

2020

ANNUAL REPORT OF HÖRMANN INDUSTRIES GMBH



Key figures at a glance

Financial position and results of operations

(in EUR million)

	2020	2019
Sales	521.5	622.2
Total output	535.1	641.2
Gross profit	256.0	289.2
EBITDA*	25.5	35.6
Operating EBIT**	18.9	28.3
EBIT***	12.6	23.7
Cash flow from operating activities	28.3	13.0
Cash flow from investing activities	-14.5	-41.0

Net assets

(in EUR million)

	31 Dec. 2020	31 Dec. 2019
Total assets	324.7	312.6
Equity	120.8	121.2
Equity ratio %****	37.2 %	38.8 %
Working capital*****	66.1	79.1
Net cash and cash equivalents*****	73.2	64.8
Employees*****	2,774	2,821

* Consolidated net income before depreciation and amortisation, financial result and income taxes

** Consolidated net income before financial result income taxes and non-recurring effects

*** Consolidated net income before financial result and income taxes

**** Equity plus goodwill/total assets

***** Inventories plus trade receivables minus trade payables

***** Net cash including securities classified as current assets, less liabilities to banks

***** Average number for the year

Company

Interview with the Management Board	4
Presentation of HÖRMANN Group	12

1 Management Report

Basic information on the Group	54
Economic report	56
Report on opportunities, risks and expected developments	67
Other disclosures	80

2 Financial Data

Consolidated Balance Sheet – Assets	84
Consolidated Balance Sheet – Equity and Liabilities	85
Consolidated Income Statement	86
Consolidated Cash Flow Statement	87
Consolidated Statement of Changes in Fixed Assets	88
Consolidated Statement of Equity Changes	90

3 Notes

Notes for the financial year from 1 January 2020 to 31 December 2020	
General disclosures	94
Balance sheet disclosures	100
Consolidated income statement disclosures	103
Other disclosures	104
Independent auditor's report	107

Broad diversification is our model for success



Johann Schmid-Davis, CFO (right), talking to Dr.-Ing. Michael Radke, CEO (left)

INTERVIEW WITH THE MANAGEMENT BOARD

The HÖRMANN Group can look back on a successful 2020 financial year despite the COVID-19 pandemic. Various strategic and operational measures mean the Group enjoys secure foundations as well as the necessary scope for targeted investments to shape its future. We spoke to the Management Board about past developments and the optimistic outlook for the future. Eye-to-eye with Michael Radke and Johann Schmid-Davis ...

The COVID-19 pandemic has been with us for a year now. How has the pandemic affected everyday working life at the HÖRMANN Group?

Michael Radke The COVID-19 pandemic has thrown up entirely new challenges for the HÖRMANN Group and the world as a whole. However, we can say that we were relatively quick to adapt to these changes. We took prompt action to enable our employees to work remotely from home, discuss important topics efficiently via video conference and advance many of our planned projects.

At the plants in the Automotive division that were hard hit by the shutdown in March and April 2020, we immediately introduced reduced working hours to lower personnel expenses. The comprehensive hygiene concepts we quickly established are still with us today. For example, the entire work organisation was adapted to ensure minimal contact between employees even in three-shift operation.

With the exception of our plant in Slovakia, we have not had any major COVID-19 outbreaks at any of our sites, with all cases of infection and quarantine being limited to individual employees. And we are optimistic

that this will remain the case. As things currently stand, we are pleased to say that we have come through the COVID-19 pandemic and managed the economic consequences extremely well.

Johann Schmid-Davis In the same way as for every company, the challenges for us were considerable. I would like to thank our IT department for identifying the challenges of remote working at an early stage and setting up almost 1,000 workstations at short notice in order to enable employees to work remotely. We began the changeover in February 2020. At the time, no one could have foreseen that the impact of the COVID-19 pandemic would be so widespread. The Europe-wide shutdown in March and April 2020 was followed by the second wave of the COVID-19 pandemic, which spread particularly quickly in Slovakia. Nationwide mass testing was introduced in response to this, resulting in extensive employee absences. After one weekend, for example, around 30 percent of the workforce at our Bánovce plant was unexpectedly absent because employees had either tested positive or been required to quarantine due to coming into contact with someone who had.

» Thanks to our stable income and financing structure with four strong pillars, Euler Hermes confirmed its stable rating for HÖRMANN Industries.«

JOHANN SCHMID-DAVIS, CFO

Meeting our delivery deadlines for customers and maintaining our production capacity under these circumstances meant incurring significant additional costs.

What were the consequences of these changes for business in the four divisions: Engineering, Communication, Services and Automotive?

MR In March and April 2020, the **Automotive** division was confronted with the unexpected shutdown of the automotive industry for a period of six weeks. We lost around EUR 60 million in sales across March and April. In the second half of the year, the Automotive division subsequently stabilised considerably. The COVID-19 pandemic also coincided with the final phase of the relocation of production from the Penzberg plant to the Bánovce plant in Slovakia. Despite this, we fully shut down our operations in Penzberg within the space of just 15 months as planned, i.e. by the scheduled date of 30 June 2020, and successfully ramped up production at the Bánovce plant without any significant ramifications for our customers. In other words, a key milestone in the restructuring of the Automotive division was completed in 2020. The **Services division**, which focuses on industrial services for the automotive industry in particular, was similarly hard hit. Protracted plant closures, along with the extensive structural changes in the automotive industry, placed the Services division under considerable pressure once again. The low level of demand required us to extensively scale back our workforce and introduce reduced working hours in this area, too. The Services division again closed the 2020 financial year with substantial losses.

I am pleased to say that the **Communication division** continues to be entirely unaffected by the COVID-19 pandemic. The expansion of the communication infrastructure in public spaces, in rail transport and industry, and among authorities and service providers is proceeding apace. Many infrastructure orders are financed by public clients and with multi-year budgets. The Communication division was an important and stable pillar for our Group's business in the 2020 financial year.

Having begun the year with full order books, the **Engineering division** was also extremely successful in 2020. Many of the existing orders were successfully processed in spite of the restrictions imposed as a result of the pandemic. Fewer new orders were received in the second half of 2020, which could have an impact on business development in 2021. The division typically responds to economic downturns with some delay.

JSD All in all, the broad diversification of the HÖRMANN Group again proved to be a model for success. Although the **Automotive division** lost around EUR 100 million in sales in the 2020 financial year and reported EBIT of minus EUR 16 million in spite of our best efforts to cut costs, we generated EBIT of over EUR 23 million in the **Communication division** and around EUR 10 million in the **Engineering division**. Thanks to our broad diversification, this meant the HÖRMANN Group was able to avoid a net loss and report positive EBIT of around EUR 13 million even in the crisis-hit year of 2020.

This stability has been confirmed externally by the rating agency Euler Hermes, which reiterated its "BB with stable outlook" corporate rating in autumn 2020. This makes HÖRMANN Industries one of the few bond issuers to have retained its rating. What do you expect this to mean?

JSD Firstly, we want to provide our bond investors more transparency through the external assessment of our financial strength and creditworthiness. In times of crisis, maintaining a stable rating across several years is not something that can be taken for granted. Many market participants in the automotive supply industry have been substantially downgraded by their rating agencies, many banks have withdrawn from this volatile segment, and many commercial credit insurers have placed significant restrictions on their credit limits in the automotive sector. However,

the HÖRMANN Group has a stable income and financing structure with four strong pillars. This is why Euler Hermes confirmed its stable rating for HÖRMANN Industries.

Furthermore, the rating also serves as an important signal to our subsidiaries and all of our customers. It gives them official proof that they are members or partners of a stable group, and they can put this good news to effective use in their business relations with suppliers and customers.

You took advantage of a KfW entrepreneur loan as part of the German Federal Government's package of measures to mitigate the economic impact of the COVID-19 pandemic. How did this come about and how much did you apply for?

JSD Like the entire world economy, we were overrun by the COVID-19 pandemic. At the midway point of the year, no one could say what impact the pandemic would have on our group in the short and medium term – there were various crisis scenarios based on our experiences in the financial crisis of 2009. As advocates of the principle of commercial prudence, we decided at an early stage to apply for a KfW entrepreneur loan with our syndicate banks in order to adequately secure the financial stability and liquidity of the HÖRMANN Group even in the event of a pronounced or more prolonged crisis scenario. After all, the phrase "cash is king" exists for a reason. We obtained a KfW entrepreneur loan with a term of five years and a volume of EUR 40 million, which includes a government loan guarantee of 80 %. The loan provides us with the assurance to look to the future with confidence. To date, we have only utilised EUR 10 million of the loan volume extended.

You mentioned that business performance differed from division to division. Do you remain committed to the broad diversification of your Group?

MR Broad diversification has been the HÖRMANN Group's trademark for decades. Our broad-based positioning across different technologies, applications and customer sectors also proved successful during the COVID-19 pandemic. Some of our subsidiaries were harder hit by the crisis, while others came away more or less unscathed. This underlines our

» The broad diversification of the HÖRMANN Group is its defining characteristic. It allowed us to report a positive result even in the crisis-hit year of 2020. «

JOHANN SCHMID-DAVIS, CFO

Group's considerable stability: The stronger members help the weaker ones in good times and, above all, in bad times.

The multifaceted diversification of our business activities creates an important balance between the early and late cyclical impact of economic downturns. Additionally, we are active in industry and the private service sector as well as publicly financed infrastructure. These areas typically develop very differently, thus providing for a good balance even in the event of economic fluctuations.

We are confident that, for a medium-sized family company in particular, broad diversification is essential in order to remain stable during financial and economic crises and enjoy consistent development throughout different economic cycles.

JSD In the future, we want to maintain our broad diversification, but not necessarily increase it further. We want to focus on our established business divisions and continue to strengthen and expand them, as we believe they offer sufficient potential for the HÖRMANN Group's continued growth. Our aim is to build on four equally strong pillars that can balance out any fluctuations in the respective markets.

» We are systematically pursuing the goal of building our Group on four equally strong pillars, which means continuing to strengthen the Engineering, Communication and Services divisions. «

MICHAEL RADKE, CEO

Despite some difficulties, 2020 saw the realisation of several exciting projects, some of which are presented on the following pages. What was your personal highlight in the reporting period?

MR One major highlight was the complete relocation of production from the Penzberg plant to the plant in Bánovce on time – including a fourfold increase in production space and the number of employees at this relatively new factory in Slovakia. We took this decision at the start of 2019, when no one could have imagined that we would be dealing with a pandemic and an economic crisis one year later. In hindsight, we are all the more pleased to have taken this strategic decision at such an easy stage and to have systematically implemented our plans with great energy.

JSD I am happy to agree with Dr. Radke: If we had not tackled the relocation, especially at such an early stage, we would not be looking back on a successful 2020 financial year in the Group like we are now. Above and beyond this, as a CFO I would have to cite financial stability as the main topic in a crisis-hit year like 2020. We adopted a strong focus on liquidity and refined our liquidity controlling and planning. This was the only way for us to continue working on our future-oriented topics systematically and sustainably throughout the crisis. The cash pool we introduced in 2018/2019 also demonstrated its worth, allowing us to rapidly direct liquidity to where it was needed in 2020. Extremely quick and dynamic processes constitute the strength of a company and are necessary not only in times of crisis, but generally within a highly diversified corporate structure.

Looking ahead, what are the plans for the coming year?

JSD We enjoyed substantial growth in demand in the second half of 2020 and have made a good start to 2021. Based on current forecasts, we expect the **Automotive division** to record a significantly higher production volume than in 2020, and hence considerably higher sales. We also expect the **Communication division** to see stable development. In the **Engineering division**, we received some major new orders at the start of the year that will ensure good capacity utilisation this year. As project orders often have throughput times of 12 to 18 months, we do not expect the corresponding sales to be recognised this year and hence assume that the division will see weaker performance in the 2021 financial year. The weaker performance of the relatively small **Services division** in 2020 continued at the start of 2021, and we again expect a declining business development in this area.

All in all, we again expect the HÖRMANN Group to see a significant increase in sales to EUR 540 to 560 million. Adjusted for the non-recurring effects of the plant relocation from Penzberg to Bánovce in 2020, we expect to return to pre-pandemic earnings levels. However, these forecasts depend on one big unknown factor, namely the further course of the COVID-19 pandemic.



And what is the long-term strategy for the future of the HÖRMANN Group?

MR We will continue to press ahead with our strategy for agile, profitable growth. In spite of the COVID-19 pandemic, we focused on the further development of our corporate strategy with a view to 2025 and developed a future-oriented strategy in all business segments.

