should always be the personal and professional qualifications of the candidates.

- Recommendation D.8: Insofar as individual members of the Supervisory Board or its committees did not participate in meetings of the Supervisory Board or the relevant committees in the past, they did exclusively so for important and comprehensible reasons. In such cases, these members were subsequently informed about the meeting proceedings. Therefore, the Supervisory Board considers it inappropriate to single out such members by name in its report.

- Section G.I.: The Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) contains new regulations regarding the remuneration of the Executive Board, which are to be implemented in fiscal year 2021. In line with this, the GCGC 2020 in its section G.I. already contains new recommendations on Executive Board remuneration, compared to its previous version. The Supervisory Board and the Executive Board will therefore propose to the Annual General Meeting scheduled for May 6, 2021, a new remuneration system for the Executive Board. The currently existing remuneration system of the JOST Werke AG, however, does not fully comply with the following recommendations of Section G.I. of the new GCGC 2020: G.2 (determination of a specific target total remuneration for each Executive Board member), G.3 (other third-party entities peer group), G.4 (vertical comparison of Executive Board remuneration), G.7 (orientation of variable remuneration targets mainly to strategic goals; determination of the scope of individual targets versus common targets); G.9 (comprehensibility of target achievement based on individual goals), G.10 (variable remuneration components predominantly invested in company shares; access to long-term remuneration components) and G.11 (possibility to retain and reclaim variable remuneration).

2. JOST Werke AG has complied with all recommendations of the version of the German Corporate Governance Code dated February 7, 2017 ("GCGC 2017") valid until March 20, 2020, with the following exceptions:

- Code No. 3.8 paragraph 3 (deductible in the D&O policy for the Supervisory Board): JOST Werke AG has obtained D&O coverage for the members of the Supervisory Board without the deductible recommended by the GCGC 2017. The Executive Board takes the view that such a specified deductible is not in itself suitable to increase the performance and sense of responsibility of the members of the Supervisory Board. The recommendation of a deductible for Supervisory Board members is no longer included in the GCGC 2020.

- Code No. 4.2.2 paragraph 2 sentence 3 (appropriateness of the remuneration of the Executive Board; vertical comparison): Due to the dynamic development, the Supervisory Board has not defined any senior management circle or the entire workforce as categories for vertical remuneration comparisons and has therefore not taken it into account for the development of the Executive Board remuneration over time. Such a categorization does not seem crucial to the Supervisory Board.

- Code No. 5.1.2 paragraph 1 sentence 2 (diversity in the composition of the Executive Board): As a precautionary measure, a deviation from this recommendation is declared. When selecting members of the Executive Board, the Supervisory Board pays close attention to diversity and takes female candidates into account. However, the Supervisory Board is of the opinion that the decisive factor for an appointment shall always be the personal and professional qualification of a candidate."

You can find the entire corporate governance statement on our website at → **http://ir.jost-world.com/corporate-governance-statement**. 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 Executive Board and Supervisory Board and provides information on the benefits granted and received in the 2020 fiscal year. It has been prepared in accordance with the requirements of the German Accounting Standards (GAS), the International Financial Reporting Standards (IFRSs) and the German Commercial Code (HGB) and in its presentation follows the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (GCGC 2017).

Main features of the Executive Board remuneration system

The German Act Transposing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der Zweiten Aktionärsrechterichtlinie – ARUG II) includes new Executive Board remuneration regulations that will be implemented for the first time in the 2021 fiscal year. In anticipation of this, the latest version of the German Corporate Governance Code as amended on December 16, 2019, which came into force when it was published in the Federal Gazette (Bundesanzeiger) on March 20, 2020 (GCGC 2020) and replaced GCGC 2017, includes a series of new recommendations for Executive Board remuneration. The Supervisory Board and Executive Board will propose a new remuneration system for the Executive Board to the Annual General Meeting scheduled for May 6, 2021.

The JOST Werke AG remuneration system still in place during the 2020 fiscal year does not fully meet all of the new recommendations of GCGC 2020.

In the 2020 fiscal year, the remuneration for each individual Executive Board member was derived from the current remuneration system put in place by the Supervisory Board of JOST Werke AG in 2017. In accordance with Section 87 AktG, the benefits granted to the individual Executive Board members are commensurate with their duties as well as with the company's economic position and market environment.

The 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, the three Executive Board members Joachim Dürr (CEO), Dr. Ralf Eichler (COO) and Dr. Christian Terlinde (CFO) are entitled to a fixed annual one-off gross payment, which they may convert into an occupational pension component. There are no further pension entitlements.

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

To ease the strain on the company during the coronavirus pandemic and help reduce costs, all three Executive Board members voluntarily forewent 5% of their contractually agreed fixed monthly remuneration during the 2020 fiscal year. This agreement was in place for the period of seven months in which short-time work was introduced at the company's German plants.

Variable remuneration: The performance-related component of Executive Board remuneration is based on the group's adjusted EBITDA. In conformity with Section 4.2.3 of GCGC 2017 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, Executive Board members are not entitled to variable remuneration.

Total variable remuneration is capped for each Executive 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 component is only paid out in full to Joachim Dürr and Dr. Ralf Eichler if adjusted group EBITDA in the following fiscal year at least matches adjusted EBITDA in the assessment period. The LTI component is only paid out in full to Dr. Christian Terlinde if adjusted group EBITDA two years later has surpassed adjusted EBITDA in the assessment period. In this way, long-term incentives are set that promote the company's sustainable growth.

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

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

Under the contractual arrangements, payments to the Executive 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 ensures that payments made in the event of the early termination of an Executive 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 Executive Board member is not entitled to continued payment of (parts of) the remuneration.

The Executive Board contracts do not contain any severance commitments.

Executive Board remuneration for 2020

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

	Joachim Dürr (CEO) Appointment: 01/01/2019 as CSO | CEO since 10/01/2019				Dr. Ralf Eichler (COO) Appointment: 2000				Dr. Christian Terlinde (CFO) Appointment: 01/01/2019			
in € thousands	2019	**2020**	Min.	Max.	2019	**2020**	Min.	Max.	2019	**2020**	Min.	Max.
Fixed remuneration*	540	703	720	720	480	468	480	480	480	468	480	480
Fringe benefits	8	8	8	8	24	22	22	22	7	6	6	6
Total (fixed components)	**548**	**711**	**728**	**728**	**504**	**490**	**502**	**502**	**487**	**474**	**486**	**486**
One-year variable remuneration	192	277	0	540	171	185	0	360	171	185	0	360
Multi-year variable remuneration	235	339	0	660	209	226	0	440	209	226	0	440
Total (variable components)	**427**	**616**	**0**	**1,200**	**380**	**411**	**0**	**800**	**380**	**411**	**0**	**800**
Total remuneration	**975**	**1,327**	**728**	**1,928**	**884**	**901**	**502**	**1,302**	**867**	**885**	**486**	**1,286**

* The actual fixed remuneration is lower than the contractually agreed amount as all three Executive Board members voluntarily forewent 5% of their contractually agreed fixed monthly remuneration during the 2020 fiscal year. This agreement was in place for the period of seven months in which short-time work was introduced at the company's German plants.

Benefits received

	Joachim Dürr (CEO) Appointment: 01/01/2019		Dr. Ralf Eichler (COO) Appointment: 2000		Dr. Christian Terlinde (CFO) Appointment: 01/01/2019	
in € thousands	2019	**2020**	2019	**2020**	2019	**2020**
Fixed remuneration	540	703	480	468	480	468
Fringe benefits	8	8	24	22	7	6
Total (fixed components)	**548**	**711**	**504**	**490**	**487**	**474**
One-year variable remuneration	192	277	171	185	171	185
Multi-year variable remuneration	–	249	187	222	–	-
Total (variable components)	**192**	**526**	**358**	**407**	**171**	**185**
Total remuneration, GCGC	**740**	**1,237**	**862**	**897**	**658**	**659**

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

	Joachim Dürr (CEO) Appointment: 01/01/2019		Dr. Ralf Eichler (COO) Appointment: 2000		Dr. Christian Terlinde (CFO) Appointment: 01/01/2019		Lars Brorsen (former CEO) Appointment: 1999 Departure: 09/30/2019		Total benefits, Executive Board	
in € thousands	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**
Fixed remuneration	540	703	480	468	480	468	525	–	2,025	1,639
Fringe benefits	8	8	24	22	7	6	4	–	43	36
Non-performance related component	**548**	**711**	**504**	**490**	**487**	**474**	**529**	**–**	**2,068**	**1,672**
One-year variable remuneration	192	277	171	185	171	185	240	–	774	647
Performance related component	**192**	**277**	**171**	**185**	**171**	**185**	**240**	**–**	**774**	**647**
Multi-year variable remuneration	–	249	187	222	–	-	401	–	588	471
Long-term incentive component	**–**	**249**	**187**	**222**	**–**	**-**	**401**	**–**	**588**	**471**
Total remuneration, Sections 314, 285 HGB	**740**	**1,237**	**862**	**897**	**658**	**659**	**1,170**	**–**	**3,430**	**2,793**

Supervisory board remuneration

In accordance with Article 15 of the Articles of Association, each Supervisory Board member receives fixed annual remuneration of €50 thousand. The company thus follows the suggestion contained in G.18 GCGC 2020. Pursuant to recommendation G.17 GCGC 2020, the remuneration system also 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 prorated 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 any 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.

Like the Executive Board, all members of the Supervisory Board voluntarily forewent 5% of their contractually agreed fixed remuneration in order to ease the strain on the company during the coronavirus pandemic and help reduce costs. This agreement was in place for the period of seven months in which short-time work was introduced at the company's German plants.

Supervisory Board remuneration

in € thousands	2019			**2020**		
Supervisory Board members	Fixed remuneration	Committee work	Total	**Fixed remuneration**	**Committee work**	**Total**
Manfred Wennemer (Chair)	150	20	170	146	19	165
Prof. Dr. Bernd Gottschalk (Deputy Chair)	75	10	85	73	10	83
Jürgen Schaubel	50	20	70	49	19	68
Klaus Sulzbach	50	10	60	49	10	59
Natalie Hayday	50	10	60	49	10	59
Rolf Lutz	50	10	60	49	10	59
Total remuneration, Supervisory Board	**425**	**80**	**505**	**415**	**78**	**493**

The Executive Board
of JOST Werke AG

Neu-Isenburg, March 17, 2021

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2020, JOST Werke AG
Neu-Isenburg, Germany

CONSOLIDATED INCOME STATEMENT – BY FUNCTION OF EXPENSES

for the twelve months ended December 31, 2020
JOST Werke AG

in € thousands	Notes	**2020**	2019
Sales revenues	(30)	**794,410**	**736,347**
Cost of sales	(31)	**–578,018**	**–548,801**
Gross profit		**216,392**	**187,546**
Selling expenses	(32)	–116,268	–89,586
thereof: depreciation and amortization of assets		–30,011	–25,949
thereof: depreciation of rights-of-use assets and leases		–2,805	–2,108
Research and development expenses	(33)	–17,192	–13,219
Administrative expenses	(34)	–61,690	–43,872
Other income	(35)	10,828	5,582
Other expenses	(35)	–9,831	–4,103
Share of profit or loss of equity method investments	(36)	2,812	3,456
Operating profit (EBIT)		**25,051**	**45,804**
Financial income	(37)	5,926	3,292
Financial expense	(38)	–11,776	–7,491
Net finance result		**–5,850**	**–4,199**
Profit / loss before tax		**19,201**	**41,605**
Income taxes	(41)	89	–8,081
Profit / loss after taxes		**19,290**	**33,524**
Weighted average number of shares		**14,900,000**	**14,900,000**
Basic and diluted earnings per share (in €)	(42)	**1.29**	**2.25**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the twelve months ended December 31, 2020
JOST Werke AG

in € thousands	Notes	**2020**	2019
Profit / loss after taxes		**19,290**	**33,524**
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translating foreign operations		–15,764	2,504
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(21)	–2,030	–11,601
Deferred taxes relating to other comprehensive income	(14)	609	3,480
Other comprehensive income		**–17,185**	**–5,617**
Total comprehensive income		**2,105**	**27,907**

CONSOLIDATED BALANCE SHEET

as of December 31, 2020
JOST Werke AG

Assets

in € thousands	Notes	12/31/2020	12/31/2019
Noncurrent assets			
Goodwill	(10)	92,146	0
Intangible assets	(10)	301,839	184,233
Property, plant and equipment	(11)	133,791	109,716
Investments accounted for using the equity method	(12)	8,085	10,851
Deferred tax assets	(14)	9,359	7,348
Other noncurrent assets	(18)	1,696	1,329
		546,916	**313,477**
Current assets			
Inventories	(16)	136,339	108,173
Trade receivables	(17)	123,947	89,937
Receivables from income taxes		3,981	4,799
Other current financial assets	(15), (17)	4,546	628
Other current assets	(18)	14,521	16,726
Cash and cash equivalents	(19)	108,315	104,812
		391,649	**325,075**
Total asstes		**938,565**	**638,552**

Equity and Liabilities

in € thousands	Notes	12/31/2020	12/31/2019
Equity			
Subscribed capital		14,900	14,900
Capital reserves		466,212	474,653
Other reserves		–56,723	–39,538
Retained earnings		–159,154	–186,885
	(20)	**265,235**	**263,130**
Noncurrent liabilities			
Pension obligations	(21)	69,885	69,098
Other provisions	(22)	3,845	2,405
Interest-bearing loans and borrowings	(24)	268,238	150,444
Deferred tax liabilities	(14)	35,842	16,661
Other noncurrent financial liabilities	(26)	28,903	25,161
Other noncurrent liabilities	(28)	5,228	4,082
		411,941	**267,851**
Current liabilities			
Pension obligations	(21)	1,962	1,897
Other provisions	(22)	19,461	7,331
Interest-bearing loans and borrowings	(24)	47,187	311
Trade payables	(25)	127,261	64,223
Liabilities from income taxes		6,503	3,407
Contract liabilities	(27)	4,943	4,571
Other current financial liabilities	(15), (26)	24,353	7,419
Other current liabilities	(28)	29,719	18,412
		261,389	**107,571**
Total equity and liabilities		**938,565**	**638,552**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the fiscal year from January 1, to December 31, 2020
JOST Werke AG

Consolidated statement of changes in equity for the fiscal year from January 1, to December 31, 2020

in € thousands	Subscribed capital	Capital reserves	Exchange differences on translating foreign operations
Notes	(20)	(20)	(20)
Balance at January 1, 2020	**14,900**	**474,653**	**–10,025**
Profit/loss after taxes	0	0	0
Other comprehensive income	0	0	–15,764
Deferred taxes relating to other comprehensive income	0	0	0
Total comprehensive income	0	0	–15,764
Withdrawals from capital reserves	0	–8,441	0
Balance as of December 31, 2020	**14,900**	**466,212**	**–25,789**

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

in € thousands	Subscribed capital	Capital reserves	Exchange differences on translating foreign operations
Notes	(20)	(20)	(20)
Balance at January 1, 2019	**14,900**	**499,399**	**–12,529**
Profit/loss after taxes	0	0	0
Other comprehensive income	0	0	2,504
Deferred taxes relating to other comprehensive income	0	0	0
Total comprehensive income	0	0	2,504
Dividends paid	0	0	0
Withdrawals from capital reserves	0	–24,746	0
Balance as of December 31, 2019	**14,900**	**474,653**	**–10,025**

Other reserves			
Remeasurements of defined benefit pension plans	Miscellaneous other reserves	Retained earnings	**Total consolidated equity**
(20)	(20)	(20)	
–29,410	**–103**	**–186,885**	**263,130**
0	0	19,290	19,290
–2,030	0	0	–17,794
609	0	0	609
–1,421	0	19,290	2,105
0	0	8,441	0
–30,831	**–103**	**–159,154**	**265,235**

Other reserves			
Remeasurements of defined benefit pension plans	Miscellaneous other reserves	Retained earnings	**Total consolidated equity**
(20)	(20)	(20)	
–21,289	**–103**	**–228,765**	**251,613**
0	0	33,524	33,524
–11,601	0	0	–9,097
3,480	0	0	3,480
–8,121	0	33,524	27,907
0	0	–16,390	–16,390
0	0	24,746	0
–29,410	**–103**	**–186,885**	**263,130**

CONSOLIDATED CASH FLOW STATEMENT

for the twelve months ended December 31, 2020
JOST Werke AG

in € thousands	Notes	2020	2019
Profit / loss before tax		**19,201**	**41,605**
Depreciation, amortization, impairment losses and reversal of impairment on noncurrent assets	(40)	58,526	49,065
Other noncash expenses/income	(44)	–3,459	1,458
Change in inventories	(16)	7,397	4,430
Change in trade receivables	(17)	–9,811	20,848
Change in trade payables	(25)	42,766	–16,950
Change in other assets and liabilities		15,582	–10,727
Income tax payments	(41)	–11,246	–12,166
Cash flow from operating activities		**118,956**	**77,563**
Proceeds from sales of intangible assets	(10)	–4,936	–2,093
Payments to acquire intangible assets	(11)	2,498	350
Proceeds from sales of property, plant, and equipment	(11)	–15,928	–15,530
Payments to acquire property, plant, and equipment	(4)	–245,419	0
Dividends received from joint ventures	(12)	2,106	3,382
Interests received	(12)	686	621
Cash flow from investing activities		**–260,993**	**–13,270**
Interest payments	(24)	–6,287	–2,805
Proceeds from short-term interest-bearing loans and borrowings		110,000	0
Proceeds from long-term interest-bearing loans and borrowings	(24)	126,580	0
Refinancing costs	(24)	–510	0
Repayment of short-term interest-bearing loans and borrowings		–65,310	–229
Repayment of long-term interest-bearing loans and borrowings	(24)	–6,470	0
Dividends paid to the shareholders of the Company	(20)	0	–16,390
Repayment of lease liabilities	(13)	–9,127	–6,907
Cash flow from financing activities		**148,876**	**–26,331**
Net change in cash and cash equivalents		**6,839**	**37,962**
Change in cash and cash equivalents due to exchange rate movements		–3,336	763
Cash and cash equivalents at January 1		104,812	66,087
Cash and cash equivalents at December 31	(19)	**108,315**	**104,812**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year from January 1 to December 31, 2020
JOST Werke AG

1. GENERAL INFORMATION

Since having been converted from a limited liability company under German law (GmbH) to a stock corporation, JOST Werke AG (hereinafter also “JOST”, the “group,” the “company,” or the “JOST Werke Group”) has been listed at the Frankfurt Stock Exchange since July 20, 2017. As of 31 December 2020, the majority of JOST shares were held by institutional investors. Further details are provided in note 45.

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

JOST is a leading global producer and supplier of safety-critical systems for the commercial vehicle industry.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

As the ultimate parent company, JOST Werke AG prepares the consolidated financial statements for the smallest and largest group of companies in the JOST Werke Group. The consolidated financial statements of JOST Werke AG, its subsidiaries and the joint venture as of December 31, 2020, were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), London, that are effective as of the reporting date, and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRS IC), as adopted by the European Union (EU), applying Section 315e of the Handelsgesetzbuch (German Commercial Code – HGB).

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

The Executive Board approved the consolidated financial statements of JOST Werke AG for issue on March 17, 2021. The Supervisory Board is to approve the 2020 annual financial statements of JOST Werke AG and the 2020 consolidated financial statements together with the associated group management report at the meeting on March 18, 2021.

New and amended standards applied in 2020

The following new and amended International Financial Reporting Standards and Interpretations that are effective for fiscal years beginning on or after January 1, 2020 were applied for the first time:

i. **Definition of a Business – Amendments to IFRS 3 Business Combinations**
Under the new definition, an acquired set of activities and assets is considered to be a business if it includes both a resource (input) and a substantive process that together are capable of creating outputs. The term ‘output’ is now defined as the provision of goods or services, the generation of investment income or the generation of other income; returns in the form of lower costs or other economic benefits will therefore be excluded in future.

These amendments did not have any impact on the current period or any prior period and are not likely to significantly affect future periods.

ii. Definition of Material – Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
The amendments to IAS 1 and IAS 8 align the definition of material across all IFRSs and the Conceptual Framework, clarify the definition of material and are intended to prevent material information from being obscured by immaterial information.

These amendments did not have any impact on the current period or any prior period and are not likely to significantly affect future periods.

iii. Interest Rate Benchmark Reform (Phase 1) – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures
The IASB has provided certain reliefs in connection with IBOR reform. These relate to hedge accounting and are intended to prevent hedge accounting from generally being discontinued as a result of IBOR reform.

These amendments did not have any impact on the current period or any prior period as hedge accounting is not applied by the group. The changes are not expected to have a material effect on future periods either.

iv. COVID-19-Related Rent Concessions – Amendments to IFRS 16 Leases
The amendments to IFRS 16 provide a practical expedient that allows lessees to simplify their accounting for rent concessions granted as a result of the coronavirus pandemic.

These amendments did not have any material impact on the current period or any prior period and are not likely to significantly affect future periods.

v. Other
The amendments to the Conceptual Framework for Financial Reporting did not change any of the IFRSs directly and therefore had no impact on the consolidated 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 2020 and were not applied by the group prior to their effective date

i. IFRS 17 Insurance Contracts
On May 18, 2017, the IASB completed its long-term project to develop a financial reporting standard for insurance contracts and issued IFRS 17 Insurance Contracts. This standard will replace IFRS 4.

These changes are not expected to have a material effect on future periods.

ii. ii.Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements
As a result of the amendments to IAS 1, liabilities are classified as current or noncurrent based on the rights the entity has at the end of the reporting period.

These changes are not expected to have a material effect on future periods.

iii. Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases
The IBOR reform Phase 2 amendments were issued on August 27, 2020. These amendments provide further relief so that a gain or loss is not immediately recognized when contractual cash flows change as a result of the change in the interest rate benchmark; instead, the effective interest rate is updated.

These changes are not expected to have a material effect on future periods.

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, 2020, 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 total 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 recognized 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.

On January 31, 2020, the subsidiary Jost-Werke International Beteiligungsverwaltung GmbH acquired the shares in Ålö Holding AB. As of this date, Ålö Holding AB and its subsidiaries were included in the consolidated financial statements. For further information on the acquisition, please refer to note 4 Business Combinations.

Alo France S.A.S., Blanzac-Les-Matha, France, was merged with Agroma S.A.S., Blanzac-Les-Matha, France, effective June 1, 2020.

Tridec Holdings B.V., Son, the Netherlands, was merged with Transport Industry Development Centre B.V., Son, the Netherlands, as of December 31, 2020.

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

The group reporting date (December 31 of each fiscal year) is the reporting date of the annual financial statements of the parent (JOST Werke AG) and all of its subsidiaries, with one exception: In accordance with IFRS 10 B92 b), audited interim financial statements as of December 31, 2020 (reporting date: March 31) 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. BUSINESS COMBINATIONS

Acquisition of Ålö Holding AB, Umeå, Sweden

On January 31, 2020, the subsidiary Jost-Werke International Beteiligungsverwaltung GmbH acquired a 100% interest in Ålö Holding AB, a leading international manufacturer of agricultural front loaders marketed under the Quicke brand, for a fixed purchase price of €159.2m. This acquisition concerned 14,207,973 shares with a notional value of SEK 10 per share. The main reason for the acquisition is that JOST intends to use the takeover to expand its successful business and sales model, and its industrial expertise as a producer and supplier of systems and components in the agricultural sector.

If the Ålö Group had already been included in the basis of consolidation as of January 1, 2020, the consolidated income statement would have shown additional sales revenues of €14.6m. The sales revenues attributable to Ålö for the period from January 1 to December 31, 2020 would be €190.3m. For the period from January 1 to December 31, the Ålö Group would have contributed a total of €8.4m to consolidated earnings instead of €10.6m for the period from February 1 to December 31, 2020.

The following table summarizes the consideration transferred for the acquisition and the fair values of the assets identified and liabilities assumed at the acquisition date:

in € thousands	
Consideration transferred	
Payment made in cash	159,160
Contingent consideration	10,480
Total	**169,640**
Intangible assets	137,646
Property, plant, and equipment	33,007
Inventories	49,250
Trade receivables	26,409
Cash and cash equivalents	12,318
Trade payables	–22,910
Interest-bearing loans and borrowings	–98,904
Deferred tax liabilities	–32,361
Other assets and liabilities	–24,972
Net identifiable assets acquired	**79,483**
Plus: Goodwill	90,157
Net assets acquired	**169,640**

The items identified and measured in the course of purchase price allocation included mainly intangible assets such as customer lists in the amount of €38.2m (of which from step-ups (fair value adjustments): €32.5m), brand names in the amount of €68.3m (of which from step-ups: €48.8m) and technologies in the amount of €31.2m (of which from step-ups: €–1.0m), but also tangible assets such as inventories in the amount of €49.2m (of which from step-ups: €9.5m) and property, plant and equipment in the amount of €33.0m (of which from step-ups: €2.6m). The acquired goodwill of €90.2m is attributable to the strong market position and high profitability of the Ålö Group and the expected synergies. This goodwill is not deductible for tax purposes.

The fair values of brand names and technologies were calculated or measured in the course of purchase price allocation using the relief-from-royalty method, the fair values of customer lists using the multi-period excess earnings method, the fair values of inventories at net realizable value and the fair values of property, plant and equipment at market value. The fair value of the contingent consideration was determined using a Monte Carlo simulation.

The fair value of the trade receivables acquired amounts to €26,409 thousand. The gross amount due under contractual trade receivables is €26,831 thousand, with an impairment loss of €422 thousand recognized as of the acquisition date.

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

The purchase price allocation in 2020 resulted in €4,298 thousand in depreciation of land, land rights and buildings, including buildings on third-party land, and amortization of customer lists and acquired intangible assets. There are also negative earnings effects from the utilization of step-ups on inventories amounting to €9,617 thousand.

Costs of business combinations

The costs of business combinations of €1,964 thousand (2019: €2,482 thousand) are presented in administrative expenses within the income statement. For further details on exceptionals, see note 8.

Contingent consideration

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

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

Based on the assessment at the acquisition date, a value of €10,480 thousand was recognized for the contingent consideration. At the reporting date, the contingent consideration was determined on the basis of the provisionally calculated gross margin. This resulted in an adjustment of the contingent consideration to €10,200 thousand through profit or loss.

5. BASIS OF CONSOLIDATION

JOST Werke Group

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

List of shareholdings

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

* Indirectly via Jasione GmbH

Company	Interest held by JOST Werke AG	Nature of business
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* Naberezhyne Chelny/Russia	100.00%	Production company
JOST Polska Sp. z o.o.* Nowa Sòl/Poland	100.00%	Production company
Jost Hungaria Kft.* Veszprém/Hungary	100.00%	Production 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%	Production company Sales company
JOST New Zealand Ltd.* Hamilton/New Zealand	100.00%	Sales company
JOST International Corp.* Grand Haven, Michigan/U.S.A.	100.00%	Production company Sales company
Jost (China) Auto Component Co. Ltd.* Wuhan, Hubei Province/PR China	100.00%	Production company Sales company
JOST (Shanghai) Trading Co. Ltd.* Shanghai/PR China	100.00%	Sales company
Jost Far East Pte. Ltd.* Singapore	100.00%	Sales company
JOST India Auto Component Pte. Ltd.* Jamshedpur/India	100.00%	Production company Sales company
JOST Japan Co. Ltd.* Yokohama/Japan	100.00%	Sales company
Jost (Thailand) Co. Ltd.* Bangsaotong/Thailand	100.00%	Production company
Ålö Holding AB* Umeå/Sweden	100.00%	Holding company
Ålö Group AB* Umeå/Sweden	100.00%	Holding company
Ålö Intressenter AB* Umeå/Sweden	100.00%	Holding company
Ålö AB* Umeå/Sweden	100.00%	Production company Sales company
Alö Deutschland Vertriebs-GmbH* Dieburg/Germany	100.00%	Sales company

* Indirectly via Jasione GmbH

Company	Interest held by JOST Werke AG	Nature of business
Alo Danmark A/S* Skive/Denmark	100.00%	Sales company
Ålö Norge A/S* Rakkestad/Norway	100.00%	Sales company
Alo UK Ltd.* Droitwich/United Kingdom	100.00%	Sales company
Agroma S.A.S.* Blanzac-Les-Matha/France	100.00%	Production company Sales company
Alo Canada Inc.* Vancouver/Canada	100.00%	Sales company
Alo USA Inc.* Elgin, IL/U.S.A.	100.00%	Sales company
Alo Tennessee Inc.* Telford, TN/U.S.A.	100.00%	Production company
Alo Agricult. Machinery (Ningbo) Co. Ltd.* Ningbo/PR China	100.00%	Production company
Alo Trading (Ningbo) Co. Ltd.* Ningbo/PR China	100.00%	Sales company
Alo Brasil Ltda.* Brazil	100.00%	Sales company
Joint Ventures		
JOST Brasil Sistemas Automotivos Ltda.* Caxias do Sul/Brazil	49.00%	Production company Sales company

* Indirectly via Jasione GmbH

On January 31, 2020, the subsidiary Jost-Werke International Beteiligungsverwaltung GmbH acquired Ålö Holding AB, Umeå, Sweden, and its subsidiaries. The following entities were acquired in this context. The list includes information on their registered office and the equity interest acquired.

- Ålö Holding AB, Umeå, Sweden (100%)
- Ålö Group AB, Umeå, Sweden (100%)
- Ålö Intressenter AB, Umeå, Sweden (100%)
- Ålö AB, Umeå, Sweden (100%)
- Alö Deutschland Vertriebs-GmbH, Dieburg, Germany (100%)
- Alo Danmark A/S, Skive, Denmark (100%)
- Ålö Norge A/S, Rakkestad, Norway (100%)
- Alo UK Ltd, Droitwich, United Kingdom (100%)
- Alo France S.A.S., Blanzac-Les-Matha, France (100%)
- Agroma S.A.S., Blanzac-Les-Matha, France (100%)
- Alo Canada Inc, Vancouver, Canada (100%)
- Alo USA Inc, Elgin, IL, USA (100%)
- Alo Tennessee Inc, Telford, TN, USA (100%)
- Alo Agricult. Machinery (Ningbo) Co. Ltd., Ningbo, PR China (100%)
- Alo Trading (Ningbo) Co. Ltd., Ningbo, PR China (100%)
- Alo Brasil Ltda, Brazil (100%)

Alo France S.A.S., Blanzac-Les-Matha, France, was merged with Agroma S.A.S., Blanzac-Les-Matha, France, effective June 1, 2020.