The current decade will be accompanied by significant technological changes. Electric mobility, hydrogen technology, new forms of mobility in our society, digital communication technologies as well as the digitalisation of factories and business processes are just some of the keywords here, and all of these topics are likely to develop rapidly. This will give rise to a wide range of interesting challenges and changes for HÖRMANN's business segments. We want to drive these technological changes as a means of developing new business potential for the HÖRMANN Group. As part of our strategy for 2025, we are already in the process of reorienting our existing business segments, addressing new ones, and developing new

technologies, products and services. Shaping our future with courage, agility and rigour – this is the key to the success of tomorrow.

Our stated aim is for the HÖRMANN Group to continue to realise profitable growth, generating sales of around EUR 750 million by 2025 and an EBIT margin in every division that is typical for the respective industry. The internationalisation of our sales and service activities is another important aspect in this respect.

The COVID-19 pandemic has given digitalisation a significant boost in all areas of life. What have been the HÖRMANN Group's experiences in this respect and what progress has been made?

MR We have companies that were already active in the area of digitalisation, such as in the **Communication division**. Passenger information and video systems are only possible thanks to complex software modules. The train radios of today and tomorrow are based on digitalisation. These business segments are continually evolving and adapting to the latest digital standards.

The **Engineering division** is also shaped by digitalisation to a large extent. Many engineering processes are based on digital models, from building information modelling (BIM) through to virtual plant commissioning. In design engineering, communication using virtual reality is opening up new opportunities for cooperation with customers. We can let customers experience the design of a tram, for example, without having to build a prototype.

There are also numerous areas of application for digitalisation in the **Services division**, including predictive maintenance and condition monitoring (Services 4.0).

In 2019, we also founded HÖRMANN Digital GmbH as an independent company with a start-up mentality in order to drive the topic of digitalisation within the HÖRMANN Group. As part of this, we have also developed a specific funding concept that is similar to research promotion. HÖRMANN Industries provides 50% of the funding for digitalisation projects in the operating units as a way of actively supporting and accelerating the individual subsidiaries in their transition to the digital world of tomorrow.

In summary, there is all kinds of potential for the various business segments of the HÖRMANN Group to benefit from new business opportunities resulting from digitalisation.

JSD We also place a special focus on the digitalisation of our internal business processes. This is necessary in order to leverage rationalisation and synergy effects. We need our internal workflows to become considerably more digital in order for us to work more quickly and efficiently. In 2019, we began migrating all of our companies to two future-oriented ERP system landscapes. This development was further advanced in 2020.

Digitalisation means increased networking. As a final question, then: How has the cohesion within the HÖRMANN Group developed?

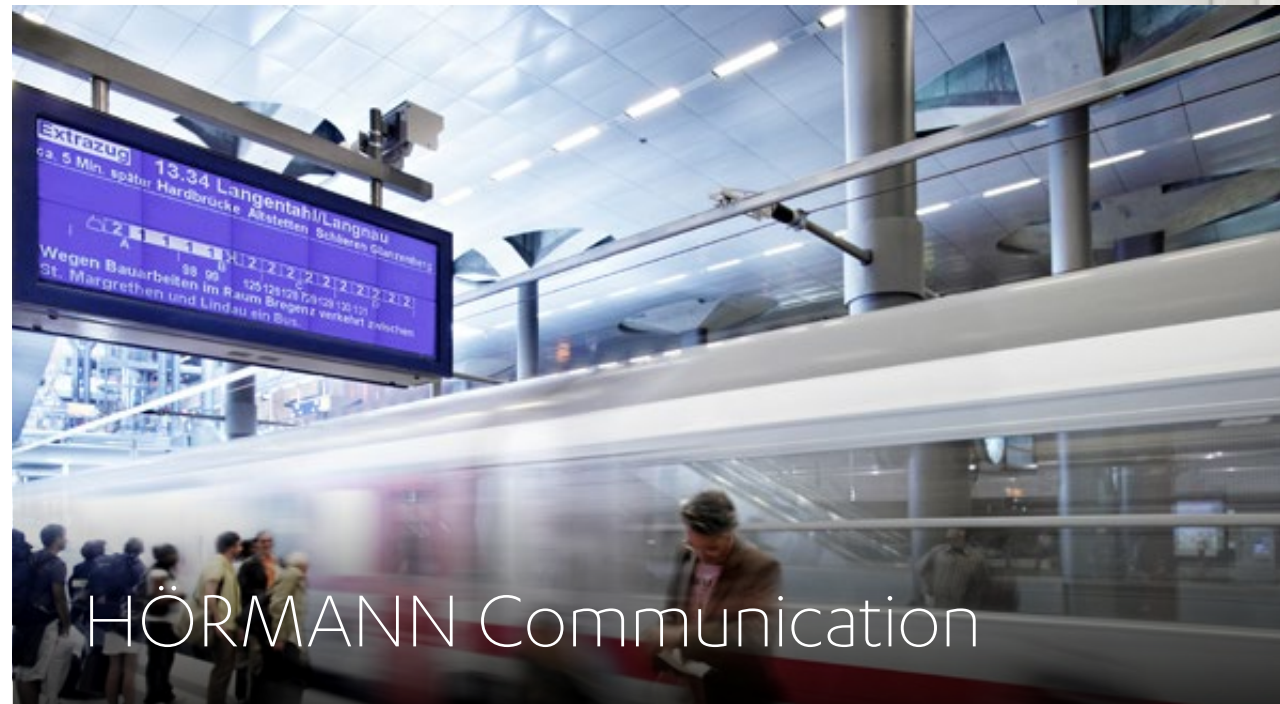
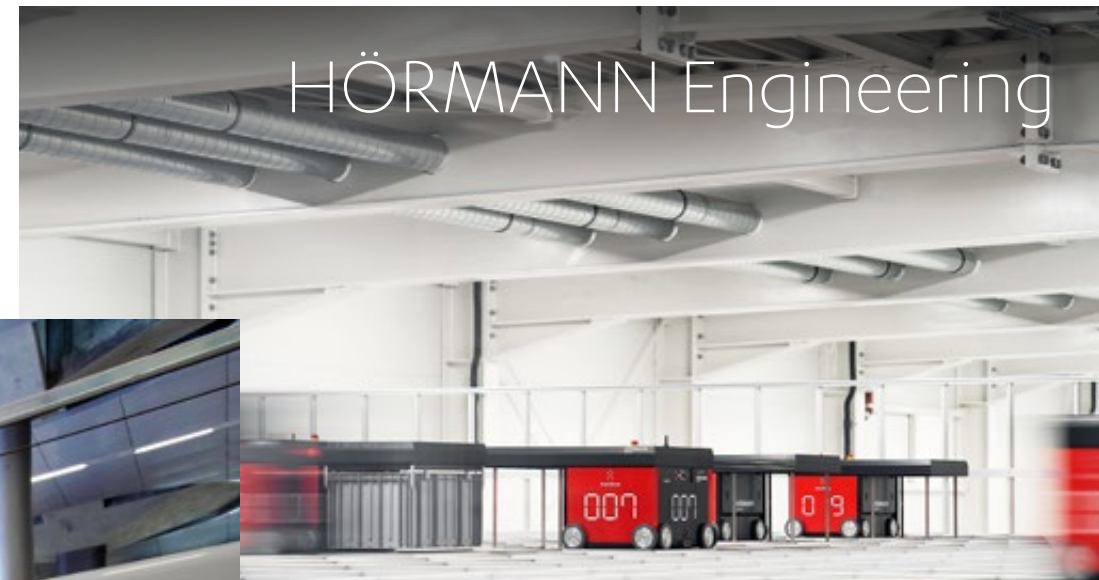
MR HÖRMANN Industries actively promotes synergies between our various Group companies. There are some promising approaches in this area: For example, HÖRMANN Vehicle Engineering, which specialises in design engineering for vehicles, is now working in closer cooperation with HÖRMANN Automotive and winning new projects as a result. In the Communication division, there is already a long-standing cooperation between Funkwerk AG and HÖRMANN Kommunikation & Netze GmbH, with the latter acting as an installation partner for the former's train radio and video systems. We seek to leverage synergy potential where it makes sense to do so, but without forcing the issue. Each of the companies has its own entrepreneurial responsibility that it must be able to exercise with respect to economic considerations.

JSD Because our customer groups are very specific, the synergies between the individual business segments are relatively limited. Leading products, high-quality services, specific applications and technologies, and long-standing, trust-based customer relationships – these are the key to the strength of our diversification and the HÖRMANN brand's model for success. ♦

» Shaping our future with courage, agility and rigour – this is the key to the success of tomorrow. «

MICHAEL RADKE, CEO

Broad diversification with four strong divisions



The **HÖRMANN Group** has been at the forefront of innovation for 65 years. By continuously investing in our employees' expertise and the latest technologies, the family-owned company has since expanded into 27 independent companies. Together, they are successful in four divisions: Engineering, Communication, Services and Automotive. The divisions cooperate and support one another, thus ensuring a high degree of stability for the Group and creating synergies. The joy of shaping the transition and the future is infectious – the following projects offer an insight ...



Our path to digitalisation

HÖRMANN Digital GmbH was established in 2019 to consolidate “digitalisation” expertise within the HÖRMANN Group and to tap into many synergies to drive the rapidly evolving process of digitalisation. Expenditure on resources on the path to a digital company will be optimised by this structure, whose long-term competitiveness will at the same time be reinforced. “In this context, we are talking not only about internal digitalisation, which frequently creates the prerequisites, but mainly about external digitalisation – in other words, expanding the business model with digital products and new digital business models, for instance, in the area of maintenance and servicing”, emphasises Anna HÖRMANN, Managing Director of HÖRMANN Digital.

HÖRMANN Digital provides the companies with cutting-edge development expertise and methods that can be used for order-based project development or for the joint development of innovative digital products – with participation of some or all of the companies. In this process, HÖRMANN Digital collaborates with a broad network in order to systematically agree possible make-or-buy decisions and to integrate existing solutions on the market.

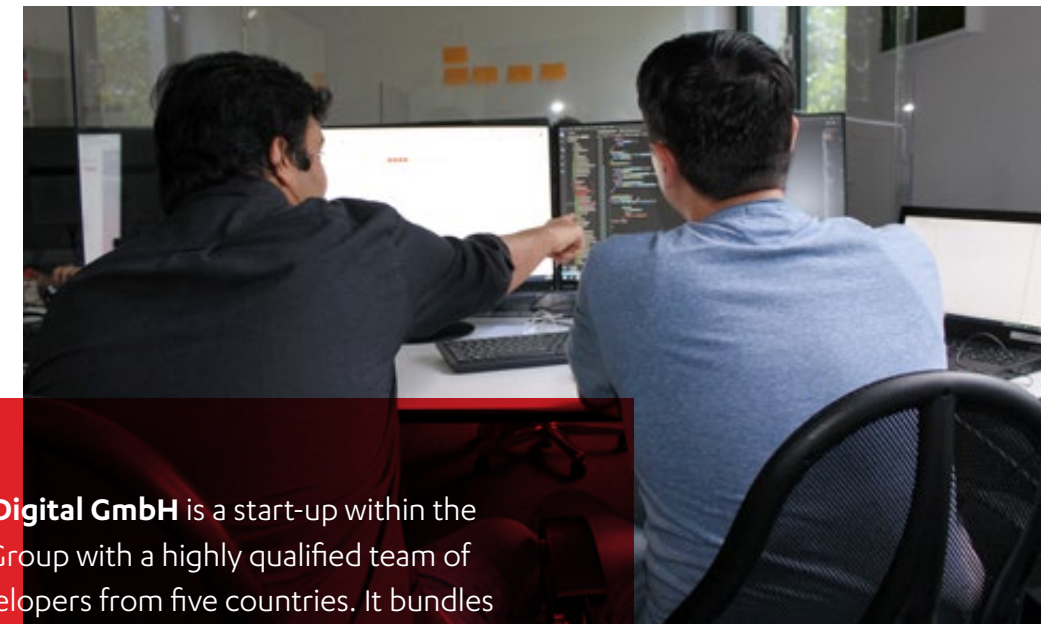


The new ticketing tool “BugJack”

At the start of 2020, HÖRMANN Digital deployed the first development team, which realised its first project in the same year: the “BugJack” tool, an innovative ticketing tool developed in collaboration with HÖRMANN Logistik. The tool is designed to support the elimination of error messages at customers’ logistics centres. Previously, customers would inform the service provider of an error message by telephone. Only then was the error rectified on-site by one of the service provider’s employees. With the help of intuitive and digital recording functions, “Bug-Jack” makes it possible to communicate the error easily and quickly, track error processing transparently and access documentation in case of errors in the future. Consequently, “Bug-Jack” also forms the basis for the further digitalisation of the service process and the integration of additional functions such as condition monitoring and predictive maintenance.