Furthermore, Tridec Holdings B.V., Son, the Netherlands, was merged with Transport Industry Development Centre B.V., Son, the Netherlands, effective as of December 31, 2020.

As of December 31, 2020, JOST-Werke VG1 GmbH, Neu-Isenburg, Germany, was still being set up. On November 28, 2019, JOST-Werke Asset Management GmbH, Neu-Isenburg, Germany, was founded. The entry in the Commercial Register was made on April 1, 2020. The two companies have not yet commenced operations. These start-ups have therefore not yet led to any sales revenues for the group, and nor have they yet had any significant effect on earnings.

Other than that, the structure of the JOST Werke Group, including its subsidiaries and the joint venture, as of December 31, 2020, has not changed compared to December 31, 2019.

6. 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.

Foreign exchange gains and losses in operating profit amount to €5,794 thousand (2019: €3,188 thousand) and €–7,494 thousand (2019: €–3,510 thousand) respectively. The finance result contains net foreign exchange gains and losses of €5,279 thousand (2019: €3,007 thousand) and €–1,909 thousand (2019: €–2,305 thousand) respectively. Overall, this results in a net foreign exchange gain of €1,670 thousand (2019: €380 thousand). For further information, please refer to notes 35, 37 and 38.

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.

7. 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.

As coronavirus (COVID-19) continues to spread, it is difficult to predict the duration and extent of the resulting effects on JOST's assets, liabilities, earnings and cash flows. The estimates and assumptions relevant to the financial statements and made in preparing the consolidated financial statements for the period ended December 31, 2020 were based on the level of knowledge at that time and the best information available. In this context, JOST applied a scenario that assumed that the COVID-19 situation at that time would not be long-term. JOST therefore expects that its effects on the consolidated financial statements will not be of a significant, serious nature. COVID-19-related effects on the consolidated financial statements may continue to arise as a result of falling and more volatile share prices, changes in interest rates in various countries, increasing volatility in foreign exchange rates, a deterioration in creditworthiness, defaults or late payments, delays in order intake and in fulfilling orders or performing contracts, the termination of contracts, adapted or modified revenue and cost structures, restrictions on the use of assets, volatility in financial and commodity markets, restrictions on access to or the inability to access customer premises, or difficulty in making forecasts and predictions due to uncertainty over the amount and timing of cash flows. These factors may affect the fair values and carrying amounts of assets and liabilities, the amount and timing of profit recognition, and cash flows. It is possible that assumptions and carrying amounts will need to be adjusted in the next fiscal year. The company believes that the assumptions made appropriately reflected the situation at the time of preparation of the consolidated financial statements.

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

For property, plant and equipment and intangible assets, the expected useful life, which may also be indefinite, must be estimated; these estimates are subject to uncertainty. As outlined in notes 7.2 to 7.4, these assets must also be tested for impairment. The performance of impairment tests (especially for goodwill and trademarks with indefinite useful lives), and in particular the determination of fair value, is based on management's assessments of future cash flows and the discount rates used. In particular, the assumptions regarding future cash flows in the planning period and beyond, if applicable, relate mainly to expected market developments and the products' profitability. For more information, see note 10 and note 11.

Business combinations

When accounting for business combinations, judgments need to be made in assessing whether an intangible asset is identifiable and should be recognized separately from goodwill. Moreover, estimating the acquisition-date fair value of identifiable assets acquired and liabilities assumed entails significant judgments. The necessary measurements are based on information available at the acquisition date as well as on expectations and assumptions which management considers to be reasonable. Those judgments, estimates and assumptions may significantly affect the net assets, financial position and results of operations for the following reasons, among others:

The fair values allocated to assets required to be depreciated or amortized affect the amount of the depreciation and amortization charges recognized in operating profit in periods after the acquisition. Subsequent adverse changes in the assets' estimated fair values could result in additional expenses due to impairment. Subsequent changes in the estimated fair values of liabilities and provisions could result in additional expenses (in the event of an increase in estimated fair values) or additional income (in the event of a decrease in estimated fair values).

Goodwill from business combinations is tested for impairment (see note 7.2). In this context, various significant estimates and assumptions are required; these are explained in further detail in note 10.

Pensions and similar obligations

Provisions and expenses for post-employment defined-benefit pension plans are determined on the basis of actuarial calculations. The actuarial valuation is based on assumptions concerning discount rates, future wage and salary increases, mortality rates, future pension increases, and expected staff turnover. All assumptions are reviewed at the balance sheet date. The discount rate is based on high quality corporate bond yields for the currency in question at the reporting date. The mortality rate is based on publicly available mortality tables for the country in question. Future wage and salary increases, as well as pension increases, are based on expected future inflation rates for the country concerned, as well as on the structure of the defined-benefit pension plan. Such estimates are subject to significant uncertainties, in line with the long-term orientation of the pension plans. For effects of using different actuarial assumptions on the carrying amount of pension obligations, see note 21.

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.

Leases

Under IFRS 16, lease terms are estimated based on the non-cancellable period of the lease and the assessment as to whether existing extension and termination options will be exercised. The determination of the term and the discount rates used affect the amount of the right-of-use assets and lease liabilities.

Financial instruments

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

Recognition of deferred taxes on interest and loss carryforwards

Regarding the future use of loss carryforwards at Jasione GmbH, it is assumed that there has been no "detrimental acquisition of an interest" (schädlicher Beteiligungserwerb) within the meaning of Section 8c of the Körperschaftsteuergesetz (German Corporate Income Tax Act – KstG) that can result in a (proportional) forfeiture of the existing loss carryforwards. In addition, the positive equity comparison test as of December 31, 2018 (equity ratio for the group must be lower than for the Jasione GmbH tax group) is expected to be accepted by the tax authorities so that the interest carried forward can therefore be fully deducted as an expense in fiscal year 2019. Moreover, assumptions regarding future business performance are made for the five-year planning period that determine the amount of taxable income and therefore the amount of loss carryforwards to be used in the future.

Goodwill and other intangible assets

Purchased intangible assets are recognized at cost and reduced by straight-line amortization over their useful lives. The group has intangible assets with an indefinite useful life. Impairment losses are recognized if required. Goodwill is not amortized.

The useful lives applied to the group's intangible assets can be summarized as follows:

	Order backlog	Software	Patents and technologies	Customer list	Trademarks
Useful lives	1 year	3 years	5–15 years	15–22 years	20 years

Goodwill

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

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

Goodwill impairment reviews are undertaken annually as of December 31, 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 (not considered in the impairment test carried out as of December 31, 2020) and its value in use. Value in use is defined as the present value of the future cash flows expected to be derived by the entity from the cash-generating unit. Value in use is calculated by discounting the estimated future cash flows to their present value by applying a pre-tax discount rate that reflects current market expectations of the time value of money and the risks specific to the cash-generating unit. An appropriate discounted cash flow model is used to measure fair value less costs to sell. Impairment losses on goodwill may not be reversed in future periods if the reasons for recognizing the impairment loss in previous periods no longer apply. The carrying value of the cash-generating unit containing the goodwill/intangible asset is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

Research and development expenses

In addition to the costs of the research departments and process development, this income statement item includes third-party services and the cost of technical tests. Expenditure on research shall be recognized as an expense when it is incurred. Development expenses are expensed in full in the period in which they are incurred unless the recognition criteria in IAS 38 require the expenses to be capitalized. If development expenses are capitalized, the cost model is applied after initial recognition of the development expenses, under which the asset is recognized at cost less any cumulative straight-line amortization and any cumulative impairment losses. Capitalized development expenses are amortized over the period of the expected future revenues associated with the project in question. This period is usually three to fifteen 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 indefinite useful lives

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

Property, plant, and equipment

Items of property, plant, and equipment are recognized at cost less cumulative depreciation and any cumulative impairment losses. Straight-line depreciation is based on the estimated useful lives of the assets. The carrying amounts of items of property, plant, and equipment are tested for impairment if there are indications that the carrying amount of an asset is higher than its recoverable amount. If an item of property, plant and equipment is part of a cash-generating unit, impairment is determined on the basis of the recoverable amount of that unit.

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

The useful lives applied to the group's property, plant, and equipment are summarized as follows (land is not depreciated):

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

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

Investments accounted for using the equity method

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

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

Inventories

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

Financial assets and financial liabilities

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

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

As of December 31, 2019, and as of December 31, 2020, there were no financial assets measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are explained in notes 23 and 26.

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

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

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

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

Financial assets measured at amortized cost

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

Financial assets measured at fair value through profit or loss

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

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

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

Financial liabilities measured at amortized cost

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

Financial liabilities measured at fair value through profit or loss

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

Subsequent measurement

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

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

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

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

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

Impairment of financial assets

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

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

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

Indications of impairment include significant financial difficulty of a debtor, an increased probability that a borrower will enter bankruptcy or other reorganization proceedings, as well as a breach of contract such as delinquency in interest or principal payments. Expected credit losses are determined by grouping trade receivables based on how overdue they are. The expected loss rates are calculated using both historical information (such as historical impairments) as well as forward-looking information (like country credit ratings by rating firms). The loss rates determined in this way are also used for contract assets. Payments subsequently received on amounts that have been written off are credited against the impairment losses recognized on trade receivables in the “Selling expenses” item in the income statement. A credit-impaired receivable is ultimately derecognized when it is no longer expected that the debtor will make payments, such as when an insolvency or reorganization process is completed.

Cash and cash equivalents

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

Pensions and similar obligations

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

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The major pension scheme is a final salary pension plan providing 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.

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

Other provisions

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

Trade payables and other liabilities

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

Interest-bearing loans and borrowings

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

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

Derivatives

The group uses derivatives to hedge existing interest rate risks and exchange rate risks arising from loans denominated in foreign currencies. These are initially measured at fair value and subsequently at fair value as well.

The fair values of various derivative instruments used for hedging purposes are disclosed in notes 15 and 26. Changes in the fair values of the hedges are recognized in the income statement and shown in notes 37 and 38. The full fair value of a derivative is classified as a noncurrent liability when the remaining maturity of the derivative is more than twelve months, and as a current liability when the maturity is less than twelve months. If the fair value of a derivative is positive, it is classified as an asset.

The fair values of the derivatives are determined using valuation techniques, as they are not traded in an active market. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs are observable, the instruments are included in level 2 in accordance with IFRS 13. To determine the fair value an instrument JOST calculates the present value of the estimated future cash flows based on observable yield curves. The gross amount/market value shown in the measurement of the cross currency swaps reflects the present value of the aggregated cash flows. The present value is the sum of all discounted cash flows. Forward exchange contracts are measured using the present value method, with the future values discounted as of the measurement date.

Leases

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

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

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

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

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

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

Some leases contain extension and termination options. Such contractual terms and conditions are used to give the group some operational flexibility in terms of the contracts it holds. Most of the existing extension and termination options can be exercised only by the group and not by the lessor. In determining the lease term, all facts and circumstances that create an economic incentive to exercise extension options or not to exercise termination options are considered. Any changes to a lease term as a result of the exercise of extension and termination options are only included in the term of the contract if the lease is reasonably certain to be extended or a termination option is reasonably certain not to be exercised.

Revenue Recognition

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

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

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

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

Taxes

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Tax refunds for previous years cannot be ruled out due to future court rulings or a change of opinion on the part of the revenue authorities.

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

Deferred tax assets and liabilities are offset if the company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle on a net basis. An excess of deferred tax assets is only recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for deductible temporary differences associated with investments in subsidiaries, unless the group is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Share-based payment in accordance with IFRS 2

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

Cash flow statement

The consolidated cash flow statement was prepared in accordance with IAS 7 and classifies cash flow into operating, investing and financing activities. Cash flow from operating activities was determined using the indirect method, whereas cash flow from investing activities was calculated on the basis of the direct method. The changes in the balance sheet items shown in the cash flow statement cannot be derived directly from the balance sheet, since noncash effects resulting from currency translation and business acquisitions have been taken into consideration. Investing activities are the acquisition and disposal of noncurrent assets and other investments not included in cash equivalents. Cash flow from financing activities is also determined using the direct method. Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

8. EXCEPTIONALS

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

In fiscal year 2020, expenses amounting to €48,175 thousand (2019: €31,031 thousand) were adjusted within earnings before interest and taxes (EBIT).

The items adjusted within EBIT relate to expenses arising from the purchase price allocations (PPA depreciation and amortization) in the amount of €29,077 thousand (2019: €25,108 thousand) recognized under selling expenses and research and development expenses Furthermore, cost of sales as well as selling, administrative and other expenses were adjusted for expenses relating to other effects totaling €19,098 thousand (2019: €5,923 thousand). The other effects mainly relate to the expenses associated with the acquisition of Ålö Holding AB in the amount of €1,964 thousand (2019: €2,482 thousand), earnings effects from the use of step-ups on inventories in the amount of €9,617 thousand as well as expenses of €4,458 thousand for an optimization project at the Ålö Group. Finance expense were also adjusted for expenses from the financing of the acquisition of Ålö Holding AB in the amount of €240 thousand (2019: €0 thousand).

In the previous year, exceptionals in personnel expenses (mainly termination benefits) in the amount of €2,304 thousand and the harmonization of global IT infrastructures in the amount of €763 thousand were adjusted.

Notional income taxes after adjustments were recognized in the amount of €20,285 thousand in 2020 (2019: €21,791 thousand).

The table below shows the earnings adjusted for these effects:

in € thousands	2020 Unadjusted	PPA depreciation and amortization	Other effects	Adjustments, total	**2020 Adjusted**
Notes		(9), (10), (11)	(9)		
Sales revenues	**794,410**			**0**	**794,410**
Cost of sales	**–578,018**		**11,865**	**11,865**	**–566,153**
Gross profit	**216,392**	**0**	**11,865**	**11,865**	**228,257**
Selling expenses	–116,268	26,607	1,544	28,151	–88,117
Research and development expenses	–17,192	2,470	94	2,564	–14,628
Administrative expenses	–61,690		6,606	6,606	–55,084
Other income	10,828		–1,011	–1,011	9,817
Other expenses	–9,831			0	–9,831
Share of profit or loss of equity method investments	2,812			0	2,812
Operating profit (EBIT)	**25,051**	**29,077**	**19,098**	**48,175**	**73,226**
Financial income	5,926			0	5,926
Financial expense	–11,776		240	240	–11,536
Net finance result	**–5,850**	**0**	**240**	**240**	**–5,610**
Profit / loss before tax	**19,201**	**29,077**	**19,338**	**48,415**	**67,616**
Income taxes	89				–20,285
Profit / loss after taxes	**19,290**				**47,331**
Weighted average number of shares	**14,900,000**				**14,900,000**
Basic and diluted earnings per share (in €)	**1.29**				**3.18**

in € thousands	2019 Unadjusted	PPA depreciation and amortization	Other effects	Adjustments, total	**2019 Adjusted**
Notes		(9), (10), (11)	(9)		
Sales revenues	**736,347**			**0**	**736,347**
Cost of sales	**–548,801**		**274**	**274**	**–548,527**
Gross profit	**187,546**	**0**	**274**	**274**	**187,820**
Selling expenses	–89,586	25,108	579	25,687	–63,899
Research and development expenses	–13,219			0	–13,219
Administrative expenses	–43,872		4,440	4,440	–39,432
Other income	5,582			0	5,582
Other expenses	–4,103		630	630	–3,473
Share of profit or loss of equity method investments	3,456			0	3,456
Operating profit (EBIT)	**45,804**	**25,108**	**5,923**	**31,031**	**76,835**
Financial income	3,292			0	3,292
Financial expense	–7,491			0	–7,491
Net finance result	**–4,199**	**0**	**0**	**0**	**–4,199**
Profit / loss before tax	**41,605**	**25,108**	**5,923**	**31,031**	**72,636**
Income taxes	–8,081				–21,791
Profit / loss after taxes	**33,524**				**50,845**
Weighted average number of shares	**14,900,000**				**14,900,000**
Basic and diluted earnings per share (in €)	**2.25**				**3.41**

9. 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 Executive 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 (parts for trucks, trailers and agricultural tractors) of the operating segments is broadly similar. However, no material sales revenues are generated with agricultural tractors in the Asia, Pacific and Africa region.