The development team completed the first version of the new tool in the autumn of 2020, at which point it entered the test phase at HÖRMANN Logistik. “In addition to developing BugJack, we started to work on additional digitalisation projects and approaches with different companies in the HÖRMANN Group in 2020,” says Anna HÖRMANN. Work on the area of predictive maintenance is being intensified in cooperation with HÖRMANN Logistik and HÖRMANN Automotive. The topic of energy monitoring is being addressed with HÖRMANN Services. The innovative future project Intramodal Logistics is being developed together with HÖRMANN Vehicle Engineering, HÖRMANN Rawema as well as external partners.

To further expand the activities in 2021 and to develop a comprehensive digitalisation strategy for the HÖRMANN Group, an experienced manager from the area of digitalisation and IT took up a position as Chief Digital Officer (CDO) at the start of the year (2021).



HÖRMANN Digital GmbH is a start-up within the HÖRMANN Group with a highly qualified team of software developers from five countries. It bundles the expertise covering all aspects of digitalisation within the HÖRMANN Group and advances the digitalisation process by leveraging many synergies. The operating companies are supported on their journey to digitalisation with a special funding model provided by HÖRMANN Industries.

Engineering

HÖRMANN Logistik GmbH

AutoStore® small parts warehouse for Richter + Frenzel

The wholesaler Richter + Frenzel (R+F), which specialises in sanitary and building technology, constructed a central logistics centre in Reichertshofen near Ingolstadt from which the company supplies its branches and trade customers nationwide. A central element of this new building is a fully automated solution for storing and combining small parts. The team at HÖRMANN Logistik GmbH impressed R+F with its intra-logistics concept. “Our concept for the realisation of the system incorporates an AutoStore® small parts warehouse as a central element. A connected conveyor technology system with integrated carton



unfolders and carton sealers links the picking, palletising and despatch functions,” explains Oliver Vujcic, Managing Director of HÖRMANN Logistik.

To tailor the design of the AutoStore® system, HÖRMANN Logistik conducted several system simulations using original data in real time during the planning phase. The result was a system configuration with 45 robots, 50,000 containers on 16 levels and corresponding workplace modules. This also resulted in the recommendation for multi-order picking via batch formation. “During batch formation, the Warehouse Management System HiLIS AS combines special orders in batches so as to generate the maximum possible multi-order rate,” explains Oliver Vujcic. HiLIS AS stands for the software package “HÖRMANN intra Logistics System AutoStore®”.

Robots cooperate in the self-learning system

The AutoStore® system consists of an aluminium grid system that is clad on all sides. Inside the grid system, stacks of 16 containers each stand directly on the hall floor. The guide rail system on which the battery-powered autonomous robots move is mounted above the container stacks. The robots operate collaboratively to pick up and sort the containers and are responsible for supplying and emptying the workplace modules.

The maximum overall weight of the containers is 35 kilograms, with a net payload of around 30 kilograms. To enable quantity-optimised filling of the containers, HÖRMANN Logistik has implemented a self-learning system for weight and volume data. Only identical items in identical condition are stored in each subdivision in the container. The new AutoStore® intralogistics solutions by HÖRMANN Logistik at R+F was commissioned in June 2020.

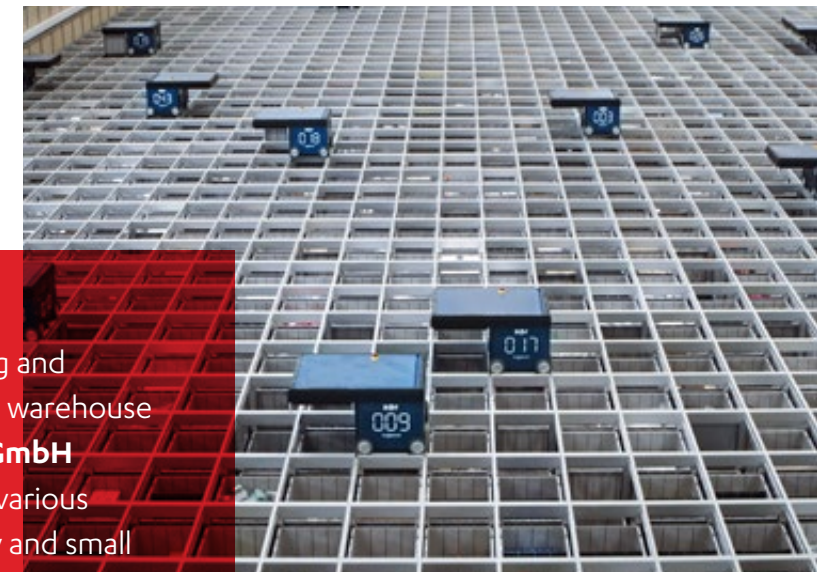
Central management and control software

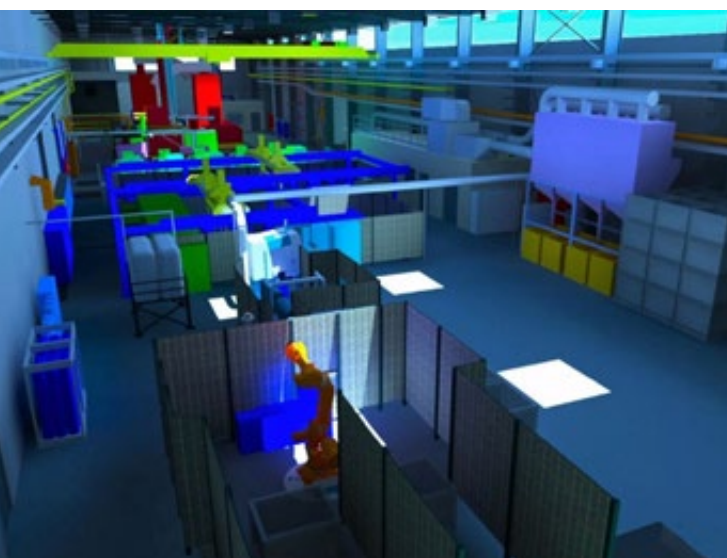
The Warehouse Management System HiLIS AS developed by HÖRMANN Logistik manages the container contents and controls all picking processes. The robots communicate via Wi-Fi with the AutoStore® control system, which assigns the transport orders to the robots. If order volumes are low or if the battery capacity is insufficient, the robots automatically travel to one of the charging stations.

“HiLIS AS makes optimum use of the possibilities of AutoStore® and creates the interface between the AutoStore® control system and the customer’s higher-level IT system,” explains Managing Director colleague Steffen Dieterich, adding that “The integrated pick and palletising robots also communicate with HiLIS AS.”

HÖRMANN Logistik is one of the leading sales partners and integrators for AutoStore® systems in Germany, Austria and Switzerland (DACH region) and in CEE countries. The Munich-based company was recognized in the size category 51 to 200 employees of the 2020 TOP 100 innovation award for its “Innovation-Friendly Senior Management”.

With its creative concepts for warehousing and conveyor technology as well as innovative warehouse logistics solutions, **HÖRMANN Logistik GmbH** realises tailored intralogistics systems for various industries. The company designs high-bay and small parts warehouses that ensure maximum productivity and profitability. It assumes overall responsibility for the realisation of complex warehouse systems either as new systems or as upgrades to existing systems as they are in operation.





HÖRMANN Rawema Engineering & Consulting GmbH is an innovative, vendor-neutral engineering company that specialises in technical planning services for the industrial sector with a focus on production technologies and factory design. The engineering services cover the complete life cycle of the factory, starting with responsibility as general contractor for planning entire factory projects through to engineering the individual production areas, processes and systems and all the way to re-engineering and resulting relocation projects.

HÖRMANN Rawema Engineering & Consulting GmbH

Lightweight material with heavy-duty technology

For more than twenty years, the factory planning specialist HÖRMANN Rawema has supported the leading supplier of forged chassis and engine components Bharat Forge in its forming technology activities primarily in relation to forging. What do the forging installations look like? What is the anticipated expenditure on the technical building equipment? Which automated process solution is available? And what requirements must the measurement engineering meet? These are the questions to which answers are found. "Bharat Forge is particularly interested in our experience – from system concepts through to the realisation of products, we work together on efficient solutions," says Benjamin Bielefeld, Innovation Manager at HÖRMANN Rawema.

What has made the cooperation unique for several years now is the consistent use of 3D planning. Since HÖRMANN Rawema's role as general contractor means that it always combines data from many sources, it also incorporates standardised interfaces into the planning process along with known data from established partners in order to offer the customer customized, yet reliable, planning.

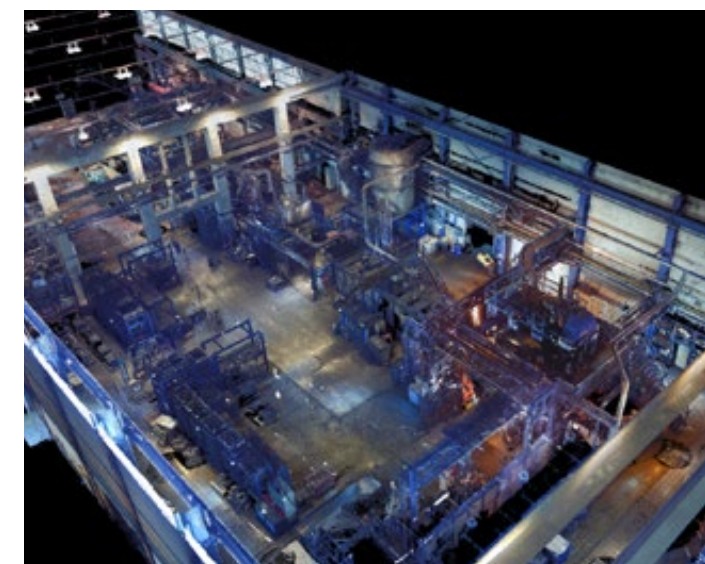
3D planning for more efficient factory planning

During the planning phase, HÖRMANN Rawema combines architectural data such as girders and walls with data from the technical building equipment, such as cooling and ventilation systems. This data is then linked, for example, with the production systems. "All of this must produce a consistent, efficient and functional construct from the planning process, and is therefore intensively coordinated with all participants," emphasises Benjamin Bielefeld. Based on the comprehensive 3D model, the factory planners then define schedules and detailed coordination, for example.

After the planning phase, HÖRMANN Rawema uses the models for the realisation phase to coordinate assembly sequences with suppliers. Since many processes on the construction site are performed one after the other, comprehensive project management is also required on-site to ensure optimum work organisation. For conversion projects of longer duration, the factory planning specialist has also been using 3D laser scans since 2015 as a means of realising 3D modelling, which can also serve as a starting point for digitalisation projects.

Factory of the future

General planning is increasingly focused on comprehensive 3D planning as a means of involving the customer in the planning process and making even more detailed statements about the process. "In the next few years, we will also enable our customers to perform the factory planning together with us in the virtual domain," says Holger Füssel, Managing Director of HÖRMANN Rawema. To this end, HÖRMANN Rawema is working with strong partners to expand its expertise in building information modelling (BIM), contributing to the development of the VDI standard for BIM factory planning and defining possible applications for augmented reality (AR) and virtual reality (VR) systems with a focus on collaborative work. The company is also involved in the research project "Agil-PlanBZ", which deals with the design of a flexible, adaptable factory for the production of fuel cells – all with the aim of promoting efficient factory planning in the era of digitalisation in production. "Only those who take full advantage of the opportunities of digitalisation can identify the challenges of tomorrow at an early stage and therefore achieve optimum results for the customer," emphasises Holger Füssel.



3D laser scan for optimum factory planning

Klatt Fördertechnik GmbH

Reliable delivery of parcels

French postal service company La Poste contracted the Beumer Group to deliver, install and commission two parcel sorting centres near Paris. Beumer in turn commissioned Austrian company Klatt Fördertechnik GmbH to supply all the belt conveyor technology for these two sorting centres. “The Beumer Group has been one of our best customers for many years – we have grown together,” says Peter Klatt, Managing Director of Klatt Fördertechnik. He adds: “The Beumer Group trusts us above all because of the reliability of our conveyor technology and project management, our lower energy consumption and servicing costs as well as the durability of our systems and the resulting lower life-cycle cost.”

The belt conveyor technology, often also referred to as assembly line technology, provides a means of delivery to and removal from the sorter. “Sorters are technical terms for logistical sorting and distribution systems,” explains Florian Pöckl, technical manager and authorised signatory at Klatt Fördertechnik. The first system in France was completed in June 2020, and the second in August 2020.

Each system has a sorting capacity of more than 31,000 parcels per hour. They use more than 1,000 drive motors with a linear metre load of between 35 and 50 kilograms. The Klatt conveyor installation has an overall length of some 2,450 metres. It is integrated in the cross-belt sorter installed by the Beumer Group with a length of two by 600 metres and two by 900 metres. The cross-belt technology enables the sorting system to convey and sort almost all types of items automatically as part of a high-speed system – which includes handling difficult object surfaces.