The Executive Board monitors the operating segments based on sales revenues and the most important earnings figures and measures operating segment performance primarily on adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA). Adjusted EBIT is calculated based on the consolidated financial statements in accordance with IFRS of JOST Werke AG adjusted for exceptional items, depreciation and amortization of property, plant, and equipment and intangible assets from purchase price allocations (PPA) and impairment and reversal of impairment of property, plant, and equipment and intangible assets from purchase price allocations. Adjusted EBIT is then adjusted for further depreciation of property, plant and equipment and amortization of intangible assets in order to arrive at adjusted EBITDA. Exceptionals comprise other non-operating expenses and income and, among others, relate to the expenses associated with the acquisition of Ålö Holding AB, earnings effects from the utilization of step-ups on inventories, and expenses for an optimization project at Ålö (in the previous year: one-off personnel expenses and the harmonization of global IT infrastructures). The exceptionals in 2020 have been incurred mainly in the operating segments Europe and North America. The share of profit or loss of investments accounted for using the equity method is not allocated to a segment and is therefore included in the “reconciliation” column.

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

Segment reporting for December 31, 2020

in € thousands	Europe	North America	Asia, Pacific and Africa	Reconciliation	**Consolidated financial statements**
Sales revenues*	757,761	187,315	218,042	–368,708	794,410**
thereof: external sales revenues*	**482,235**	**172,298**	**139,877**	**0**	**794,410**
thereof: internal sales revenues*	275,526	15,017	78,165	–368,708	0
Adjusted EBIT* **	**37,275**	**11,847**	**21,292**	**2,812**	**73,226**
thereof: depreciation and amortization	19,606	5,043	4,800	0	29,449
Adjusted EBIT margin	7.7%	6.9%	15.2%		9.2%
Adjusted EBITDA* **	**56,881**	**16,890**	**26,092**	**2,812**	**102,675**
Adjusted EBITDA margin	11.8%	9.8%	18.7%		12.9%

* Sales by destination in the reporting period:
– Europe: €404,374 thousand
– Americas: €188,610 thousand
– Asia-Pacific-Africa: €201,426 thousand

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

*** The share of profit or loss of investments accounted for using the equity method is not allocated to a segment and is therefore included in the “reconciliation” column in the amount of €2,812 thousand.

Segment reporting for December 31, 2019

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

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

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

*** The share of profit or loss of investments accounted for using the equity method is not allocated to a segment and is therefore included in the “reconciliation” column in the amount of €3,456 thousand.

Sales revenues in the fiscal year are distributed as follows between the two newly defined business units Transport and Agriculture:

	Transport	Agriculture	Consolidated financial statements
Sales	609,859	184,551	794,410

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

JOST generated external sales revenues in the amount of €237,563 thousand (2019: €289,453 thousand) with its companies registered in Germany. JOST generated external sales revenues in the amount of €166,897 thousand (2019: €161,779 thousand) with its companies registered in the USA.

Reconciliation of earnings to adjusted earnings figures as of December 31, 2020

in € thousands	**2020**	2019
Profit / loss after taxes	**19,290**	**33,524**
Income taxes	89	–8,081
Net finance result	–5,850	–4,199
EBIT	**25,051**	**45,804**
D&A from PPA	–29,077	–25,108
Other effects	–19,098	–5,923
Adjusted EBIT	**73,226**	**76,835**
Depreciation of property, plant and equipment	–26,434	–21,735
Amortization of intangible assets	–3,015	–2,222
Adjusted EBITDA	**102,675**	**100,792**

The following tables show noncurrent assets by operating segments for December 31, 2020:

in € thousands	Europe*	North America	Asia, Pacific and Africa	Reconciliation	**Consolidated financial statements**
Noncurrent assets**	432,314	48,230	48,928	8,085	537,557

* Of this amount, €51,216 thousand is attributable to noncurrent assets of companies registered in Germany. This does not include intangible assets recognized as part of the purchase price allocation as these figures are not available at the level of individual companies and the cost to determine them would be excessive.

** Noncurrent assets include the carrying amount of investments accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

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

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

* Of this amount, €46,527 thousand is attributable to noncurrent assets of companies registered in Germany. This does not include intangible assets recognized as part of the purchase price allocation as these figures are not available at the level of individual companies and the cost to determine them would be excessive.

** Noncurrent assets include the carrying amount of investments accounted for using the equity method that is not allocated to a segment and therefore included in the reconciliation column.

Noncurrent assets consist of goodwill, 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 2020 and 2019.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

in € thousands	Goodwill	Internally generated intangible assets	Customer list	Other intangible assets	Advance payments and intangible assets under construction	Total other intangible assets
Cost						
Balance at January 1, 2019	**74,267**	**12,175**	**393,716**	**89,251**	**0**	**569,409**
Additions	0	1,831	0	150	112	2,093
Currency and other changes	0	0	347	112	1	460
Reclassifications	0	0	0	2,894	0	2,894
Disposals	0	0	0	–334	0	–334
Balance as of December 31, 2019	**74,267**	**14,006**	**394,063**	**92,073**	**113**	**574,522**
Changes in the basis of consolidation	90,157	31,152	38,234	69,781	0	229,324
Additions	0	4,072	0	864	0	4,936
Currency and other changes	1,989	2,154	–240	3,270	–22	7,151
Reclassifications	0	0	0	397	–82	315
Disposals	0	0	0	–20	0	–20
Balance as of December 31, 2020	**166,413**	**51,384**	**432,057**	**166,365**	**9**	**816,228**
Amortization and impairment						
Balance at January 1, 2019	**74,267**	**9,220**	**213,396**	**68,790**	**0**	**365,673**
Additions	0	1,664	20,885	2,560	0	25,109
Currency and other changes	0	0	–191	32	0	–159
Disposals	0	0	0	–334	0	–334
Balance as of December 31, 2019	**74,267**	**10,884**	**234,090**	**71,048**	**0**	**390,289**
Changes in the basis of consolidation	0	0	0	1,521	0	1,521
Additions	0	3,967	22,446	3,389	0	29,802
Currency and other changes	0	106	635	–90	0	651
Disposals	0	0	0	–20	0	–20
Balance as of December 31, 2020	**74,267**	**14,957**	**257,171**	**75,848**	**0**	**422,243**
Carrying amount as of December 31, 2019	**0**	**3,122**	**159,973**	**21,025**	**113**	**184,233**
Carrying amount as of December 31, 2020	**92,146**	**36,427**	**174,886**	**90,517**	**9**	**393,985**

The goodwill for the previous year of €74,267 thousand presented above has been impaired since 2009; the impairment may not be reversed in accordance to IAS 36. The addition of €90,157 thousand in the reporting year results from the acquisition of the Ålö Group.

The internally generated intangible assets result from various development projects with amortization periods of 1 to 14 years. The average remaining amortization period is 7 years.

The customer lists result from various business combinations with amortization periods of 3 to 19 years. The average remaining amortization period is 11 years.

Other intangible assets mainly include brand names in the amount of €87,150 thousand (2019: €17,476 thousand), of which €71,904 thousand (2019: €0 thousand) have an indefinite useful life. From a market perspective, the Quicke brand resulting from the acquisition of the Ålö Group is assumed to have an indefinite useful life, as it is a long-established brand name for which there is no foreseeable and therefore determinable end to its usefulness. This brand is subject to an annual impairment test. The brand's recoverable amount was determined as its fair value less costs to sell using the relief-from-royalty method. The expected cash flows from the corporate planning data are used as a basis, applying a discount rate of 9.3% p.a. and a license rate of 5% as well as a 0.3% growth rate. There were no indications of impairment in 2020.

For further details regarding amortization, impairments, and the reversal of impairments see note 40.

Goodwill impairment testing

Goodwill is allocated to the cash-generating units (CGUs) identified by the group in accordance with the geographical areas. Goodwill is allocated as follows:

Goodwill by segment – Carrying amounts

in € thousands	**12/31/2020**	12/31/2019
Cash-generating unit Europe	69,930	0
Cash-generating unit North America	13,502	0
Cash-generating unit Asia, Pacific and Africa	8,714	0
Total	**92,146**	**0**

The recoverable amount of a CGU is based on its value in use, which is estimated using discounted cash flows. This calculation uses cash flow projections based on financial budgets/forecasts approved by management for a three-year period. Cash flows beyond this three-year period are extrapolated using the estimated growth rates stated below. In JOST's view, these growth rates do not exceed the long-term average growth rate for the geographical area of the CGU in question.

The discount rates applied are pre-tax rates and reflect the risk specific to the CGU in question.

The discount rate is determined based on the risk-free rate of interest, the market risk premium and the borrowing rate. Specific peer group information on beta factors and leverage is also taken into account.

The material assumptions are as follows:

Goodwill by segment – Material assumptions

2020	ZGE Europe	ZGE North America	ZGE Asia, Pacific and Africa
Long-term growth rate Terminal value	0.9%	0.9%	0.9%
Discount rate before taxes	9.1%	8.5%	9.3%

For 2021, management assumed a year-over-year increase in consolidated revenues in the high single-digit range and year-over-year growth in EBIT and EBITDA in the low double-digit range.

The assumptions are based on management's expectations about future market trends.

If changes in key assumptions are considered possible, these changes are taken into account in a sensitivity analysis for the individual CGUs. The sensitivity analysis was performed for all significant influencing factors in isolation, i.e. a change in the fair value of a cash-generating unit results only from a reduction or an increase in the influencing factor in question.

Effects of the COVID-19 pandemic on the recoverability of goodwill:

In updating the estimates and judgments, available information on the expected economic trend and country-specific government measures was taken into account and included for the purposes of goodwill impairment testing.

Bearing in mind the uncertainty over the global economy as a result of the COVID-19 pandemic and the changing economic environment, impairment tests were performed for the cash-generating units (Europe, North America and APA) taking into account different sensitivities and confirmed the recoverability of the carrying amounts taken as a basis.

11. PROPERTY, PLANT, AND EQUIPMENT

in € thousands	Land, land and rights, and buildings, including buildings on third-party land	Right-of-use assets for land, land and rights, and buildings, including buildings on third-party land	Technical equipment and machinery	Right-of-use assets for technical equipment and machinery	Other equipment, operating and office equipment	Right-of-use assets for other equipment, operating and office equipment	Advance payments and assets under construction	**Total**
Cost								
Balance at January 1, 2019	**48,518**	**0**	**62,877**	**0**	**25,446**	**0**	**6,023**	**142,864**
Restatements due to changes in accounting standard	0	27,078	0	290	0	4,470	0	31,838
Additions	241	3,533	3,936	570	4,410	1,867	6,943	21,500
Currency and other changes	343	97	1,883	33	539	52	50	2,997
Reclassifications	68	0	2,092	0	–495	583	–5,142	–2,894
Disposals	–149	–309	–2,170	0	–2,353	–122	–118	–5,221
Balance as of December 31, 2019	**49,021**	**30,399**	**68,618**	**893**	**27,547**	**6,850**	**7,756**	**191,084**
Changes in the basis of consolidation	13,009	9,505	41,025	0	9,670	930	305	74,444
Additions	248	1,420	11,613	92	1,812	2,020	7,672	24,877
Currency and other changes	–1,589	–483	–4,978	–57	–2,192	1,144	–189	–8,344
Reclassifications	365	0	6,596	0	375	0	–7,651	–315
Disposals	–1,840	–460	–4,999	0	–2,357	–1,444	–47	–11,147
Balance as of December 31, 2020	**59,214**	**40,381**	**117,875**	**928**	**34,855**	**9,500**	**7,846**	**270,599**
Depreciation and impairment								
Balance at January 1, 2019	**23,450**	**0**	**24,864**	**0**	**11,726**	**0**	**0**	**60,040**
Additions	3,061	5,289	7,643	201	5,732	2,030	0	23,956
Currency and other changes	295	13	1,305	12	284	28	0	1,937
Reclassifications	0	0	0	0	–302	302	0	0
Disposals	–146	–18	–2,103	0	–2,191	–107	0	–4,565
Balance as of December 31, 2019	**26,660**	**5,284**	**31,709**	**213**	**15,249**	**2,253**	**0**	**81,368**
Changes in the basis of consolidation	5,357	87	30,040	0	5,923	30	0	41,437
Additions	3,667	7,038	9,072	201	5,735	3,011	0	28,724
Currency and other changes	–594	–90	–2,703	0	–1,801	–51	0	–5,239
Disposals	–1,041	–215	–4,818	0	–2,286	–1,122	0	–9,482
Balance as of December 31, 2020	**34,049**	**12,104**	**63,300**	**414**	**22,820**	**4,121**	**0**	**136,808**
Carrying amount as of December 31, 2019	**22,361**	**25,115**	**36,909**	**680**	**12,298**	**4,597**	**7,756**	**109,716**
Carrying amount as of December 31, 2020	**25,165**	**28,277**	**54,575**	**514**	**12,035**	**5,379**	**7,846**	**133,791**

As of December 31, 2020, assets under construction in the amount of €7,303 thousand have been included in the “Advance payments made and assets under construction” item (December 31, 2019: €6,014 thousand).

For further details regarding depreciation, see note 40.