Belt conveyor with numerous applications

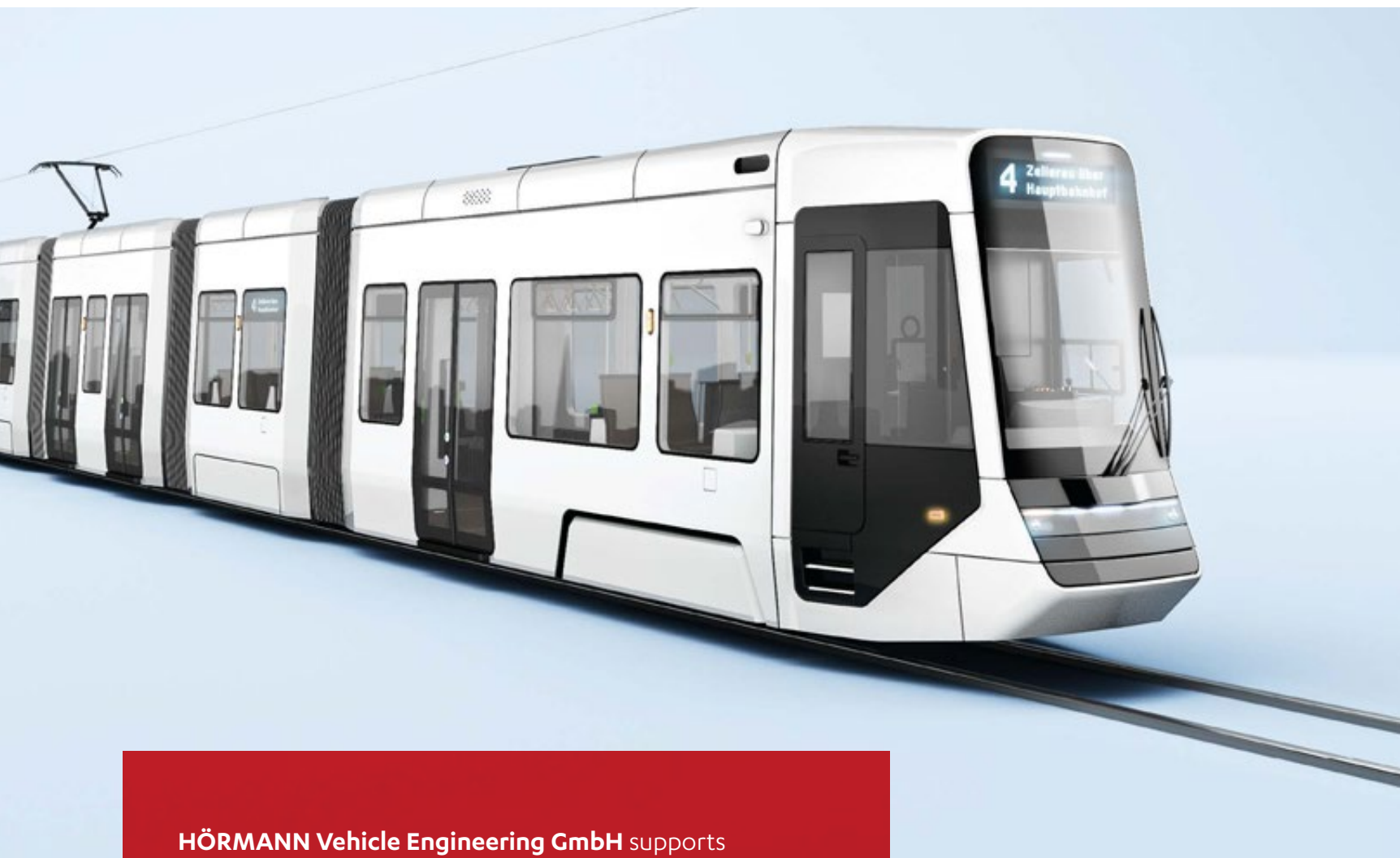
The belt conveyor by Klatt Fördertechnik can convey the transport units horizontally, uphill, downhill, via vertical diverters or angled injecting merges to a defined destination. “In the context of a parcel conveyor system, it has a great number of applications,” stresses Florian Pöckl. Propulsion is provided by highly efficient geared motors.

The belt conveyors are moved by means of head and centre drives. The low material composition of the head drive results in a lower overall weight and fewer spare parts are required. The greater wrap angle of the belt with the centre drive enables improved transfer of driving power to the belt. This enables the construction of longer belts and the conveyance of heavier weights, as is the case in the La Poste project.

The belt conveyor is also equipped with individually height-adjustable support feet to enable optimal alignment of the conveying level. For ceiling installations, Klatt Fördertechnik plans suitable suspension fixtures to facilitate installation on-site. “Technology that is tailored to customer requirements backed by our reliable service represent an all-round worry-free package. Our stable, long-lasting and low-maintenance conveyor technology designs and highly efficient drive technology are what set us apart from our competitors,” emphasises Florian Pöckl.



Klatt Fördertechnik GmbH has developed into a key partner to many European logistics companies. The core business is based mainly in the areas of airports, hospitals and postal services. For this purpose, the Austrian company develops and installs a range of conveyor systems for tanks, containers, luggage, pallets and parcels as well as special conveyor systems. Its service offering covers the entire process from planning to design all the way to assembly and commissioning as well as maintenance.



HÖRMANN Vehicle Engineering GmbH

New trams for the city of Würzburg

Würzburg Straßenbahn commissioned HeiterBlick GmbH to manufacture and supply 18 new vehicles. The vehicles in question are 5-unit, modular low-floor trams. They are designed to cope with the unique characteristics of a challenging infrastructure with steep route sections and a gauge of 1,000 millimetres. The first vehicles in this series are due to commence passenger services in Würzburg in 2022.

The engineering partner for HeiterBlick is HÖRMANN Vehicle Engineering GmbH. The company from Chemnitz is responsible for the entire mechanical design including the functional system integration and managing the design of the equipment for the bodysell production process. Seventy employees of HÖRMANN Vehicle Engineering are involved in this major project.

More mobility and shorter changing times

The new vehicles have an overall length of 36 metres (or alternatively 42 metres) and a width of 2.40 metres. With 76 seats and four standing spaces on an area of one square meter each, each car can accommodate a total of 147 persons. The cars combine a bright and cheerful interior with excellent riding comfort and practicality.

In 2020, HÖRMANN Vehicle Engineering created the 3D design and calculations of the superstructure and bogie frame. The company also designed the mechanical integration of electric components.

The cars are designed in particular to meet the needs of passengers with restricted mobility as well as passengers with pushchairs and bicycles. Two special usage areas with space for a total of four wheelchairs are provided in the end modules, which are easily accessible through large double doors. "The low-floor technology is primarily used in local public transport applications because the flat floors in the interior make life easier for passengers whose mobility is impaired due to disability or age. They also allow passengers to board and alight more quickly," explains Frank Salzwedel, Managing Director of HÖRMANN Vehicle Engineering.

Partnership with HeiterBlick in Leipzig

The cooperation with HeiterBlick that commenced in 2010 has evolved into a close partnership. HÖRMANN Vehicle Engineering now developed specially adapted vehicle concepts that HeiterBlick uses to participate in new tenders. In the research field, both companies are working on converting a tram to fuel-cell drive, the first project of its kind in Europe.

In a fuel cell, a fuel such as hydrogen is introduced and reacts with an oxidising agent such as oxygen. This electrochemical reaction is referred to as "cold combustion" and is exceptionally efficient. The fuel cell is considered to be an environmentally friendly propulsion system of the future. "By converting a tram to fuel-cell drive, we are very much in step with the times," stresses Frank Salzwedel.

HÖRMANN Vehicle Engineering GmbH supports customers throughout the development process chain for rail, road and special vehicles. As a global engineering partner, the company offers full-vehicle expertise from the initial idea to the finished prototype and start of production. Innovative trends are applied in the area of lightweight construction, in the use of new materials and in drive technology.





» We are driving
innovation with
exceptional dynamism
and are actively shaping
the future of the
HÖRMANN Group. «

MICHAEL RADKE, CEO

Communication

Funkwerk AG

The first battery-powered train in Europe with Funkwerk train radio system

The train radio system MESA®26 has been on track for sustainability since 2020 on board Austria's ÖBB Cityjet eco train – a variant of the Desiro Mainline (ML) railcars that comes fully prepared for the installation of a hybrid battery system, which can then easily be retrofitted.

The train radio plays an important role in railway operations because it ensures the communications between the mobile and stationary infrastructures. This is the specialist field of Funkwerk Systems GmbH: "We are experts for voice and data communication in rail transport using analogue and digital mobile phone networks," says Kerstin Schreiber, CEO of Funkwerk AG. For 40 years, Funkwerk has developed and manufactured train radio technology for railway companies across the world, both for installation on rail vehicles as well as for portable devices. By integrating ground-breaking technologies into the development process and taking the latest standards into account, the company creates radio systems that meet future expectations thanks to modular design, thereby offering our customers investment security.

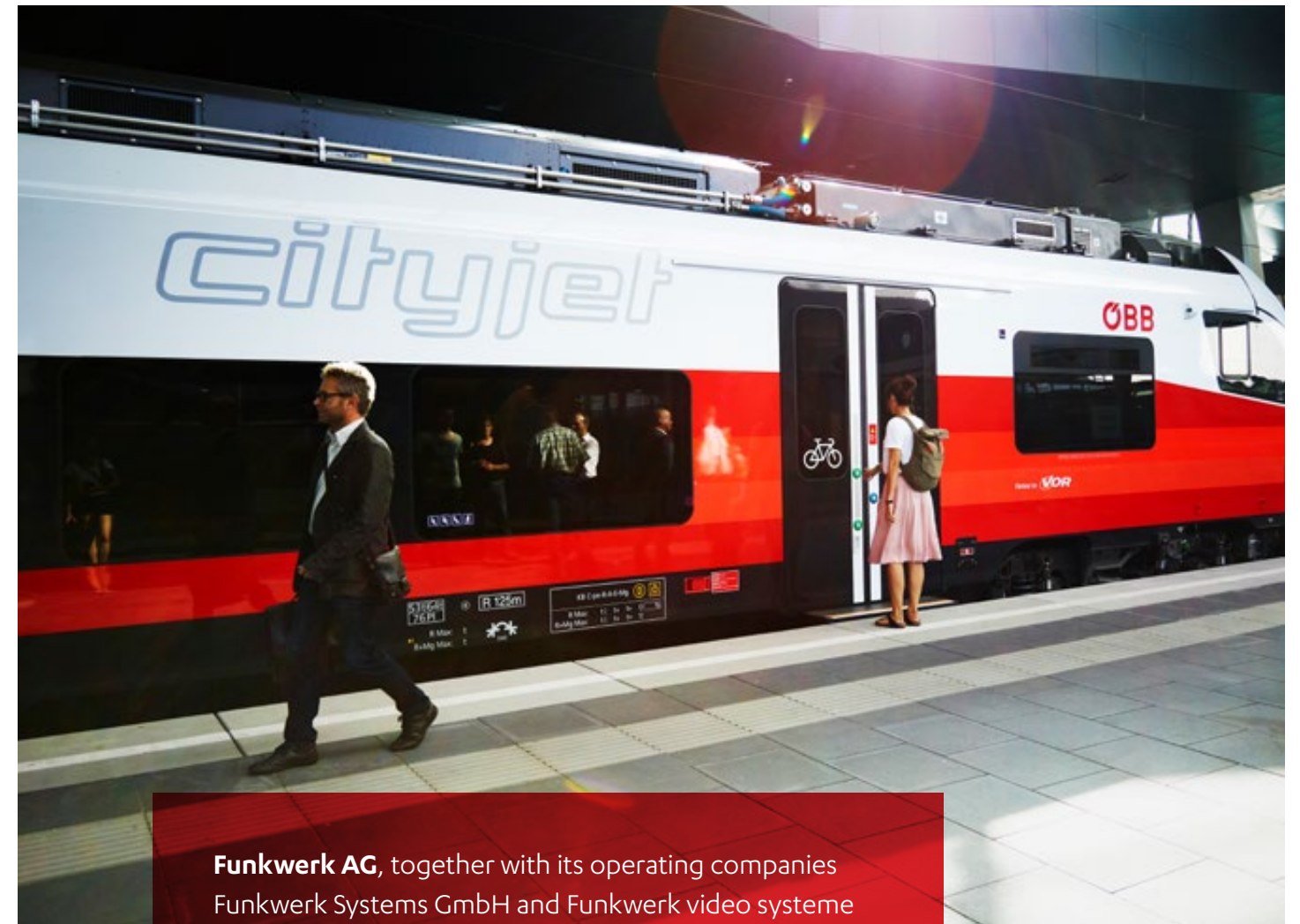
Train radio systems with innovative software

Certified according to the latest standards, the train radio is breaking new ground thanks to the MESA®26 radio system. There are two aspects in particular that set the system apart: firstly, the use of a radio module with integrated filters that shield against interference from other radio networks and, secondly, its modular construction. This is why the MESA®26 is already in use with many European railway companies.