The following overview separately lists the right-of-use assets recognized in connection with leases in noncurrent assets.

in € thousands	Land, land and rights, and buildings, including buildings on third-party land	Right-of-use assets for technical equipment and machinery	Right-of-use assets for other equipment, operating and office equipment	**Total**
Cost				
Balance at January 1, 2019	**0**	**0**	**0**	**0**
Restatements due to changes in accounting standard	27,078	290	4,470	31,838
Additions	3,533	570	1,867	5,970
Currency and other changes	97	33	52	182
Reclassifications	0	0	583	583
Disposals	–309	0	–122	–431
Balance as of December 31, 2019	**30,399**	**893**	**6,850**	**38,142**
Restatements due to changes in accounting standard	9,505	0	930	10,435
Additions	1,420	92	2,020	3,532
Currency and other changes	–483	–57	1,144	604
Disposals	–460	0	–1,444	–1,904
Balance as of December 31, 2020	**40,381**	**928**	**9,500**	**50,809**
Depreciation and impairment				
Balance at January 1, 2019	**0**	**0**	**0**	**0**
Additions	5,289	201	2,030	7,520
Currency and other changes	13	12	28	53
Reclassifications	0	0	302	302
Disposals	–18	0	–107	–125
Balance as of December 31, 2019	**5,284**	**213**	**2,253**	**7,750**
Restatements due to changes in accounting standard	87	0	30	117
Additions	7,038	201	3,011	10,250
Currency and other changes	–90	0	–51	–141
Disposals	–215	0	–1,122	–1,337
Balance as of December 31, 2020	**12,104**	**414**	**4,121**	**16,639**
Carrying amount as of December 31, 2019	**25,115**	**680**	**4,597**	**30,392**
Carrying amount as of December 31, 2020	**28,277**	**514**	**5,379**	**34,170**

The corresponding lease liabilities are shown as other financial liabilities (see notes 23 and 26).

12. 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 joint venture is a material equity investment through which the group conducts its operations and its strategy. This equity method investment has successfully operated for more than 20 years and is of strategic significance. This entity is under common control as all material decisions have to be agreed unanimously together between JOST and the other shareholder.

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

in € thousands	**2020**	2019
Noncurrent assets	6,590	8,476
Current assets	16,195	15,210
Noncurrent liabilities	775	1,231
Current liabilities	10,133	6,491
Equity	11,876	15,964
Sales revenues	45,689	64,983
Income total	49,055	66,084
Expenses total	43,319	59,036
Profit or loss for the period*	5,736	7,048
Interest (%)	49	49
Share of profit or loss for the period	2,812	3,456
Carrying amount of investment at 12/31	**8,085**	**10,851**

* For 2020 and 2019 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	**2020**	2019
Net assets at 12/31	**11,876**	**15,964**
Interest in joint venture	5,819	7,823
Goodwill (translated at current fx rate)	1,910	2,696
Fx effects on net assets	356	332
Carrying amount	**8,085**	**10,851**

Additional information:

in € thousands	**2020**	2019
Cash and cash equivalents	2,748	4,156
Current financial liabilities	156	28
Noncurrent financial liabilities	382	271
Depreciation and amortization	675	909
Interest income	1,577	964
Interest expenses	479	763
Income tax expenses	2,873	2,969

Dividend income of €2,106 thousand (2019: €3,382 thousand and interest received of €292 thousand (2019: €382 thousand) was recognized in fiscal year 2020.

An average of 324 people were employed in the reporting period (168 salaried employees and 156 hourly paid workers). In 2019, the headcount was 317 (152 salaried employees and 165 hourly paid workers).

As in prior years there were no contingent liabilities as at December 31, 2020.

13. LEASES

In connection with real estate, the JOST Werke Group mainly leases production halls, warehouses and office buildings. Leased production machinery is reported under technical equipment and machinery. Other equipment, operating and office equipment mainly comprise the leased vehicle pool. The leases have terms of between one year and 21 years. In case of agreements with an indefinite term, estimates have been made on the basis of the economic useful life. Lease agreements may include extension and termination options.

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

IFRS 16 – Balance sheet disclosures

in € thousands	**12/31/2020**	12/31/2019
Assets		
Property, plant, and equipment		
Right-of-use assets – Land, land and rights, and buildings, including buildings on third-party land	28,277	25,115
Right-of-use assets – Technical equipment and machinery	514	680
Right-of-use assets – Other equipment, operating and office equipment	5,379	4,597
Equity and liabilities		
Other noncurrent financial liabilities		
Noncurrent lease liabilities	25,908	23,588
Other current financial liabilities		
Current lease liabilities	9,663	7,030

For further information on the development of the rights of use, see note 11. The lease liabilities as the present value of future lease payments are based on the maturities indicated in note 21.

The application of IFRS 16 results in the following income statement disclosures:

IFRS 16 – Income statement disclosures

in € thousands	**2020**	2019
Depreciation charge on right-of-use assets	–10,250	–7,520
Depreciation of right-of-use assets – Land, land rights, and buildings, including buildings on third-party land	–7,038	–5,289
Depreciation of right-of-use assets – Technical equipment and machinery	–201	–201
Depreciation of right-of-use assets – Other equipment, operating and office equipment	–3,011	–2,030
Expenses from current leases	–63	–300
Expenses from leases of low-value assets	–62	–62
Profit/loss from sale-and-lease-back transactions	712	0
Interest expense on lease liabilities	–1,359	–644

The following amounts were recognized in the cash flow statement:

IFRS 16 – Cash flow statement disclosures

in € thousands	**2020**	2019
Cash flow from operating activities		
Profit/loss before tax		
Expenses relating to short-term leases and leases of low-value assets	–74	–391
Cash flow from financing activities	**–10,331**	**–7,562**
Interest payments	–1,204	–655
Repayment of lease liabilities	–9,127	–6,907
Total cash outflow for leases	**–10,405**	**–7,953**

In addition, future cash outflows have resulted from variable lease payments, residual value guarantees, leases which have not yet begun but which have already been entered into contractually and for current leases with a term of 12 months or less and leases of low-value assets, which are insignificant from the point of view of the JOST Werke Group. In the reporting year, there was one sale-and-leaseback transaction within the group resulting in a gain of €712 thousand and with an initial present value of the lease liability of €777 thousand. There were no sale and leaseback transactions in the previous year.

14. DEFERRED TAX ASSETS AND LIABILITIES

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

in € thousands	**2020**	2019
Deferred tax assets		
Deferred tax assets realized after more than 12 months	8,634	6,785
Deferred tax assets realized within 12 months	725	563
Total	**9,359**	**7,348**
Deferred tax liabilities		
Deferred tax liabilities realized after more than 12 months	27,028	9,209
Deferred tax liabilities realized within 12 months	8,814	7,452
Total	**35,842**	**16,661**
Deferred tax liabilities (net)	**26,483**	**9,313**

The movement in deferred income tax assets and liabilities during the fiscal 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, 2019	**10,696**	**2,342**	**25,283**	**2,740**	**5,188**	**46,249**
Amount recognized in profit or loss	–488	–991	–889	–752	–2,472	–5,592
Amount recognized directly in equity	3,480	0	0	0	0	3,480
Currency changes	0	0	0	0	0	0
Balance as of December 31, 2019	**13,688**	**1,351**	**24,394**	**1,988**	**2,716**	**44,137**
Addition due to change in the basis of consolidation	0	–2,041	0	0	0	–2,041
Amount recognized in profit or loss	–684	2,207	2,192	–615	3,148	6,248
Amount recognized directly in equity	609	0	0	0	0	609
Currency changes	0	0	0	0	0	0
Balance as of December 31, 2020	**13,613**	**1,517**	**26,586**	**1,373**	**5,864**	**48,953**

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

Deferred tax liabilities

in € thousands	Intangible assets	Property, plant, and equipment	Investment in associates	Total
Balance as of January 1, 2019	**58,626**	**1,649**	**170**	**60,445**
Amount recognized in profit or loss	–6,427	–667	–8	–7,102
Amount recognized directly in equity	0	0	0	0
Currency changes	107	0	0	107
Balance as of December 31, 2019	**52,306**	**982**	**162**	**53,450**
Addition due to change in the basis of consolidation	29,743	577	0	30,320
Amount recognized in profit or loss	–7,362	–681	–41	–8,084
Amount recognized directly in equity	0	0	0	0
Currency changes	–250	0	0	–250
Balance as of December 31, 2020	**74,437**	**878**	**121**	**75,436**

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% (2019: 30%) has been used: In addition to corporate income tax of 15% (2019: 15%), the solidarity surcharge amounting to 5.5% (2019: 5.5.%) of corporate income tax and the average trade tax rate of 14% (2019: 14%) were taken into account.

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

in € thousands	2020	2019
Balance at 1/1 (net liability)	**9,313**	**14,196**
Addition due to change in the basis of consolidation	32,361	0
Expense (+)/income (–) in income statement	–14,332	–1,510
Income taxes recognized in OCI (– profit/+loss) (pensions)	–609	–3,480
Currency changes	–250	107
Balance at 12/31 (net liability)	**26,483**	**9,313**

Taxes on income in € thousands	2020	2019
Current tax on profit before tax	14,243	9,591
Deferred taxes	–14,332	–1,510
Taxes on income	**–89**	**8,081**

Current tax on earnings before taxes compromise expenses for other fiscal years with an amount of €313 thousand (2019: income of €135 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	**2020**	2019
Profit/loss before tax	19,201	41,605
Expected tax rate in %	30.0%	30.0%
Expected income taxes	5,760	12,482
Taxes on distributed dividends	1,119	850
Differences due to deviating tax rates from group tax rate	–3,096	–3,413
Recognition of deferred taxes on interest and loss carryforwards	–4,702	–4,548
Income tax reduction for results from associates	–801	–985
Tax effects of non-deductible income/expenses	426	78
Use of loss carryforwards not capitalized	–2,853	0
Losses for which no deferred taxes were recognized	4,045	3,264
Income/expenses for other fiscal years	–313	135
Income taxes not based on profit/loss before tax (other taxes)	–19	191
Other	345	28
Effective tax charges	–89	8,081
Effective tax rate in %	–0.5%	19.4%

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 €406,054 thousand (December 31, 2019: €153,710 thousand), which are to remain permanently invested and therefore do not trigger a deferred tax liability.

Deferred tax assets for tax loss carryforwards are recognized in the amount at which the related tax benefits are likely to be realized from future taxable profits. Deferred tax assets amounting to €2,192 thousand (2019: €–889 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	**2020**	2019
Loss carryforwards in Germany*	211,413	222,539
Interest carryforwards in Germany	0	0
Loss carryforwards outside of Germany	30,523	969
Total	**241,936**	**223,508**

* Thereof trade tax loss carryforwards in the amount of €136.722 thousand (2019: €148.191 thousand)

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

Deferred tax assets that relate to entities which experienced a history of losses or realized a loss this year amount to €202 thousand (2019: €0 thousand).

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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 12/31/2020	Fair value 12/31/2020	Carrying amount 12/31/2019	Fair value 12/31/2019	Level
Assets						
Cash and cash equivalents	FAAC	108,315	108,315	104,812	104,812	n/a
Trade receivables	FAAC	123,947	123,947	89,937	89,937	n/a
Other financial assets	FAAC	4,546	4,546	628	628	n/a
Total		**236,808**	**236,808**	**195,377**	**195,377**	

Cash and cash equivalents, trade receivables, and other financial assets are generally of a current nature. The fair value therefore roughly corresponds to the carrying amount. As of the reporting date, all other financial assets are measured at amortized cost (FAAC); the same applied to December 31, 2019.

in € thousands	Measurement categories in accordance with IFRS 9	Carrying amount 12/31/2019	Fair value 12/31/2019	Carrying amount 12/31/2018	Fair value 12/31/2018	Level
Liabilities						
Trade payables	FLAC	127,261	127,261	64,223	64,223	n/a
Interest-bearing loans and borrowings*	FLAC	315,875	315,807	151,076	151,396	2
Lease liabilities	n/a**	35,571	–	30,618	–	n/a
Contingent purchase price liability	FLtPL	10,200	10,200	–	–	3
Other financial liabilities	FLAC	4,490	4,490	389	389	n/a
Derivative financial liabilities	FLtPL	2,995	2,995	1,573	1,573	2
Total		**496,392**	**460,753**	**247,879**	**217,581**	

* excluding accrued financing costs (see note 24)

** Within the scope of IFRS 16

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

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

in € thousands		Net gains/losses 2020	Carrying amount 12/31/2020	Fair value 12/31/2020	Net gains/losses 2019	Carrying amount 12/31/2019	Fair value 12/31/2019
Of which aggregated by measurement categories in accordance with IFRS 9							
Financial assets at amortised costs	FAAC	–649	236,808	236,808	–16	195,377	195,377
Financial liabilities at amortised costs	FLAC	–6,258	447,626	447,558	–2,760	215,688	216,008
Financial assets and liabilities at fair value through profit or loss	FAFLtPL	–1,154	13,195	13,195	–876	1,573	1,573

The net loss on financial assets measured at amortized cost amounts to €649 thousand (2019: €16 thousand) and stems from the impairment of trade receivables as of December 31, 2020. The net loss from financial liabilities measured at amortized cost amounts to €6,258 thousand (2019: €2,760 thousand) and stems from interest expense and other financial expenses (see note 38). The net loss from financial liabilities measured at fair value amounts to €1,154 thousand (2019: €876 thousand) and stems from the fair value measurement of the contingent purchase price liability, of the interest rate swaps and of the derivatives used to hedge the risk from exchange rate fluctuations of the Swedish krona in relation to the group currency euro as of December 31, 2020 (see note 26).

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 2020 and 2019.

The fair value of the interest-bearing loans and borrowings is determined in 2020 and 2019 considering actual interest curves and classified as level 2 of the fair value hierarchy.

The measurement of derivatives is described in notes 6.13, 23 and 26.

16. INVENTORIES

in € thousands	**12/31/2020**	12/31/2019
Raw materials, consumables, and supplies	48,777	45,230
Work in process	19,238	15,327
Finished goods and merchandise	68,324	47,616
Total	**136,339**	**108,173**

As at December 31, 2020 impairments on inventories amounting to €11,418 thousand (December 31, 2019: €6,423 thousand were recognized. The increase is mainly due to the acquisition of the Ålö Group.

17. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

Trade receivables

Trade receivables amounted to €123,947 thousand at the closing date (2019: €89,937 thousand).

Allowances on receivables changed as follows:

in € thousands	**2020**	2019
Balance at 1/1	**2,149**	**2,250**
Additions due to changes in the basis of consolidation	449	0
Additions	402	198
Utilization	–246	–133
Currency and other changes	–121	–166
Balance at 12/31	**2,633**	**2,149**

The contractual amount outstanding from receivables that were written off during the reporting period and are still subject to enforcement activity is €215 thousand (2019: €115 thousand).

The aging of receivables is as follows:

in € thousands	Carrying amount before impairment	Of which not yet past due at the closing date	Of which past due at the closing date: Up to 3 months*	3–6 months	6–12 months	more than 12 months	Of which credit-impaired at the closing date
December 31, 2020	126,580	107,960	15,241	208	467	71	2,633
December 31, 2019	92,086	76,878	12,075	454	437	93	2,149

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

As of December 31, 2020, trade receivables of €2,633 thousand (2019: €2,149 thousand) were impaired. Valuation allowances on trade receivables changed as follows:

2020

in € thousands	**Total**	Up to 3 months	3–6 months	6–12 months	more than 12 months
Item-by-item loss allowance	2,500	509	43	295	1,653
Loss allowance, expected credit loss	133	123	5	4	1
Total	**2,633**	**632**	**48**	**299**	**1,654**

2019

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

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

Other financial assets

Other financial assets mainly comprise bank bills that do not qualify as cash equivalents. There were no credit-impaired financial assets as of the balance sheet date. The gross carrying amount corresponds to the maximum default risk. No other financial assets were at risk of default as of the balance sheet date.

18. OTHER ASSETS

As of the end of the year, other assets amounted to €16,217 thousand (2019: €18,055 thousand). Other noncurrent assets consist of pension liability insurance claims (2020: €98 thousand; 2019: €93 thousand) and from prepaid expenses for a period of more than one year. Other current assets primarily include VAT receivables (2020: €8,511 thousand; 2019: €7,311 thousand), prepaid expenses (2020: €4,789 thousand; 2019: €4,031 thousand), recoverable taxes from business operations (2020: €253 thousand; 2019: €129 thousand), and current liability insurance claims (2020: €768 thousand; 2019: €882 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.

19. CASH AND CASH EQUIVALENTS

in € thousands	**12/31/2020**	12/31/2019
Cash on hand and bank balances	91,241	94,833
Bank bills of exchange	17,074	9,979
Total	**108,315**	**104,812**

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.

20. EQUITY

As of December 31, 2020, the subscribed capital of the JOST Werke Group amounted to €14,900 thousand, which is fully paid-up and divided into 14,900,000 no-par value shares.

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

According to a further resolution adopted by the General Meeting on May 4, 2018, the Executive 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 Executive 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 Executive Board has not yet exercised this authorization. In order to service the bonds, the General Meeting conditionally increased the share capital of the company by up to €7,450,000.00 by issuing up to 7,450,000 new no-par-value bearer shares (Authorized Capital 2018; Article 6 of the Articles of Association).

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

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

After the General Meeting held in July 2020, no dividend was distributed to the shareholders of the company. The retained earnings include the net profit for fiscal year 2020 of €19,290 thousand.

An amount of €8,441 thousand was taken from capital reserves and transferred to retained earnings in fiscal year 2020 (2019: €24,746 thousand).

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

The other comprehensive income for fiscal year 2020 recognized in other reserves in an amount of €–17,185 thousand (2019: €–5,617 thousand) includes exchange differences on translating foreign operations of €–15,764 thousand (2019: €2,504 thousand), remeasurements from defined benefit plans with an amount of €–2,030 thousand (2019: €–11,601 thousand) and deferred taxes relating to remeasurements from defined benefit plans of €609 thousand (2019: €3,480 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.

21. PENSION OBLIGATIONS

Some of the group entities, particularly in Germany, have established pension plans for their employees. As of December 31, 2020, the defined benefit obligations amounted to €71,847 thousand in total as calculated pursuant to IAS 19 with a discount rate of 0.4%, 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 JOST Werke 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 1/1/2019	**64,523**	**–4,029**	**60,494**
Current service cost	115	0	115
Interest cost	1,089	–69	1,020
Remeasurements on obligation	11,158	42	11,200
thereof: experience adjustments	750	0	750
thereof: changes in financial assumptions	10,408	0	10,408
of which: Return on plan assets	0	42	42
Benefits paid	–1,788	0	–1,788
Employer contributions	0	–46	–46
Balance at 12/31/2019	**75,097**	**–4,102**	**70,995**
Current service cost	220	0	220
Interest cost	604	–33	571
Remeasurements on obligation	1,951	0	1,951
thereof: experience adjustments	221	0	221
thereof: changes in financial assumptions	1,730	0	1,730
Benefits paid	–1,844	0	–1,844
Employer contributions	0	–46	–46
Balance at 12/31/2020	**76,028**	**–4,181**	**71,847**

in € thousands	**2020**	2019
Recognized provision (unfunded pension obligation)	71,847	70,995
Funded pension obligation	4,181	4,102
Total pension obligations	**76,028**	**75,097**
Total pension obligations	76,028	75,097
Net of plan assets	–4,181	–4,102
Carrying amount (corresponds to underfunding)	**71,847**	**70,995**
Reimbursement rights	**93**	**93**
Expected return		
Expense reported in the income statement	**791**	**1,134**
consisting of		
Service cost	220	115
Interest cost	604	1,089
Interest income on plan assets	–33	–69
Interest income on reimbursement rights	0	–1
Total	**791**	**1,134**

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

in € thousands	**2020**	2019
Income and expenses from remeasurements recognized in other comprehensive income	1,951	11,200
Changes in the defined benefit obligation in the fiscal year		
Balance at 01/01	**75,097**	**64,523**
Current service cost	220	115
Past service cost	0	0
Interest cost	604	1,089
Remeasurements on obligation	1,951	11,158
Benefits paid	–1,844	–1,788
Balance at 12/31	**76,028**	**75,097**
Fair value of plan assets		
Balance at 01/01	**4,102**	**4,029**
Interest income	33	69
Return on plan assets	0	–42
Employer contributions	46	46
Benefits paid	0	0
Balance at 12/31	**4,181**	**4,102**

The plan assets only relate to Germany and include with 100% (2019: 100%) pension liability insurances with guaranteed return and are not quoted in an active market. The total amount of expenses recognized in the Statement of Comprehensive Income was included in administrative expenses.

Fair values of reimbursement rights

in € thousands	**2020**	2019
Balance at 1/1	**93**	**89**
Interest income	0	1
Employer contributions	0	3
Balance at 12/31 (fair value)	**93**	**93**

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

	2020	2019
Discount rate	0.4%	0.8%
Inflation rate/future pension increases	1.7%	2.0%
Future salary increases	2.0%	2.0%

The HEUBECK 2018 G mortality tables are used as a basis for biometric calculation in Germany. The tables were published on July 20, 2018 and factor in the latest statistics on statutory pension insurance and statistics issued by the German Federal Statistical Office. An update on the tables was published on October 4, 2018. The Federal Ministry of Finance (BMF) has approved the new mortality tables with the BMF circular dated October 19, 2018.

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:

2020

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0,5%	Decrease by 8.1%	Increase by 7.3%
Salary growth rate	0,5%	Increase by 1.1%	Decrease by 1.1%
Pension growth rate	0,5%	Increase by 6.8%	Decrease by 6.2%
Life expectancy	1 year	Increase by 6.2%	Decrease by 5.3%

2019

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

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 balance sheet.

Expected maturity analysis of undiscounted pension benefits:

2020

in € thousands	Up to 1 year	1 to 2 years	2 to 5 years	5 to 10 years	**Total**
	1,962	2,085	7,260	14,414	25,721

2019

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

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

The weighted average duration of the defined benefit obligation is 17 years (2019: 18 years).

Expected contributions to plan assets and reimbursement rights for the fiscal year ending December 31, 2021 are €46 thousand (2020: €46 thousand).

22. OTHER PROVISIONS

Other provisions changed as follows:

2020

in € thousands	Warranties	Customer commissions and bonuses	Share-based payments	Other personnel-related provisions	Other legal disputes and other costs	**Total**
Balance at 1/1/2020	**4,644**	**1,333**	**676**	**1,872**	**1,211**	**9,736**
of which current	4,041	1,333	0	1,137	820	7,331
of which noncurrent	603	0	676	735	391	2,405
Additions due to changes in the basis of consolidation	1,320	1,547	0	0	0	2,867
Additions	6,910	1,447	1,387	666	4,997	15,407
Utilization	–1,653	–866	0	–538	0	–3,057
Reversal	–346	–52	0	–492	–575	–1,465
Currency and other changes	–201	59	0	–29	–11	–182
Balance at 12/31/2020	**10,674**	**3,468**	**2,063**	**1,479**	**5,622**	**23,306**
of which current	10,115	3,468	0	666	5,212	19,461
of which noncurrent	559	0	2,063	813	410	3,845

2019

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

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. The increase in the reporting period is mainly due to new specific matters and the acquisition of Ålö.

Customer commissions and bonuses

Customer commissions and bonuses mainly relate to commissions and bonuses for sales staff.

Share-based payment

In 2019, the company introduced a long-term incentive plan (LTIP) in order to provide selected managers of the JOST Werke Group with the opportunity to participate in the success of the JOST Werke Group, with the goal of thus ensuring their long-term loyalty. The rights within the scope of the LTIP in the form of phantom stocks establish an entitlement to cash payment following a four-year reference period (corresponding to the period of service) from April 1, 2019 to March 31, 2023, in line with the JOST share's outperformance of the SDAX index. If the JOST share matches or outperforms the SDAX, a special payment will be made in the amount of 100% of the value of the JOST share. If the JOST share underperforms the SDAX, a special payment will be made in the amount of 20% of the value of the JOST share. The payment resulting from the phantom stocks is limited to three times their initial value (average price of the JOST share during the last 30 trading days prior to the start of the reference period).

In 2020, a total of 29,794 phantom stocks were granted within the scope of the LTIP, with an initial value of €890 thousand.

The fair value of the phantom stocks was determined using a Monte Carlo simulation with the following input factors as of December 31, 2020:

	12/31/2020
JOST share price	43.10 €
SDAX index	14,764.89
Expected volatility, JOST	40.38%
Expected volatility, SDAX	23.46%
JOST/SDAX correlation	0.60488
JOST dividend yield	1.20%
Risk-free interest rate	–0.76%
Fair value	**30.73 €**

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

As of December 31, 2020, the carrying amount of the 164,537 outstanding phantom stocks amounts to €2,063 thousand. The expense recognized in the fiscal year amounts to €1,387 thousand (2019: €676 thousand). A total of 10,880 phantom stocks expired and no phantom stocks vested.

Other personnel-related provisions

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

Other 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 are associated with a degree of uncertainty. The increase in the reporting period is mainly attributable to the rise in risks from claims for damages and impending losses from orders in connection with different matters. The provision amounts are reviewed regularly and adjusted as necessary. Utilization of the provisions is expected in the short- to medium term.

23. FINANCIAL LIABILITIES

The following overview shows the maturity of financial liabilities and derivative financial instruments as of December 31, 2020. 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	214,785	283,293	6,130	504,208
Derivatives	704	2,291	0	2,995
Total	**215,489**	**285,584**	**6,130**	**507,203**

The following table shows the fixed and expected cash outflows as of December 31, 2020, broken down by time of occurrence:

2020

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
Liabilities to banks	60,679	258,272	0	318,951
thereof: fixed interest-bearing	679	50,675	0	51,354
thereof: variable interest-bearing	60,000	207,597	0	267,597
Other liabilities to banks	2,492	5,243	0	7,735
Trade payables	127,261	0	0	127,261
Lease liabilities	9,663	19,778	6,130	35,571
Other financial liabilities	14,690	0	0	14,690
Derivatives	704	2,291	0	2,995
Total	**215,489**	**285,584**	**6,130**	**507,203**

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 €1,670 thousand for fixed-interest promissory notes and an anticipated €1,816 thousand for floating-rate promissory notes, as well as an anticipated €2,781 thousand for the floating-rate loan. As the promissory note loans mature within the next five years, no interest payments will fall due in more than five years.

As of the reporting date, future cash outflows from the Ålö Group acquired in 2020 amounted to €35,776 thousand for trade payables and €10,446 thousand for lease liabilities (of which: up to 1 year €2,695 thousand; more than 1 year and up to 5 years €7,128 thousand; and more than 5 years €623 thousand). For the year-over-year change in derivatives, please see note 15.

Undiscounted cash outflow as of December 31, 2019:

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	Total
Financial liabilities	74,230	140,425	40,529	255,184
Derivatives	538	1,035	0	1,573
Total	**74,768**	**141,460**	**40,529**	**256,757**

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

2019

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

Liabilities to banks have been uncollateralized as of December 31, 2020, as in the previous year.

24. INTEREST-BEARING LOANS AND BORROWINGS

In order to finance its acquisition of Ålö Holding AB, JOST in December 2019 entered into a new financing arrangement with a consortium of banks for an amount of €120m and over a term of 5 years, which was drawn down on January 31, 2021. This bank loan is subject to compliance with various financial covenants derived from the consolidated financial statements of the ultimate parent company.

In June 2018, the company 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, there is a revolving credit facility of €150m. The financing comes with more favorable interest rates and longer terms. The obligation to the lenders to comply with financial covenants only applies if the revolving credit facility is utilized.

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

Two of the current promissory note loans are also subject to variable interest rates. The group hedges a portion of the interest rate risk with interest swaps. For further details see note 26.

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. In December 2020, JOST-Werke Deutschland GmbH, Neu-Isenburg, Germany took out a loan of €6,580 thousand with a term of 4 years, which is also listed under Other.

The following table shows the interest-bearing loans and borrowings as of December 31, 2020:

in € thousands		**12/31/2020**	12/31/2019
Promissory note loans	5 years, fixed	29,000	29,000
	5 years, variable	86,500	86,500
	7 years, fixed	20,000	20,000
	7 years, variable	14,500	14,500
		150,000	**150,000**
Loan	5 years, variable	114,000	0
Revolving credit facility		45,000	0
Other		6,875	1,076
Interest bearing loans		**315,875**	**151,076**
Accrued financing costs		–450	–321
Total		**315,425**	**150,755**

The group drew €45m from the available revolving facility as of December 31, 2020 (December 31, 2019: €0 thousand). Interest payments were made in the amount of €5,083 thousand (2019: €2,150 thousand). Loan repayments of €6,000 thousand have been made for the loan to finance the acquisition of Ålö Holding AB. The group made principal payments of 306 thousand (2019: €229 thousand) and interest payments of €38 thousand (2019: €50 thousand) for the loan granted to Jost Otomotiv Sanayi Ticaret A.S., Izmir, Turkey. The group made principal payments of €470 thousand (2019: €0 thousand) and interest payments of €18 thousand (2019: €0 thousand) for the loan granted to JOST Werke Deutschland GmbH, Neu-Isenburg, Germany.

The revolving credit facility has a short-term maturity and is reported has to be shown under current liabilities. It carries a variable interest rate depending on the EURIBOR and the group-wide leverage of JOST. Repayments of €65,000 thousand were made on the revolving credit facility in the fiscal year.

To the extent that they can be accrued, the costs incurred under the financing agreement dated June 29, 2018 are spread until mid–2025 in accordance with the effective interest method, and those incurred under the additional financing agreement dated December 19, 2019 are spread until the end of 2024.

25. TRADE PAYABLES

Trade payables recognized at the reporting date are non-interest bearing. As of the end of the year, trade payables amount to €127,261 thousand (2019: €64,223 thousand).

26. OTHER FINANCIAL LIABILITIES

Other financial liabilities as of the reporting date include lease liabilities in the amount of €35,571 thousand (2019: €30,618 thousand), This present value of future lease payments is based on the maturities shown in note 23.

The future interest rate volatility from the variable interest tranches of the promissory note loan is hedged via four interest rate swaps. Overall, the interest rate swaps as of December 31, 2020 had a negative fair value of €1,348 thousand (2019: €1,573 thousand) (mark-to-market valuation), which is shown in the balance sheet under other noncurrent financial liabilities. The group entered into 23 derivatives in November 2020 to hedge the exchange rate risk between the Swedish krona and the euro. These derivatives have a negative fair value of €1,647 thousand (2019: €0 thousand) as of December 31, 2020 (mark-to-market valuation), which is also shown in the balance sheet under other noncurrent financial liabilities. For details regarding the maturities of loans see notes 23 and 24.

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

Other current financial liabilities also include overpayment from customers in the amount of €458 thousand (2019: €389 thousand).