GSM-R (Global System for Mobile Communications – Railway), the radio system developed specifically for European railways, is the standard for rail transport in Europe. Funkwerk is proud to be a leading provider in the area of mobile GSM-R train radio systems. However, Funkwerk also has its sights set firmly on the future with the train radio standard FRMCS (Future Railway Mobile Communication Solution) and is already working on migration concepts.

MESA®26 on track for sustainability

Trains that are fully equipped for hybrid battery operation are intended as a CO₂-neutral solution for use on non-electrified routes. The battery system retrofitted on the roof of the ÖBB Cityjet eco charges itself with green traction current via the pantograph on electrified sections. The trains can then operate sustainably on non-electrified routes without the need for alternative drive systems. During its roughly 15-months of trials in passenger operation, the ÖBB Cityjet eco has already saved 140 tons of CO₂. "However, the MESA®26 train radio system is used not only in the battery trains – the Funkwerk solution is also installed on 200 Desiro ML powered railcars," emphasises Kerstin Schreiber.



Funkwerk AG, together with its operating companies Funkwerk Systems GmbH and Funkwerk video systeme GmbH, is a leading provider of advanced communication, information and security systems. The company supplies customers with professional communication and information solutions for railway companies, airports and local public transport services as well as smart security systems for buildings, government authorities, banks, transport links and industrial premises.



Funkwerk Systems GmbH also specialises in passenger information systems. The product range includes stationary, visual and audible systems to provide information to passengers in indoor and outdoor areas. The systems include highly complex control software for processing and delivering real-time data.



Funkwerk Systems GmbH

Nationwide passenger information systems for Norway

The name KARI is synonymous with the new era of passenger information in Norway – and the system by Funkwerk Systems GmbH ensures that passengers across the country from Oslo to Bergen are provided with visual and audible real-time information about rail transport services.

“More than 300 stations are integrated into the passenger information system,” says Christian Ringler, Managing Director of Funkwerk Systems. The national Norwegian railway administration Bane NOR set specific goals. It wanted to increase passenger satisfaction on the one hand, but also achieve fully automated control of the delivery of information while at the same time reducing manual processes on the other.

Funkwerk Systems GmbH therefore worked closely with the customer Bane NOR to develop a system characterised by its modular architecture. All functions are divided into independent software subsystems, which are centrally represented by a user-friendly operating interface. During daily operational procedures, this significantly reduces the workload associated with controlling what are known as “business events”, such as delays or interruptions to operations.

Passenger information systems in real time

KARI controls the flow of information to approximately 1,300 display devices throughout Norway – the latest text-to-speech technology is used to deliver audible information. “The passenger information system does not function as a standalone system in this context,” stresses Christian Ringler. In order to supply other railway companies and their services with real-time data, the open standard SIRI (Service Interface for Real Time Information) was implemented in KARI.

The Funkwerk passenger information systems provide up-to-date, comprehensive and high-quality information, reliably and consistently across all available media. Together with convenient means of transport, they are the key to promoting the mobility of the future. The product range includes stationary, visual and audible systems to provide information to passengers in indoor and outdoor areas. The systems include highly complex control software for processing and delivering real-time data. They reflect the entire journey from planning to the departure location all the way to the arrival at the destination. They also cover deviations as well as suggestions for alternative routes and means of transport.



Funkwerk video systeme GmbH, a part of Funkwerk AG, develops video systems as a high-end system solution for highly sensitive applications from a single source that are guaranteed »made in Germany«. The products range from modern cameras and pan/tilt units for numerous applications to video management systems with smart image processing all the way to a comprehensive range of accessories. Day by day, the in-house development department produces new components that ensure customers ideal solutions for their individual requirements.



Funkwerk video systeme GmbH

New video management system makes underground railway stations even safer

Funkwerk video systeme GmbH, which is based in Nuremberg, is expanding the video surveillance system in the underground railway (U-Bahn) in Nuremberg and Fürth for Verkehrs-Aktiengesellschaft Nürnberg (VAG). VAG and Funkwerk are linked by a collaboration that goes back many years – Funkwerk installed the first video systems for VAG during the 1980s. Trust, experience as a professional problem-solver and system provider, rapid on-site service (24/7) as a Nuremberg-based company not to mention the security of investment – these are all crucial factors that underpin VAG's confidence in Funkwerk.

Now, the central station monitoring system is intended to improve the operational procedures of VAG on the one hand while also offering enhanced safety on the other: "In future, not only VAG employees will control the video system but also the police and fire service. Although the police and fire service have long had access to the system, it is now being expanded to include additional cameras, and the technology overall is being upgraded," explains Norbert Meißner, Managing Director of Funkwerk video systeme.

Funkwerk video systeme not only supplies the control centre technology but also the station equipment. The control centre technology includes the technical equipment for the workstations in the monitoring control centre, e.g. monitors with video management and virtualisation software as well as additional equipment such as computers with large storage systems. The station technology includes the technical hardware for image capture, such as high-resolution digital surveillance cameras in the stations.

All information is available on a user interface

For the control centre technology, Funkwerk is installing the new "posa palleon" video management system. "The days when users were forced to base their system requirements on the management software's capabilities are long gone – posa palleon can adapt to these requirements," says Norbert Meißner. The system has a freely configurable user interface that can be customised for every operator and therefore also enables the integration of innovative operating concepts.

This enables all new digital cameras to be managed. In addition, a "posa-palleon bridge" allows the existing cameras to be connected to the system and operated. The old management software and the new software therefore run in parallel. In addition to monitoring live-streams, the operator can record, save, administer and analyse data – all on a single user interface.

Cooperation with HÖRMANN Kommunikation & Netze

For the station technology, HÖRMANN Kommunikation & Netze laid around 42 kilometres of cables on behalf of FVS and equipped 48 stations with 440 additional video cameras. Every camera is connected via LAN and Power over Ethernet to the video network. This not only handles the operating voltage but also the transfer of data. The cameras are configured remotely with the help of the PTRZ function. PTRZ is the abbreviation for "pan, tilt, rotate and zoom" and simplifies the installation of the cameras. "The fitters from HÖRMANN Kommunikation & Netze are our reliable partners when it comes to handing over turn-key systems to our customers," says Norbert Meißner.



Modernising advertisement systems in U-Bahn stations

The possibilities of digital advertising media in the public domain are constantly expanding – from moving images with an entertainment factor to online information all the way to adverts tailored to the viewer. Inspired by outdoor advertisements, passers-by often reach for their smartphones and start searching for products, ideally progressing all the way to a purchase.

Outdoor advertisements in the Munich and Hamburg U-Bahn stations are also set for an entertainment upgrade. Digital advertising systems replace analogue advertising media. In the outdoor advertisement area, this is handled by Ströer SE & Co. KGaA, a leading German and international company that is involved in marketing online and outdoor advertising and manages approximately 300,000 advertising spaces. Ströer commissioned HÖRMANN Kommunikation & Netze GmbH to carry out the comprehensive electrical and metal construction work to upgrade the advertisement systems in numerous U-Bahn stations in Munich and Hamburg.

Media display walls in Munich and Hamburg

The team at HÖRMANN Kommunikation & Netze installed the first information screens with projectors and with city light posters back in 2018 in Munich's Max-Weber Platz, Odeonsplatz and Rotkreuzplatz U-Bahn stations and at Hamburg's Gänsemarkt metro station. The work at Munich's U-Bahn station in Marienplatz was recently completed. Another system is due to be installed at Karlsplatz in Munich.

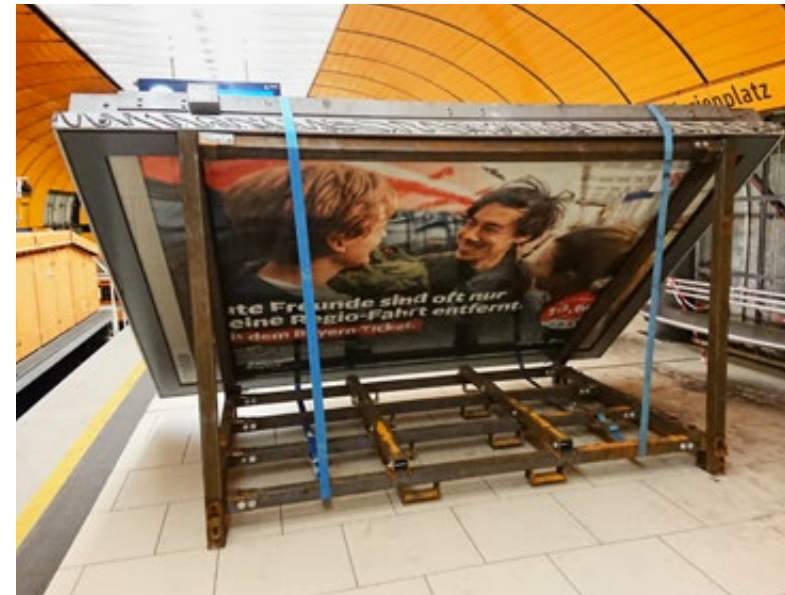
First of all, production plans for the information screens had to be developed and then special steel structures manufactured. The custom-designed stainless steel brackets were made from square tubing and square metal panels. The projection wall was carefully painted in matt white and the cover for the supporting frame in matt black.

The technical work includes removing the analogue advertising media and replacing it with the new digital advertising systems. The media display walls provided by the client weighing up to 1.5 tons are transported into the U-Bahn stations on special transport frames and then mounted with technical aids on the walls and ceilings of the stations.

Sound steel construction know-how required

The experts from HÖRMANN Kommunikation & Netze install the projector suspensions on the ceiling directly above the platforms. In addition to creating openings, drilling into existing structures and installing new cable runs, they are also responsible for the subsequent laying of electrical and data cable connections to the advertising media.

"Producing, delivering and installing the information screens in the area behind the tracks on the tunnel walls opposite the platform was a particular challenge," explains Günter Seufzger, Managing Director of HÖRMANN Kommunikation & Netze. The screens are 4 metres wide, 2.5 metres high and weigh 350 kilograms. "Due to the enormous public traffic in the stations, most of the work must be carried out at night during the brief shut-down period and requires highly flexible cooperation and a willingness to work at night," says his Managing Director colleague Johannes Antoni.



HÖRMANN Kommunikation & Netze GmbH is a technical service provider in the areas of communication technology, open line construction, energy generation and efficiency as well as in the maintenance of public infrastructures. As one of the leading full-spectrum partners for providing complete services, the company offers flexible and customer-oriented solutions. From projects in the railway environment such as Stuttgart 21, setting up 5G mobile communications, installing charging stations, overhead line work, lighting installations in stadiums or erecting advertising systems on Munich's U-Bahn and S-Bahn networks – the HÖRMANN company handles a wide range of projects.



Providing reliable warnings to the public of impending catastrophes is the speciality of **HÖRMANN Warnsysteme GmbH**, which has more than 60 years of expertise in developing and building sirens as well as siren warning systems. The sirens »made in Germany« alert people around the world to threats such as tsunamis, flooding, fire, toxic substances or other disasters. Founded in 1955 by Hans HÖRMANN as a two-man operation, the sirens laid the foundations for today's HÖRMANN Group.

HÖRMANN Warnsysteme GmbH

New siren control system for digital radio

The latest generation of the TSE902 siren remote control unit by HÖRMANN Warnsysteme GmbH incorporates a decade of expertise in the TETRA digital radio standard. TETRA stands for "Trans European Trunked Radio" and provides a secure and reliable means of communication between the various emergency services such as the police force, fire service and ambulance service.

The development team at HÖRMANN Warnsysteme works closely with the committees of the Federal Agency for Public Safety Digital Radio (BDBOS) and the PMeV Network for Secure Communications. The current requirements and recommendations of both institutions were implemented in the new siren control system. The device can also be integrated into future warning channels of the federal government's modular warning system.

Increased eavesdropping protection

"No authority or organisation with a security function can do without digital radio these days," emphasises Harald Rickmeyer, Product Manager for the TSE902 at HÖRMANN Warnsysteme. "Digital radio networks are more secure, more reliable and offer higher transmission quality than analogue networks," adds Johannes Antoni, Managing Director of HÖRMANN Warnsysteme. HÖRMANN Warnsysteme developed its first siren control system for TETRA, called the TSE901, in 2009. The completely revised successor, the TSE902, has been on the market since 2020.

Bi-directional communication in the TETRA network not only allows sirens to be triggered, but can also report their triggering or availability to the responsible authorities. This makes the alerting process more secure.

Compact design

The new TETRA siren control system is based on a compact design, which means that the TSE902 does not require a great deal of space at the installation location.