27. CONTRACT BALANCES

in € thousands	**12/31/2020**	12/31/2019
Contract assets	0	0
Contract liabilities	4,943	4,571

There were no contract assets in 2020 or 2019. Accordingly, nor was any related impairment recognized for expected losses.

The group's contract liabilities result from prepayments received in the amount of €110 thousand (2019: €295 thousand) and obligations from sales transactions (particularly discounts) in the amount of €4,833 thousand (2019: €4,276 thousand). The contract liabilities recognized in the opening balance sheet as of January 1, 2020 resulted in sales revenues in the amount of €295 thousand in the 2020 fiscal year (2019: €219 thousand). No material sales revenues were generated during the year under review from performance obligations which were fulfilled (or fulfilled in part) in earlier periods.

28. OTHER LIABILITIES

Other liabilities amount to €34,947 thousand (2019: €22,494 thousand). They primarily include €19,910 thousand in employee benefits (2019: €13,394 thousand) and €2,209 thousand in other liabilities from social insurance contributions (2019: €1,732 thousand). Furthermore, other liabilities include VAT liabilities in the amount of €4,517 thousand (2019: €1,306 thousand) and wage taxes in the amount of €1,746 thousand (2019: €926 thousand).

29. OTHER FINANCIAL OBLIGATIONS

Within the scope of the first-time application of IFRS 16 Leases in the previous year, from January 1, 2019 most of the operating lease obligations and corresponding lease agreements for material assets are separately reported under the other financial liabilities (see notes 6.14 and 26).

The group's other financial obligations in the year under review include, in particular, financial obligations and warranty commitments of €28,558 thousand (2019: €10,223 thousand) associated with obligations under license and maintenance agreements. There are also other financial obligations from purchase commitments for property, plant and equipment amounting to €1,599 thousand (2019: €323 thousand).

Due to the non-applicability of IFRS 16 to all of the agreements and the exercise of options, in 2020 the company continued to recognize rental and lease expenses in the amount of €2,832 thousand (2019: €2,941 thousand).

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

in € thousands	Up to 1 year	More than 1 and up to 5 years	More than 5 years	**Total**
2020	3,566	2,423	651	6,640
2019	2,512	1,045	3	3,560

30. SALES REVENUES

Sales revenue mainly results from the sale of products.

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

in € thousands	**2020**	2019
Europe	482,235	431,684
North America	172,298	161,779
Asia, Pacific and Africa	139,877	142,884
Total	**794,410**	**736,347**

Of the rise in sales revenues, €175,720 thousand results from the sales revenues of the Ålö companies. In Europe and North America, the rise in revenues is attributable to the sales revenues of the European and North American Ålö companies, which more than offset the decline triggered by the state of the economy. Sales revenues in the APA region are down slightly on the prior-year figure, as the sales revenues of the Asian Ålö companies had only a negligible positive impact here.

Due to the acquisition of the Ålö Group, consolidated sales revenues are no longer disaggregated into the Truck, Trailer and Trading product areas, but instead are broken down into the newly defined Transport and Agriculture business units. They are as follows:

in TEUR	**2020**	2019
Transport	609,859	726,335
Agriculture	184,551	10,012
Total	**794,410**	**736,347**

In 2020, as in the previous year, more than half of the sales revenue in the Transport business was generated in Europe, with the remainder distributed more or less equally between North America and Asia, Pacific, Australia. In the Agriculture business, approximately three quarters of sales revenues were generated in Europe (100% in the previous year) and one quarter in North America, while no significant external sales revenues are generated in Asia, Pacific, Australia.

Sales revenues include sales revenues of €295 thousand (2019: €219 thousand), which as of December 31, 2019 were shown as contract liabilities.

31. COST OF SALES

Cost of sales mainly comprise the following: cost of materials of €–405,112 thousand (2019: €–393,703 thousand), personnel expenses of €–70,901 thousand (2019: €–70,870 thousand), incidental production costs of €–19,854 thousand (2019: €–17,762 thousand), freight costs of €–14,830 thousand (2019: €–14,469 thousand), depreciation of property, plant and equipment of €–14,051 thousand (2019: €–11,871 thousand), depreciation of right-of-use assets from leases of €–5,983 thousand (2019: €–4,328 thousand), maintenance expenses of €–6,801 thousand (2019: €–6,804 thousand), write-downs of inve tories of €–5,033 thousand (2019: €–523 thousand), the use of step-ups on inventories of €–9,617 thousand (2019: €0 thousand) and rental expenses of €–199 thousand (2019: €–1,503 thousand).

32. SELLING EXPENSES

Selling expenses mainly comprise the following: Personnel expenses of €–39,162 thousand (2019: €–31,512 thousand), outbound freight of €–29,950 thousand (2019: €–14,461 thousand) – the increase was mainly due to the effects of the COVID-19 pandemic and the acquisition of the Ålö Group –, depreciation of property, plant and equipment of €–2,810 thousand (2019: €–3,043 thousand), amortization of intangible assets of €–24,396 thousand (2019: €–22,906 thousand) and depreciation of right-of-use assets under leases of €–2,805 thousand (2019: €–2,108 thousand) as well as rental expenses of €–1,425 thousand (2019: €–1,117 thousand).

33. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses mainly comprise personnel expenses of €–10,732 thousand (2019: €–9,017 thousand) and amortization of intangible assets of €–4,072 thousand (2019: €–1,676 thousand).

34. ADMINISTRATIVE EXPENSES

Administrative expenses mainly comprise the following: Personnel expenses of €–28,172 thousand (2019: €–25,200 thousand), purchased services of €–13,997 thousand (2019: €–7,089 thousand), insurance of €–2,529 thousand (2019: €–2,031 thousand), depreciation of property, plant and equipment of €–1,457 thousand (2019: €–1,309 thousand), depreciation of rights of use under leases of €–1,349 thousand (2019: €–1,042 thousand), amortization of intangible assets of €–1,255 thousand (2019: €–429 thousand) and rental expenses of €–1,208 thousand (2019: €–465 thousand).

35. OTHER INCOME/ OTHER EXPENSES

As of the end of the year, other income amounted to €10,828 thousand (2019: €5,582 thousand) and other expenses to €–9,831 thousand (2019: €–4,103 thousand).

In 2020 and 2019, other income mainly compromised currency gains, reversals of provisions, insurance income and government grants totaling €5,794 thousand (2019: €3,188 thousand). The government grants of €785 thousand (2019: €750 thousand) are mainly grants to cover expenses that are realized and recognized as a gross amount at the time the grant is made, i.e., they are not netted against the corresponding expenses; there are no material repayment risks. Other expenses mainly compromise currency losses in the amount of €–7,494 thousand (2019: €–3,510 thousand).

36. SHARE OF PROFIT OR LOSS OF EQUITY METHOD INVESTMENTS

The share of profit or loss of equity method investments (2020: €2,812 thousand; 2019: €3,456 thousand) relates to JOST Brasil Sistemas Automotivos Ltdas.

37. FINANCIAL INCOME

Financial income is composed of the following items:

in € thousands	**2020**	2019
Interest income	372	238
Realized currency gains	8	80
Unrealized currency gains	5,271	2,927
Result from measurement of derivatives	225	0
Other financial income	50	47
Total	**5,926**	**3,292**

38. FINANCIAL EXPENSE

Financial expense is composed of the following items:

in € thousands	**2020**	2019
Interest expenses	–7,517	–3,734
Realized currency losses	–206	–126
Unrealized currency losses	–1,703	–2,179
Result from measurement of derivatives	–1,659	–876
Other financial expenses	–691	–576
Total	**–11,776**	**–7,491**

Expenses of €0.3m recognized in other financial expense resulted from the additional financing agreement dated December 19, 2019 for financing the acquisition of Ålö Holding AB. Interest expense from financial liabilities measured using the effective interest method amounted to €0.1m (2019: €0.1m).

39. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses are composed of the following items:

in € thousands	**2020**	2019
Employee benefit expenses	–129,374	–113,212
Social security contributions*	–19,373	–23,272
Pension expenses	–220	–115
Total	**–148,967**	**–136,599**

* The company incurred expenses for employer contributions to the statutory pension insurance system in the amount of €3,163 thousand in fiscal year 2020 (2019: €3,324 thousand).

40. DEPRECIATION, AMORTIZATION, IMPAIRMENT AND REVERSAL OF IMPAIRMENT

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

2020

in € thousands	Depreciation/ impairment of property, plant and equipment	Amortization/ impairment of intangible assets
Cost of sales	–20,034	–79
Selling expenses	–5,615	–24,396
thereof: depreciation from PPA*	–2,290	–24,317
Research and development expenses	–269	–1,602
thereof: depreciation from PPA*	0	–2,470
Administrative expenses	–2,806	–1,255
Total	**–28,724**	**–29,802**

* PPA: Purchase Price Allocation

In the case of property, plant and equipment, the rise in total depreciation in the reporting period resulted mainly from the additional depreciation charges of the Ålö companies. In the case of intangible assets, the rise in total amortization in the reporting period resulted from the additional amortization charges from PPA in connection with the acquisition of the Ålö Group in 2020.

Depreciation, amortization, and impairments charge for 2019 is recognized in the following line items in the income statement:

2019

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

* PPA: Purchase price allocation

41. 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 €89 thousand (2019: €–8,081 thousand) includes deferred tax income from the origination and reversal of temporary differences of €11,525 thousand (2019: €1,647 thousand), deferred tax income from the recognition of tax exempt grants of €615 thousand (2019: €752 thousand), deferred tax income from interest/loss carryforwards of €2,192 thousand (2019: tax expense of €–889 thousand) and current tax expenses on profit for the fiscal year at an amount of €–14,243 thousand (2019: €–9,591 thousand).

In fiscal year 2020, the group made income tax payments of €11,246 thousand (2019: €12,166 thousand).

42. EARNINGS PER SHARE

The number of shares remained unchanged at 14,900,000 as of December 31, 2020.

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

Earnings per share

	2020	2019
Profit/loss after taxes (in € thousand)	19,290	33,524
Weighted average number of shares	14,900,000	14,900,000
Basic and diluted earnings per share (in €)	**1.29**	**2.25**

43. NUMBER OF EMPLOYEES

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

Average number of employees

	2020	2019
Production	2,062	2,009
Sales	555	503
Research and development	137	122
Administration	301	278
Total	**3,055**	**2,912**

For details on personnel expenses see notes 31 to 34.

44. CASH FLOW STATEMENT

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

The amount disclosed in the cash flow statement for the acquisition of the subsidiaries also includes the loan liabilities assumed that were to be repaid at the acquisition date in accordance with contractual agreements, less the cash and cash equivalents acquired.

Net debt is as follows:

in € thousands	**12/31/2020**	12/31/2019
Cash and cash equivalents	108,315	104,812
Interest-bearing loans and borrowings, repayable within one year	–47,187	–311
Interest-bearing loans and borrowings, repayable after one year*	–268,238	–150,444
Net debt	**–207,110**	**–45,943**
Cash and liquid assets	108,315	104,812
Gross debt – at fixed interest rates*	–55,820	–49,999
Gross debt – at variable interest rates*	–259,605	–100,756
Net debt	**–207,110**	**–45,943**

* including refinancing costs

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

	Other assets	Liabilities from financing activities				Equity	
in € thousands	Cash and cash equivalents	Short-term interest-bearing loans and borrowings*	Long-term interest-bearing loans and borrowings*	Accrued refinancing costs	Lease liabilities	Retained earnings	**Total**
Balance at 1/1/2019	**66,087**	**234**	**151,071**	**–407**	**294**	**–228,765**	**–11,486**
Restatements due to changes in accounting standard	0	0	0	0	31,852	0	31,852
Changes from financing cash flows	37,962	–229	0	0	–6,907	–16,390	14,436
Acquisitions – Leases	0	0	0	0	5,970	0	5,970
Effect of changes in foreign exchange rates	763	0	0	0	151	0	914
Other changes	0	306	–306	86	–742	58,270	57,614
Balance at 1/1/2019	**104,812**	**311**	**150,765**	**–321**	**30,618**	**–186,885**	**99,300**
Changes from financing cash flows	–5,479	44,690	110	0	–9,127	0	30,194
Change arising from obtaining or losing control of subsidiaries or other businesses	12,318		120,000	–510	11,727	0	143,535
Acquisitions – leases	0	0	0	0	3,055	0	3,055
Effect of changes in foreign exchange rates	–3,336	0	0	0	–783	0	–4,119
Other changes	0	2,186	–2,187	381	81	27,731	28,192
Balance at 12/31/2020	**108,315**	**47,187**	**268,688**	**–450**	**35,571**	**–159,154**	**300,157**

* Gross presentation without taking into account refinancing costs

45. RELATED PARTY DISCLOSURES

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

The structure of the JOST Werke Group as of December 31, 2020, including its subsidiaries and the joint venture, changed as follows compared to December 31, 2019 and is also presented in notes 4 and 5. Effective January 31, 2020, Jost-Werke International Beteiligungsverwaltung GmbH, Neu-Isenburg, Germany acquired Ålö Holding AB, Umeå, Sweden, which together with its subsidiaries was included in the basis of consolidation. There were no further changes compared with the previous year.

The ownership structure of JOST Werke AG has changed as follows since December 31, 2019: As of December 31, 2020, Allianz Global Investors GmbH (Frankfurt, Germany) was the largest shareholder of JOST Werke AG, holding 15.1% of the shares carrying voting rights. Of this amount, Allianz SE (Munich, Germany) was allocated 11.4% of the voting rights of JOST Werke AG. Allianz Global Investors GmbH makes all decisions relating to the exercise of the voting rights in JOST Werke AG allocated to Allianz SE independently of Allianz SE. As a result, Allianz SE's voting rights are included in the voting rights allocated to Allianz Global Investors GmbH. No other shareholder holds more than 10% of the company's share capital. According to notifications submitted pursuant to the Wertpapierhandelsgesetz (German Securities Trading Act – WpHG), Universal-Investment-GmbH (Germany) held 5.05%, FMR LLC (USA) 5.01%, and PMB Management GmbH 5.0% of the share capital.

The Executive 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:

Joachim Dürr, Diplom-Ingenieur, Dachau
Chairman of the Executive Board
Chief Executive Officer
- No posts on supervisory/control bodies

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

Dr. Christian Terlinde, Diplom-Kaufmann, Dinslaken
Chief Financial Officer
- No posts on supervisory/control bodies

The total cash benefits (= total benefits) of the Executive Board members in accordance with HGB amounted to €2,793 thousand in the reporting period (2019: €3,430 thousand). The pension obligations for former members of the Executive Board ("defined benefit obligation under IFRSs") amount to €6,042 thousand (2019: €6,250 thousand).

Total remuneration for active members of the Executive Board in accordance with IFRSs amounts to €3,110 thousand in the reporting period (2019: €3,774 thousand). It comprises short-term benefits of €2,319 thousand (2019: €2,842 thousand) and long-term employee benefits of €791 thousand (2019: €932 thousand). Provisions and liabilities for remuneration of active members of the Executive Board amounted to €2,130 thousand (2019: €1,374 thousand).

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

Manfred Wennemer (Chair)
Occupation: Member of the supervisory and advisory boards of several companies
- Member of the advisory board, Brückner Technology Holding GmbH, Siegsdorf, Germany
- Chairman of the board, TI Fluid Systems plc, England
- Member of the board, ACPS Automotive GmbH, Ingersheim, Germany

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

Natalie Hayday
Occupation: Managing Director of 7Square GmbH, Frankfurt am Main, Germany
- No other posts on supervisory/control bodies

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

Jürgen Schaubel
Occupation: Consultant, Oaktree Capital Management
- Member of the supervisory board, chairman of the Audit Committee, Optimum Maritime Holding, Limassol, Cyprus
- Member of the board of directors, MFD Rail Holding AG, Cham, Switzerland

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

The Supervisory Board received remuneration of €493 thousand in the 2020 fiscal year (2019: €505 thousand).

For consulting services, Mr. Lutz invoiced €20 thousand (2019: €0 thousand) and Mr. Schaubel €20 thousand (2019: €0 thousand).

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

Related party transactions as of December 31, 2020

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	1,354	741	439	106

Related party transactions as of December 31, 2019

in € thousands	Proceeds from sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
JOST Brasil Sistemas Automotivos Ltda., Caxias do Sul/Brazil	1,452	454	254	68

For further details regarding dividends from JOST Brasil Sistemas Automotivos Ltda. see note 12.

46. 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.

Further balance sheet items where fx changes could have a significant influence are trade receivables as well as payables. A 5% change in the year-end rate of all fx rates against the euro, with all other parameters remaining constant, will change trade receivables by €4,669 thousand and trade payables by €4,778 thousand. In addition, currency effects apply due to internal group loan receivables and liabilities.

Due to exchange rate fluctuations, in fiscal year 2020 currency gains from internal group loan receivables and liabilities were reported in the total amount of €3,370 thousand (2019: €702 thousand in currency gains) as well as currency losses from trade receivables and trade payables in the total amount of € 1,700 thousand (2019: €322 thousand in currency losses). 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. A portion of the risk from exchange rate fluctuations of the Swedish krona against the euro has been hedged by way of derivatives since the acquisition of the Ålö Group in 2020. For this purpose, the group entered into 23 derivatives in November 2020 to hedge the risk from exchange rate fluctuations of the Swedish krona against the euro.

The following table shows the change in currency derivatives:

Type	Maturity	Nominal amount in foreign currency at 12/31/2020	Negative fair value at 12/31/2019	Change in fair value	Negative fair value at 12/31/2020
FX Forwards	30,12,2025	400,000 TSEK	–	957	957
Cross Currency SWAPs	30,12,2025	250,000 TSEK	–	690	690
Total			**–**	**1,647**	**1,647**

The exchange rates of the major currencies developed as follows:

Exchange rate €1 =	ISO CODE	Closing rate 12/31/2020	Closing rate 12/31/2019	Average rate for the year 12/31/2020	Average rate for the year 12/31/2019	Net gain sensitivity € thousands	Equity sensitivity € thousands
Australia	AUD	1.59	1.60	1.65	1.61	–88.63	–670.19
Brazil	BRL	6.37	4.52	5.89	4.41	–259.17	–392.97
China	CNY	8.02	7.82	7.87	7.74	–250.74	–1,163.67
Great Britain	GBP	0.90	0.85	0.89	0.88	335.48	216.21
Hungary	HUF	363.89	330.53	351.25	325.30	0.00	0.00
India	INR	89.66	80.19	84.64	78.84	9.01	–436.01
Japan	JPY	126.49	121.94	121.85	122.01	–4.30	–21.01
New Zealand	NZD	1.70	1.67	1.76	1.70	–0.71	–14.78
Poland	PLN	4.56	4.26	4.44	4.30	–177.79	–921.42
Russia	RUB	91.47	69.96	82.72	72.46	–43.02	–192.17
Sweden	SEK	10.03	10.45	10.48	10.59	–751.57	–14,221.47
Singapore	SGD	1.62	1.51	1.57	1.53	–32.67	–202.89
Thailand	THB	36.73	33.42	35.71	34.76	9.79	–0.15
Turkey	TRY	9.11	6.68	8.05	6.36	–0.59	–59.53
United States	USD	1.23	1.12	1.14	1.12	–381.72	–1,592.92
South Africa	ZAR	18.02	15.78	18.77	16.18	–160.30	–568.26

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

Market risk / interest rate risk

The group is exposed to interest rate risk because it has borrowed funds at variable rates of interest. Interest rate risk arises in particular from the variable interest rate portion of its interest rate exposure, which is pegged to current market interest rates and affects cash flow from financing activities. A 10 basis point change in the variable interest rate (EURIBOR), with all other variables remaining constant, in fiscal year 2020 would have resulted in a €290 thousand increase in the group's interest expense (2019: €103 thousand).

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, 2020, each with a term running until 2023. In fiscal year 2020, the company generated no interest income and incurred no interest expense (2019: €0 thousand in interest expense) from these hedging transactions. The group also entered into 23 derivatives in November 2020 to hedge the risk from exchange rate fluctuations of the Swedish krona against the euro. The group did not apply hedge accounting in accordance with IFRS 9 in fiscal year 2020 or in the previous year.

The following table shows the change in interest rate swaps:

in € thousands	Type	Maturity	Nominal amount at 12/31/2019	Negative fair value at 12/31/2018	Change in fair value	Negative fair value at 12/31/2019
Total	**SWAP**	**06/29/2023**	**60,000**	**1,573**	**–225**	**1,348**

Credit risk / Default risk

The credit risk or default risk is the risk resulting due to non-compliance with contractual agreements in the form of a contracting party's failure of comply with a payment obligation, which results in corresponding financial losses. To minimize this risk and to protect against defaults, and therefore financial losses, the group pays close attention to the credit quality of its contractual partners, takes out commercial credit insurance, and actively manages accounts receivable (see notes 7.7 and 17). The maximum credit risk resulting from trade receivables, other financial assets and cash and cash equivalents is indicated in notes 17 and 19.

Liquidity risk

Liquidity risk describes the risk that an entity will not have sufficient cash to discharge its existing or future payment obligations, Central liquidity management monitors and manages the liquidity position of the subsidiaries on a daily basis, using rolling liquidity and cash flow forecasts to limit liquidity risk.

In fiscal year 2020, the company discharged all of its payment obligations under the bank liabilities. The total amounts in fiscal year 2020 were:

Interest payments: €5,083 thousand (2019: €2,150 thousand)

Principal repayments: €71,780 thousand (2019: €229 thousand)

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

Furthermore, JOST is able to use a revolving facility amounting to €150,000 thousand to finance its business, of which €45,000 thousand was drawn down as of the reporting date (December 31, 2019: €0 thousand).

In order to finance its acquisition of Ålö Holding AB, JOST in December 2019 entered into a financing arrangement with a consortium of banks for an amount of €120m and over a term of 5 years. This bank loan is subject to compliance with a financial covenant derived from the consolidated financial statements of the ultimate parent company. In case of non-compliance with this financial covenant bank loans could be called to be paid back immediately.

47. CAPITAL MANAGEMENT

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

The financial covenant is 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	**12/31/2020**	12/31/2019
Interest-bearing loans	315,425	150,755
Cash and cash equivalents	108,315	104,812
Net debt	**207,110**	**45,943**
Equity	265,235	263,130
Net debt to equity ratio	78%	17%

Under the financing arrangements, the obligation to comply with covenants applies if the revolving credit facility or the newly concluded loan for financing the acquisition of Ålö Holding AB is utilized. JOST Werke AG, Neu-Isenburg, complied with the relevant covenants at all times in both 2020 and 2019. In case of non-compliance with those financial covenants bank loans may be called to be paid back immediately.

48. AUDITOR'S FEES

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

in € thousands	**2020**	2019
Audit services	482	354
Other assurance services	0	24
Tax advisory services	81	203
Total	**563**	**581**

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, and general tax advisory services (e.g. reviewing tax assessments, assisting in meeting declaration obligations). In the previous year, the other assurance services related to a review of the reconciliation statement in accordance with Section 4h (2) sentence 12f. of the Einkommensteuergesetz (German Income Tax Act – EStG).

49. APPROPRIATION OF PROFITS OF JOST WERKE AG

A proposal will be made to the Annual General Meeting to distribute €1.00 per share from the net retained profit of €14.9m shown by the parent company, JOST Werke AG, for the period ended December 31, 2020.

50. GERMAN CORPORATE GOVERNANCE CODE

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

→ **http://ir.jost-world.com/declaration-of-compliance**

51. EVENTS AFTER THE REPORTING DATE

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

Neu-Isenburg, March 17, 2021

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 17, 2021

Joachim Dürr Dr. Ralf Eichler Dr. Christian Terlinde

INDEPENDENT AUDITOR’S REPORT

The following copy of the auditor’s report also includes a “Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB” (“Separate report on ESEF conformity”). The subject matter (ESEF documents) to which the Separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

To JOST Werke AG, Neu-Isenburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of JOST Werke AG, Neu-Isenburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code] and § 315d HGB.

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 § 315e Abs. [paragraph] 1 HGB 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 the statement on corporate governance referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report“ section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. **Accounting treatment of the acquisition of Alö Group**
2. **Recoverability of goodwill and intangible assets with indefinite useful lives**
3. **Recoverability of deferred tax assets in respect of loss carryforwards**

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

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

Hereinafter we present the key audit matters:

1. Accounting treatment of the acquisition of Alö Group

1. In the financial year 2020, JOST Werke AG indirectly acquired 100% of the shares of Alö Holding AB based in Umeå, Sweden. The total purchase price amounted to EUR 169.6 million and comprised a fixed amount of EUR 159.1 million and a variable amount that is dependent on achieving earnings indicators. The variable amount was measured at a fair value of EUR 10.5 million as at the acquisition date. During the purchase price allocation, the identifiable assets and the assumed liabilities of the acquired entity were recognized at their fair values. Taking into account the net assets acquired of EUR 79.4 million, the resulting goodwill acquired amounts in total to EUR 90.2 million. Due to the estimation uncertainties involved in measuring the assets and liabilities as part of the purchase price allocation and the overall material impact of the acquisition in terms of amount on the assets, liabilities, financial position and financial performance of JOST Werke AG, this matter was of particular significance in the context of our audit.
2. As part of our audit of the acquisition of Alö Holding AB, we initially inspected and reviewed the contractual agreements and reconciled the fixed purchase price paid as consideration for the acquired business operations with the supporting payment documentation provided to us. We also assessed the presented measurement of the variable purchase price. Based on that, we reviewed the balance sheet underlying the acquisition based on the fair values at the time of first-time consolidation. This involved assessing the appropriateness of, among other things, the models on which the valuations were based as well as the valuation parameters and assumptions used. Given the special features involved in calculating the fair values in the context of the purchase price allocation, our internal valuation specialists assisted in the process. We also evaluated the disclosures in the notes to the financial statements that are required under IFRS 3. Overall, we were able to satisfy ourselves that this acquisition was correctly presented in the financial statements in light of the information available and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.
3. The Company's disclosures relating to the acquisition are contained in section 4 "Business combinations" of the notes to the consolidated financial statements.

2. Recoverability of goodwill and intangible assets with indefinite useful lives

1. In the consolidated financial statements of JOST Werke AG goodwill amounting to EUR 92.1 million is reported under the "Goodwill" balance sheet item and a trademark with indefinite useful life amounting to EUR 71.9 million is reported under the "Other intangible assets" balance sheet item (in total 17.5% of total assets and 61.8% of equity). Goodwill and intangible assets with indefinite useful lives are tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. In the context of the impairment test, the carrying amount of the relevant cash-generating unit respectively group of cash-generating units (including goodwill) as well as the carrying amount of the trademark is compared with the corresponding recoverable amount. For goodwill, the recoverable amount is generally determined on the basis of the value in use, and for the trademark on the basis of fair value less costs of disposal. The measurements of goodwill are normally based on the present value of the future cash flows from the cash-generating unit respectively group of cash-generating units to which the respective asset is to be allocated. The basis for measuring the recoverability of the trademark is the present value of the future cash flows allocated to the trademark. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates

of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors as well as the expected effects of the ongoing Corona crisis on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the respective cash-generating unit or group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows, the discount rate used, the rate of growth and other assumptions, and is therefore, also against the background of the effects of the Corona crisis, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, among other things we assessed the methodology used for the purposes of performing the impairment tests on goodwill respectively intangible assets with indefinite useful lives. After matching the future cash flows used for the calculation against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way respectively intangible assets with indefinite useful lives, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units respectively groups of cash-generating units, including the allocated goodwill, and the carrying amount of the trademark were adequately covered by the discounted future cash flows. Overall, the valuation parameters and assumptions used by the executive directors are comprehensible.

3. The Company's disclosures on goodwill and on the trademark with an indefinite useful life are contained in sections 4 "Business combinations", 7.2 "Goodwill and other intangible assets", 7.3 "Impairment of intangible assets with indefinite useful lives" and 10 "Goodwill and other intangible assets" of the notes to the consolidated financial statements.

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

1. In the consolidated financial statements of JOST Werke AG deferred tax assets in respect of loss carryforwards amounting to EUR 26.6 million are reported. The deferred tax assets were recognized to the extent that the executive directors consider it probable that taxable profit will be available in the foreseeable future which will enable the unused tax losses to be utilized. For this purpose, insofar as sufficient deferred tax liabilities are not available, future taxable profits are projected on the basis of the adopted medium-term business plan, including the expected effects of the ongoing Corona crisis. From our point of view, the accounting treatment of deferred taxes in respect of loss carryforwards was of particular significance in the context of our audit, as it depends to a large extent on the estimates and assumptions made by the executive directors and is therefore, also against the background of the effects of the Corona crisis, subject to uncertainties.

2. As part of our audit, we assessed the methodology used for the determination, accounting treatment and measurement of deferred taxes. Based on this, we assessed in particular the amount of the deferred tax assets recognized in respect of loss carryforwards on the basis of the Company's internal forecasts of the income tax consolidated group's future earnings situation, and the appropriateness of the underlying estimates and assumptions. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the income tax consolidated group and examined how they were taken into account in determining the future earnings situation. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are substantiated.

3. The Company's disclosures on deferred taxes are contained in sections 7.1 under "Recognition of deferred taxes on interest and loss carryforwards", 14 "Deferred tax assets and liabilities" and 41 "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 statement on corporate governance pursuant to § 289f HGB and § 315d HGB.

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor’s report, and the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB.

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

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file JOST_Werke_AG_KA_KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 1 July 2020. We were engaged by the supervisory board on 2 December 2020. We have been the group auditor of the JOST Werke AG, Neu-Isenburg, without interruption since the financial year 2017.

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

German public auditor responsible for the engagement

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

Frankfurt am Main, March 17, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft
[Original German Version signed by]

Stefan Hartwig	ppa. Richard Gudd
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

MAY 06, 2021	ANNUAL GENERAL MEETING
MAY 12, 2021	INTERIM REPORT Q1 2021
AUGUST 12, 2021	INTERIM REPORT H1 2021
NOVEMBER 11, 2021	INTERIM REPORT 9M 2021

This annual report is also available in german. English and german versions are available for download on the Internet at → **https://www.jost-world.com/en**. In case of any conflicts, the German version of the annual report shall prevail over the English translation.

Publishing Information

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