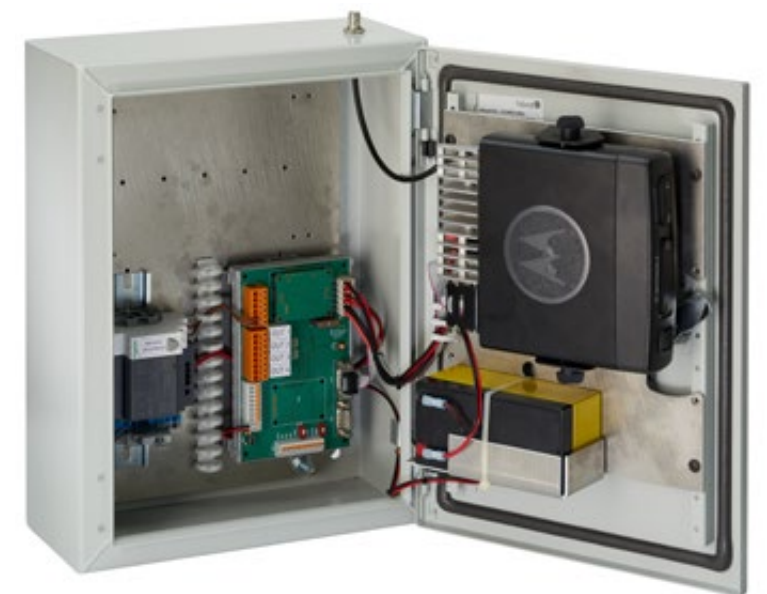
Intelligent priority control is important for the transition from analogue and digital unidirectional radio networks to the TETRA standard. It enables combined operation as well as redundant triggering and ensures low siren downtime during the conversion. With the TSE902, control centres are also no longer tied to proprietary transmission and triggering solutions.

HÖRMANN Warnsysteme develops and produces the TETRA siren remote control units itself. Also available as options are the panoramic measurements that may be required for the application process for locations.

Digital radio in Europe

In addition to Germany, a further 15 European states, including Belgium, Denmark, Finland, Great Britain and Sweden, have a nationwide TETRA network. Other European countries such as Austria, Italy and Croatia are currently establishing their networks. Germany's digital radio network is the largest of its kind in the world.

The primary reason why the TETRA standard became the established basis in Europe for the radio networks of the relevant security authorities is because it was developed specifically to meet the requirements of authorities and organisations with security functions.



TSE902 – the siren control system for TETRA



» We are actively shaping
the digitalisation of the
Services division with a
passion for innovation. «

MICHAEL RADKE, CEO

Services

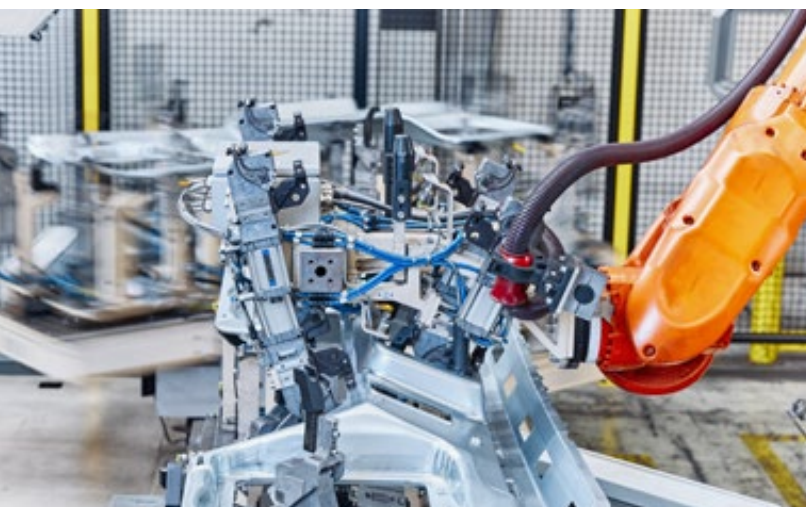
HÖRMANN Industrieservice GmbH

Greater cycle times for greater productivity

HÖRMANN Industrieservice GmbH introduced a cycle time increase and workplace optimisation at the assembly plant of an OEM taking ergonomic and ecological aspects into account. A concept to improve the loading and unloading of two machines that are set up in parallel for processing components was developed together with the customer.

Previously, the components had to be placed into the machine via loading portals. Loading and unloading could be performed only in sequence: first machine 1, then back and forth, and after that machine 2. After being unloaded, the loading portals had to complete an unladen journey to the component removal area in order to pick up a new component. While this was taking place, the machine had no component to continue processing – which led to prolonged downtimes.

This operation is now performed by two robots, which can load both machines in a staggered sequence. The transport route is shortened thanks to a smaller pivot radius from component removal to insertion. As a result, components can now be transported in parallel and at the same time, and waiting times have been eliminated. “With the new concept, we created shorter paths and reduced costs by improving the downtimes for the machine and system operator by up to a third,” according to Dirk Jakobs, Managing Director of HÖRMANN Industrieservice.



Good reputation leads to follow-on projects

“The customer asked us to implement the project not just from an economic perspective but also because of our experience and strong references in the field of automation,” continues Dirk Jakobs. Another positive aspect was the lack of interface problems thanks to the ability of HÖRMANN Industrieservice to offer the entire project from A to Z – from planning, concept creation, design, data backups and automation all the way to the mechanical and electrical systems. The year-round presence on-site meant that the HÖRMANN employees were immediately available to make adjustments.

Consequently, the customer commissioned another project to improve its component manufacturing immediately afterwards. The product containers at the cockpit assembly lines, which contain components that arrive at the logistics in a just-in-sequence trolley, will also be handled by robots in the future. In the past, components were placed into the containers by hand – often leading to timing problems and downtimes during final assembly. “The product containers now arrive just in time at the assembly lines and are fully loaded with components matching the corresponding vehicle,” says Dirk Jakobs.

All-round service for a seamless process

Staff at HÖRMANN Industrieservice designed and manufactured the gripper technology for the robots. A robcad investigation was used to determine the positions of the robots and the new work area. The planning phase was followed by the assembly and installation, which included robot consoles, energy supplies, media supplies, lighting, cabling, pneumatic systems and grippers.

A bespoke steel maintenance platform was manufactured for the customer and installed complete with access, steps, railings and protective devices as well as light barrier technology. The robots were then programmed and commissioned, and the internal interfaces between the robots and the system were coordinated. “We always oversee production for several weeks to rectify possible malfunctions directly and to train the system operators on-site at the company,” says Dirk Jakobs.



Despite being the most recent segment within the HÖRMANN Group, the **Services** division builds on the preceding decades of experience at HÖRMANN Industrie Service. The operating companies HÖRMANN Industrieservice GmbH, HÖRMANN Automations-service GmbH and MAT Maschinentchnik GmbH cover a broad range of services. It is the ideal complement to the other divisions and will make an important contribution to offering customers »everything from a single source«.

A one-stop shop for machine relocations

The process of relocating machinery and systems presents major challenges for many companies. From planning to logistics and all the way to actual execution, they often lack the necessary personnel resources or technical equipment. Even moving a machine within the company can therefore quickly become a difficult task. This is where a strong partner is required. From machine relocations as part of production changeovers, relocating complete manufacturing systems and production lines or even entire plants – MAT Maschinentechnik has offered customers a complete spectrum of services for over 40 years.

For an OEM in the steel industry, for example, MAT Maschinentechnik relocated a system to another plant in 2020 to improve the customer's logistical procedures. "The customer trusts in our reliable expertise and has previously engaged our services for a range of projects," says Gerhard Jacobi, Managing Director of MAT Maschinentechnik.

Seamless machine relocation

Until recommissioning is performed at the new location, MAT Maschinentechnik offers customers all services in the areas of planning, disassembly and reassembly, including loading and transportation. This avoids misunderstandings and ensures a seamless operation that is monitored throughout the process by the engineers.

Relocating the system included disassembling and reassembling a large 320-ton and 60-metre-long milling machine, including infeed and discharge belts, which is used for machining steel panels weighing around 2.5 tons each. "The sheer scale of the system was certainly not an everyday challenge for the team," stresses Gerhard Jacobi.

Bespoke industrial services

Project planning and scheduling, the creation of data backups, identification of assemblies, recording the geometry data of the machine and of the installation location – this is where the project began. After that, the new power assembly to supply the required current to the system at the new installation location, including air conditioning equipment, was designed, delivered and installed.

The employees dismantled the system into transportable units and loaded them onto 18 low-loader trucks, which then transported them to the new site. There, precise measurements were taken, and the machine's support elements were adjusted. Reassembly also included positioning and aligning the machine, establishing the machine geometry as well as the infeed/discharge belts before the machine and the entire system were finally recommissioned.

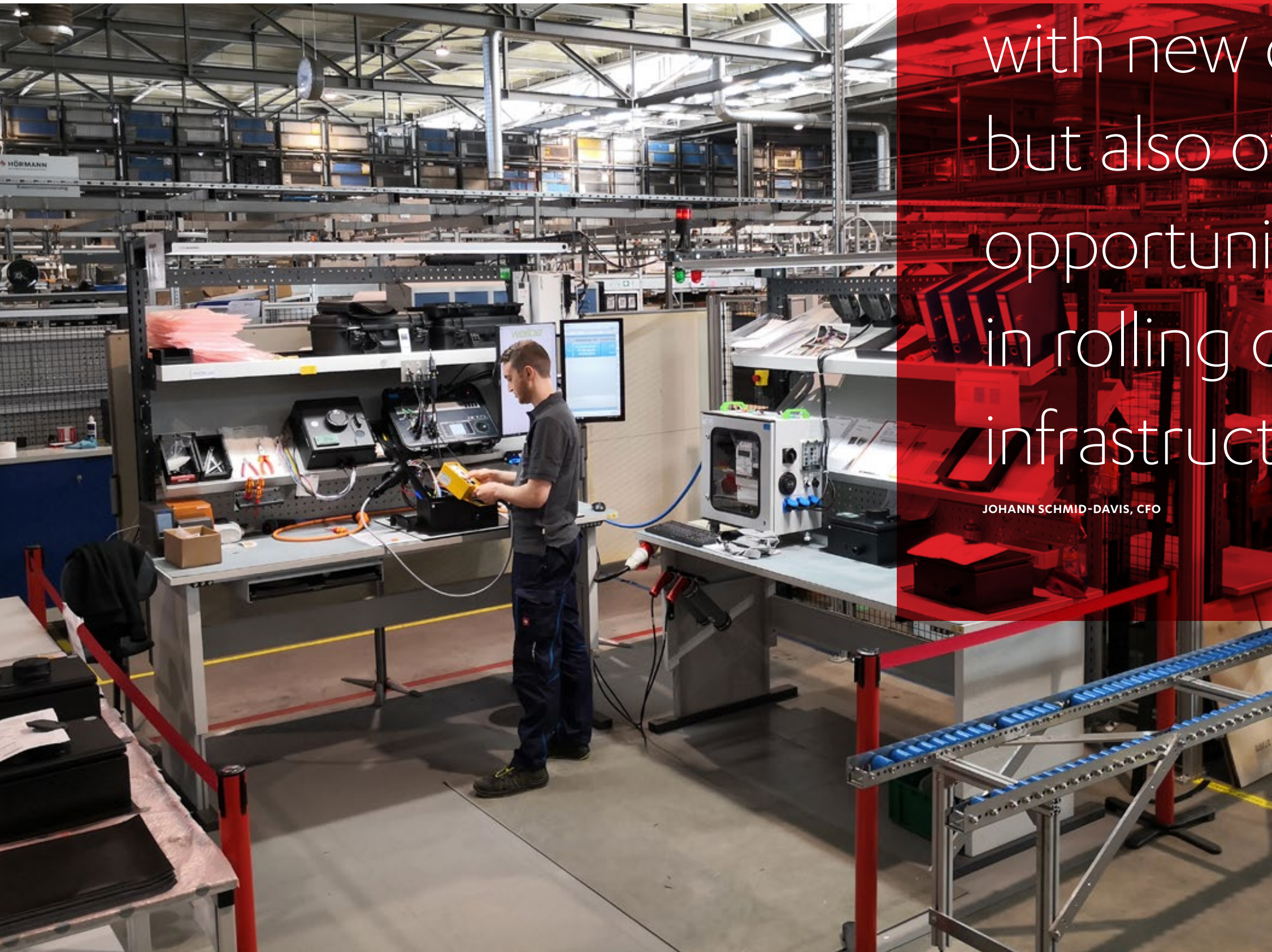
"During the relocation and recommissioning operations, a large number of electrical repairs were carried out on the system," remarks Gerhard Jacobi. He goes on to explain: "When an older system is relocated, various electrical components, such as old cables, can fail when they are transported, making it difficult to adhere to a precise schedule. The high weight and enormous dimensions of the individual assemblies also call for careful handling when the components are loaded and transported."



Particularly in times of disruptive change in the automotive industry, against the background of increasingly demanding automation requirements as well as the digital networking of machines, systems and entire production processes (Industry 4.0), the services of the **HÖRMANN Services** division are in demand more than ever. The focus is on high-quality, technically challenging services across the entire performance portfolio, and proximity to the customer is a crucial factor for this holistic approach.

» The transition to electric mobility presents us with new challenges, but also offers numerous opportunities, for example, in rolling out the charging infrastructure. «

JOHANN SCHMID-DAVIS, CFO



Automotive

HÖRMANN Automotive Gustavsburg GmbH

Powerful handling for large body parts

Automation and a power increase of the thin-sheet press line 2 – this is a major focus of the pressing plant at HÖRMANN Automotive in Gustavsburg. The production of large thin-sheet pressed parts for structural elements and outer panels has been a core competence of the company for many years. “To master the challenges of the latest new orders, such as side walls for light commercial vehicles and driver cabs for trucks, we have invested in new technologies,” says Andreas Müller, Managing Director of HÖRMANN Automotive in Gustavsburg.



A particular challenge associated with large thin-sheet parts concerns their handling. Due to the size of the components and their relatively low thickness, manual handling quickly results in losses in quality or process impairments. For this reason, in 2018, the plant invested in a fully automated system for stacking and packaging the components at the end of press line 2, known as the “end of line”, in order to meet the customer’s high quality requirements. In parallel, this measure brought about a significant reduction in the cycle time, delivering a powerful boost to efficiency. Since then, the fine-sheet components are automatically received at the end of the line by robots, where they are packed into customer-specific special load carriers and prepared for shipment.

New feeder system for greater efficiency

To make the entire production process even more efficient and safe, the method used to transfer the large components between the presses was reorganised. To further improve performance, the experts at HÖRMANN Automotive in Gustavsburg developed a new feeder system jointly with NSM that improves the manufacturing speed/cycle time by accelerating the transfer of components within the compound system of presses.

The investment prepared at the end of 2020 and commissioned in early 2021 offers numerous benefits. Since the presses are no longer bridged by two feeders each and a buffer storage as before but with a single four-axis feeder system, the reliability of the entire press line is increased and component quality improved. “The improvement in performance of press line 2, the greater system availability and the improved quality of components will strengthen the Gustavsburg plant’s position as a supplier of large fine-sheet press parts for outer panel and structural parts for further growth in the future,” says Andreas Müller.

HÖRMANN Automotive Gustavsburg GmbH

is specialised in the production of high-quality chassis, body and add-on parts for the highly competitive commercial vehicle industry. A particular core competence of the Gustavsburg plant is the automated production of large high-quality body parts.



HÖRMANN Automotive Slovakia s.r.o.

Expansion of the production plant in Slovakia

The automotive industry sets the strictest standards with regard to cost-optimised production in line with quality requirements. To meet these conditions, HÖRMANN Automotive is pressured to continuously adapt the production structure in line with market trends and the ever-increasing pressure on costs.

“The original strategy for the plant in Slovakia envisaged that we would use the plant only as an ‘elongated workbench’ to develop products and processes of limited complexity,” explains Daniel Holstein, Managing Director of HÖRMANN Automotive. He adds: “Rapidly increasing pressure on price and cost forced us to fundamentally reassess the strategy at HÖRMANN Automotive and to reposition ourselves for a sustainable future. Key to the new strategy was the major expansion of the Bánovce location in Slovakia and relocation of all production activities from the Bavarian site in Penzberg to Slovakia.”

Comprehensive expansion of the production area

In the first step, HÖRMANN Automotive leased additional hall sections, which ultimately led to the realignment of the value stream – and therefore of all the previously installed system technology. “An optimised value stream ultimately establishes an important basis for the subsequent efficiency of production and logistics,” says Daniel Holstein. In several stages

between 2018 and 2020, the production area expanded from around 7,000 m² to a total of approximately 25,000 m².

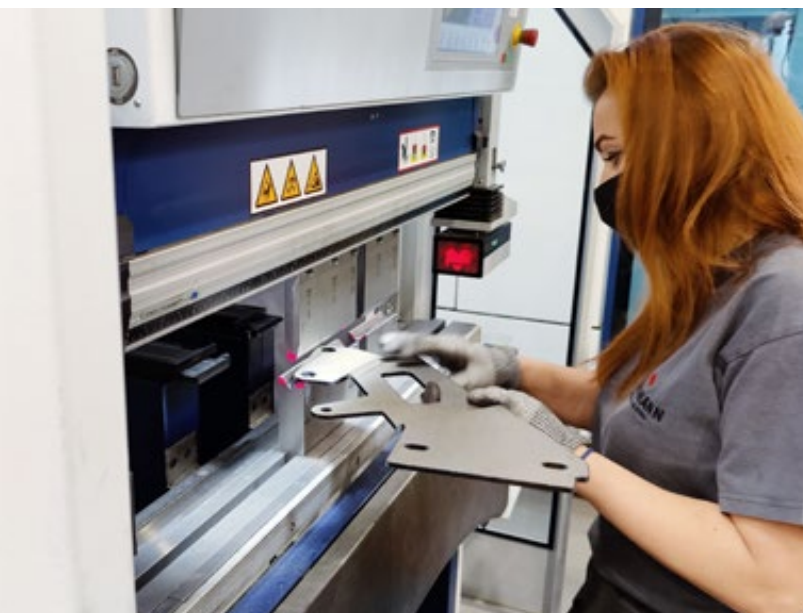
The specially appointed team then relocated more than 100 systems and several thousand tools from Germany to the location in Slovakia. Since supplies to customers could not be interrupted, sufficient safety stocks were produced for the almost 5,000 item numbers to be relocated. “This imposed extreme demands in terms of coordination between the delivering plants and the receiving plant to keep the tightly scheduled supply chains of the automotive industry running smoothly,” explains Pavel Roskoš, Managing Director and Works Manager in Bánovce. This is where HÖRMANN Rawema with its extensive experience came into play, supporting the relocations with additional project management resources.

A platform for further growth

Despite the added complications of the COVID-19 pandemic, the team in Slovakia successfully ramped up the new products and processes and seamlessly commenced deliveries to customers within a very short time. The priority was to coordinate in detail with customers in order to meet all requirements of the quality system regarding product approvals. In addition, the ramp-up phase was accompanied by an almost daily influx of new members of the workforce, who had to be trained and familiarised with their tasks and the high standards required in the automotive industry.

The second half of 2020 saw the completion of the extensive relocations and dramatic growth of the location. Areas of continuous focus include the further optimisation of production and business processes, the ongoing education and training of the workforce as well as increasing efficiency and the use of learning curve effects. Today, the plant boasts future-oriented facilities, which include several ultra-modern, automated production cells and are integrated in the value stream design. “We have now created a platform from which we can expand the product and customer portfolio and achieve further growth in the future,” says Daniel Holstein.

HÖRMANN Automotive Slovakia s.r.o. is the plant for the production of high-quality, cost-optimised components and systems made from thick metal sheets. Between 2018 and 2020, the production area expanded rapidly from around 7,000 m² to a total of approximately 25,000 m². State-of-the-art technology with laser systems, folding presses and robot welding systems make the company a sought-after partner for the commercial vehicle and automotive industry.





HÖRMANN Automotive Eislingen GmbH specialises in the development and production of containers and tanks for the agricultural machinery, construction machinery and commercial vehicle industries. The company is available as a partner for series-production solutions and also for small unit figures and prototypes. The production of luggage compartment hatches and fuel filler flaps as well as panels made from aluminium for buses and commercial vehicles adds to the service portfolio of the Ebersbach plant.

HÖRMANN Automotive Eislingen GmbH

New painting system for high-quality coatings

HÖRMANN Automotive Eislingen GmbH has commissioned a new powder coating system at its plant in Ebersbach. "This system uses a multi-stage, wet-chemical process to pre-treat workpieces and assemblies of fuel tanks, cover panels and flaps as well as heating ducts for buses and similarly challenging components, which are then powder-coated in a manual or automatic booth," explains Tobias Frenzel, Managing Director of HÖRMANN Automotive Eislingen GmbH.

What sets the painting system apart is its ability to coat parts measuring up to 2.7 metres long, 2.0 metres high and 1.3 metres wide. It can also apply the coatings on steel and aluminium substrates simultaneously. The entire process requires very few personnel and is highly flexible with regard to the part spectrum.

"We have carved out a secure position in the heterogeneous customer landscape as a dependable supplier," asserts Technical Director Rudolf Ostwald. "From small fuel filler flaps for buses to large steel or aluminium tanks for construction cranes and dump trucks or panels for agricultural equipment and construction machinery – HÖRMANN Automotive in Ebersbach will be able to apply all powder coatings/ powder lacquering in house. This shortens the delivery times for our customers significantly and reduces the risk of quality defects."

However, the commissioning of the powder coating system is associated with numerous additional improvements: production sequences will be refined, transport paths minimised and working conditions improved.

High-quality coatings and surfaces

After leaving the loading station, which is more or less the entry to the painting system, the components either pass through the four-chamber pretreatment system for aluminium parts or the four-chamber pretreatment system for steel parts. Once they have dried, the parts are cooled in a dust-free room to prevent the adhesion of small particles on the surface, which can otherwise cause flaws in the paint coating. After that, the parts enter the clean room, which features even greater protection from dust than the previous room.

This room contains a manual powder booth and an automatic powder booth in which the powder coatings are applied to the components.

The coating procedure is followed by the two-line gelling and powder baking ovens. In this area, warm air is not blown directly at the components. Instead, they are initially "only preheated" to allow the powder on the components to harden.

The powder baking oven in the following oven segment is used to bake on the applied powder at a maximum temperature of 230 degrees Celsius.

Expanding the technology and the portfolio

The installation of the new painting system also exemplifies the spirit of partnership within the HÖRMANN Group: the basic technical concept was developed by employees in Ebersbach working closely with technical experts and consultants. The project implementation was supported by the factory planning specialist HÖRMANN Rawema. The Ebersbach plant will also make its new surface coating expertise available to other HÖRMANN Automotive plants and, in so doing, expand the technology portfolio.



HÖRMANN Automotive Saarbrücken GmbH

The agricultural sector faces technological change

The transformation of the agricultural sector over the last one hundred years is impressive. At the start of the 20th century, when Germany was still an agricultural country, approximately 38 percent of the working population was employed in agriculture and forestry, and one farmer could feed around four people. Today, the percentage employed in agriculture has fallen to just 1.8 percent and a farmer feeds 135 people on average.

“This enormous leap in productivity was and is not possible without the use of ever-more efficient machinery,” emphasises Uwe Jung, Managing Director of HÖRMANN Automotive in Saarbrücken and St. Wendel. A decisive production factor in this context is the forage harvester, which was developed in the 1940s and, as such, is one of the most recent high-performance agricultural machines.

High-quality and complex components ensure greater productivity

The increasing prevalence of maize, accompanied by the rationalisation of agriculture, led to the introduction of the first self-driving forage harvesters during the 1970s. Since then, the working width of two meters and an output of 102 HP has developed to ten metres today with an output of up to 1,155 HP.

Producing about around 800 machines per year, the customer from the agricultural machinery industry is among the leaders on the global market. “Our customer manufactures forage harvesters at its factory in Zweibrücken, roughly 30 kilometres from Saarbrücken,” says Uwe Jung.

One particularly striking and technical challenging component of this machine is the outlet. This is because the entire crop flow must pass through it, which means that it performs a substantial part of the work of the machine. Two years ago, the customer decided to change the outlet from a conventional box design made of laser-cut and edge parts to a welded system using pressed parts. The goal in this case was to optimise the functionality and therefore the crop flow.

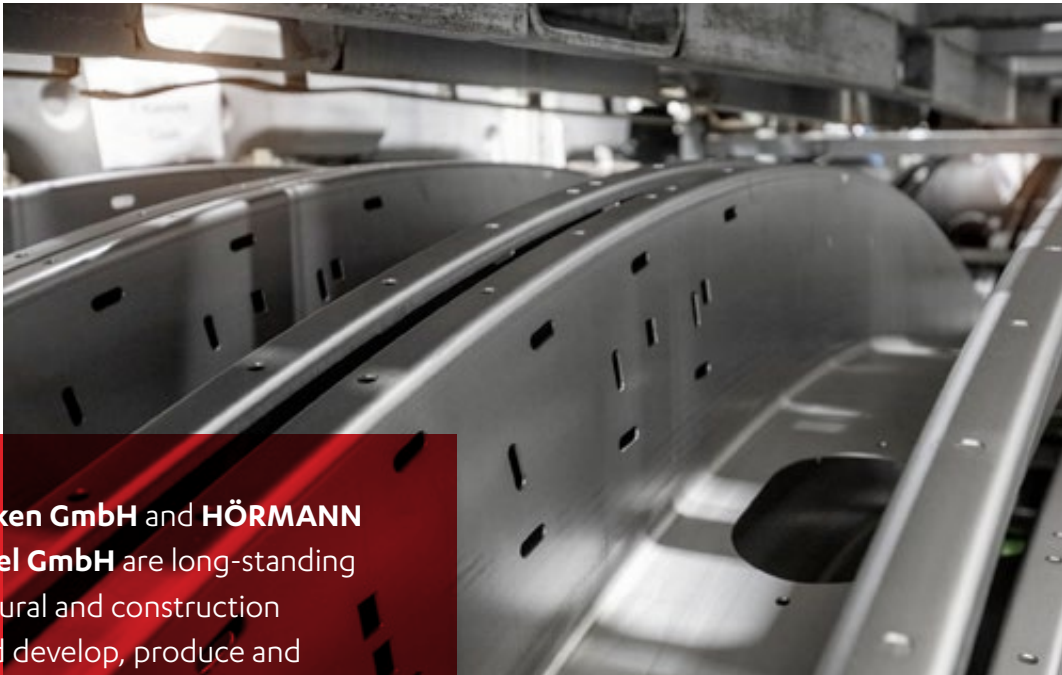
Exploiting synergies for the production of outlets

In May 2020, HÖRMANN Automotive in Saarbrücken secured the order for this strategically important project. “But that’s not all. Since the new concept also includes deep-drawn parts, HÖRMANN Automotive in St. Wendel supplies these components, thus creating a close alliance between the two plants and achieving a positive response from the customer,” states Uwe Jung.


Overall, one of the new-generation outlets consists of 220 in-house parts, 160 purchased parts and 900 standard parts, all of which are joined by hand and automatically in welding jigs with 500 weld seams and a weld seam length of 30 metres. At the end of this complex manufacturing process, the outlet is assembled, painted and delivered to the customer’s production line ready for installation.

“By April 2021, we will deliver twelve prototypes and 80 pre-production vehicles before series deliveries commence in November 2021, and we will reach full capacity production starting in 2024,” says Uwe Jung, looking ahead. To get the project up and running and ensure that the launch phase is profitable, a great many tasks must be solved, such as a new floor-space concept, an optimum value stream design, and the definition and documentation of production processes. This is where the company in Saarbrücken relies on the support of factory planning specialist HÖRMANN Rawema, while also tapping into the synergy effects of the HÖRMANN Group.

“As a long-standing and recognized partner to the agricultural machinery industry, we are proud to make an important contribution to the food supply for the growing world population,” says Uwe Jung on behalf of his team.



Automotive Saarbrücken GmbH and HÖRMANN Automotive St. Wendel GmbH are long-standing partners to the agricultural and construction machinery industry and develop, produce and deliver components for all leading manufacturers. The St. Wendel plant specialises in the production of large body parts for side panels, covers and deflector plates of the type used on combine harvesters, for instance. The Saarbrücken plant specialises in welded assemblies.



Group Management Report

- 54 Basic information on the Group
- 56 Economic report
- 67 Report on opportunities, risks and expected developments
- 80 Other disclosures

Basic information on the Group

The Group, comprising HÖRMANN Industries GmbH and its direct and indirect subsidiaries, constitutes the industrial subgroup of the HÖRMANN Group. The Group is broken down into four business divisions to which the individual companies are allocated.

In addition, the subsidiary HÖRMANN Digital GmbH, Kirchseeon, which was acquired in 2020, acts as an overarching service provider for the development of software-based product solutions and enhancements.

The information on the course of business in the Group management report is presented in line with the business division structure of the Group.

The material equity investments are allocated to the divisions as follows:

AUTOMOTIVE

- ♦ HÖRMANN Automotive GmbH, Kirchseeon
- ♦ HÖRMANN Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg
- ♦ HÖRMANN Automotive Slovakia s.r.o., Bánovce, Slovakia
- ♦ HÖRMANN Automotive St. Wendel GmbH, St. Wendel
- ♦ HÖRMANN Automotive Saarbrücken GmbH, Saarbrücken
- ♦ HÖRMANN Automotive Wackersdorf GmbH, Wackersdorf
- ♦ HÖRMANN Automotive Eislingen GmbH, Ebersbach
- ♦ HÖRMANN Automotive Assets GmbH, Kirchseeon (formerly HÖRMANN Automotive Bielefeld GmbH)

In the **Automotive** division, HÖRMANN Industries GmbH is a supplier of metal components, modules and systems for the European commercial vehicle, construction and agricultural machinery industries.

The division covers the entire value chain with its engineering, production and logistics services.

The largest domestic location is HÖRMANN Automotive Gustavsburg GmbH, which specialises in the production of premium chassis and body parts and attachments for commercial vehicles. It is also a manufacturer of side members.

The other locations include HÖRMANN Automotive St. Wendel GmbH, a manufacturer of components and modules for the agricultural machinery industry in particular; HÖRMANN Automotive Saarbrücken GmbH, a developer and manufacturer of interior systems such as interior ceilings for buses, air conditioning and fuel pipes for buses and trucks and complete chassis for agricultural machinery; HÖRMANN Automotive Wackersdorf GmbH, which performs module assembly, packaging and logistics for customers; HÖRMANN Automotive Eislingen GmbH, a manufacturer of luggage compartment flaps, interior covers, fuel tanks and hydraulic tanks for commercial vehicles and agricultural and construction machinery; and HÖRMANN Automotive Slovakia s.r.o., which produces labour-intensive metal components and chassis attachments for the commercial vehicle industry. HÖRMANN Automotive Assets GmbH holds assets and operating resources for companies in the Automotive division.

Production and extensive production facilities were relocated from the Penzberg plant in the year under review and largely moved to the Banovce plant in Slovakia without interrupting series production. The relocation and the shutdown of production at the Penzberg plant was completed on 30 June 2020 as planned. Earnings in the Automotive division were extraordinarily impacted by non-recurring expenses of around EUR 5.8 million at the level of HÖRMANN Automotive GmbH and HÖRMANN Automotive Slovakia s.r.o in connection with the relocation and the winding-up of the Penzberg plant.

ENGINEERING

- ♦ HÖRMANN BauPlan GmbH (formerly AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH), Chemnitz
- ♦ HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz
- ♦ HÖRMANN Logistik GmbH, Munich
- ♦ Klatt Fördertechnik GmbH, Neumarkt a. Wallersee, Austria
- ♦ HÖRMANN Vehicle Engineering GmbH, Chemnitz
- ♦ VacuTec Meßtechnik GmbH, Dresden

The **Engineering** division operates in the fields of industrial design, vehicle development and facility, building and factory planning, through to providing innovative solutions for intralogistics and complex

high-bay warehouse systems. This service range is supplemented by the development and production of detectors for measuring ionising radiation.

HÖRMANN Bauplan GmbH provides engineering services within the construction industry, with a particular focus on commercial and residential construction and especially technical building services.

HÖRMANN Rawema Engineering & Consulting GmbH supplements the service range with general planning and realisation for new factories and the re-engineering and/or relocation of existing factories and facilities.

HÖRMANN Logistik GmbH is a general contractor that builds turnkey material flow systems. With intelligent workflow concepts and complex storage strategies, HÖRMANN Logistik GmbH realises the most economical intralogistics solutions for individual requirements, thereby enabling its international customers from a wide range of industries to generate significant productivity and efficiency improvements. The acquisition of a majority interest (51%) in Klatt Fördertechnik GmbH in the previous year expanded the general contractor portfolio to include the conveyor systems developed, planned, manufactured and assembled by Klatt Fördertechnik GmbH. Klatt Fördertechnik GmbH has developed into a European provider for industry, airports, mail sorting centres, waste disposal and hospitals.

In addition, HÖRMANN Vehicle Engineering GmbH provides expertise and resources in high-tech design engineering for the development of rail and road vehicles.

VacuTec Meßtechnik GmbH develops, produces and markets a broad range of detectors for measuring ionising radiation for use in medicine, industrial metrology and environmental monitoring.

COMMUNICATION

- ♦ Funkwerk AG, Köllda
- ♦ Funkwerk Technologies GmbH, Köllda
- ♦ FunkTech GmbH, Köllda
- ♦ Funkwerk Systems GmbH, Köllda
- ♦ Funkwerk Systems Austria GmbH, Vienna, Austria
- ♦ Funkwerk video systeme GmbH, Nuremberg
- ♦ Funkwerk IoT GmbH, Bremen
- ♦ HÖRMANN Kommunikation & Netze GmbH, Kirchseeon
- ♦ HÖRMANN Warnsysteme GmbH, Kirchseeon
- ♦ HÖRMANN – KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria

Funkwerk AG and its subsidiaries (the Funkwerk Group) are a technologically leading provider of innovative communication, information and security systems. It focuses on professional hardware and software concepts for railway companies, public transportation, inland shipping and airports in addition to smart electronic security systems to protect buildings, public spaces, industrial properties, transport and people. As the market leader for railway communication, Funkwerk offers tailored solutions for voice and data communication using analogue and digital mobile networks (LTE, GSM-R) on the railways.

HÖRMANN Kommunikation & Netze GmbH is a provider of infrastructure services related to railway traffic and communication technology as well as energy supply. HÖRMANN Kommunikation & Netze GmbH was reassigned from the Services division to the Communication division in an internal transaction with effect from 1 January 2020.

HÖRMANN Warnsysteme GmbH and HÖRMANN – KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria, bundle our state-of-the-art siren warning systems for alerting the fire brigade or warning the population about disasters. The project-specific solutions are performed from a single source, from planning, development and realisation to long-term maintenance.

SERVICES

- ♦ HÖRMANN Services GmbH, Kirchseeon
- ♦ HÖRMANN Industrieservice GmbH, Lehre/Wolfsburg
- ♦ HÖRMANN Automationservice GmbH, Salzgitter
- ♦ MAT Maschinentechnik GmbH, Salzgitter

In the **Services** division, the Group offers a range of technical services in the industrial environment of automation and complex production facilities. The industrial service units HÖRMANN Industrieservice GmbH, HÖRMANN Automationservice GmbH and MAT Maschinentechnik GmbH focus on plant maintenance related to electrical, mechanical, control, robot, welding and conveyor technology, pneumatic and hydraulic systems as well as shift-accompanying maintenance of process technology, the assembly and commissioning of machining centres and the relocation of complete production plants, primarily for customers in the automotive industry and mechanical engineering.

Economic report

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

The global spread of the coronavirus and the counter-measures taken to combat it considerably restricted economic activity from the second quarter of 2020 at the latest. Faced with nationwide shutdowns in the second and fourth quarter around the world and especially in Europe, the volatile industry sector and, in particular, the services industry were massively impacted by the pandemic. The business climate, consumer confidence, consumer spending and industrial production plummeted to record lows in April as a result. According to estimates by the International Monetary Fund (IMF)¹ published in January 2021, significant declines in gross domestic product for 2020 as a whole were reported not only for Germany (–5.4 %), but also for many other countries including the US (–3.4 %). Looking at Europe, many countries' economies contracted more than Germany's. Of the EU member states, Spain suffered the sharpest downturn compared with 2019 (–11.1 %), followed by Italy (–9.2 %) and France (–9.0 %). The IMF announced that overall eurozone GDP declined by 7.2 % across 2020 as a whole.

These estimates are supported by the latest calculations by the German Federal Statistical Office (Destatis)² in January 2021, which show that gross domestic product (GDP) adjusted for price and calendar effects fell by 5.3 % year-on-year in 2020. The coronavirus pandemic left its mark on almost every sector of the economy. Industry excluding construction, which accounts for one-quarter of the total economy, saw a decline in price-adjusted economic output of 9.7 % compared with 2019, while the downturn in the manufacturing sector was even higher at 10.4 %. The consequences of the pandemic for industry were particularly pronounced in the first half of the year, including as a result of the temporary disruption to global supply chains and plant closures in the automotive industry lasting several weeks. The economic slowdown was most notable in service sectors, some of which saw unprecedented slumps. For example, price-adjusted economic output in the combined retail, transport and hospitality sector was 6.3 % lower than in 2019. By contrast, construction again demonstrated its strength, with price-adjusted gross value added increasing by 1.4 % year-on-year.

¹ IMF World Economic Outlook Update January 2021

² Destatis press release 020/21, 14 January 2021

INDUSTRY ENVIRONMENT

The industry environment is discussed in the information on the course of business in the individual divisions starting on page 63.

RESULTS OF OPERATIONS

In the 2020 financial year, HÖRMANN Industries GmbH generated **sales** of EUR 521.5 million. This meant that sales were EUR 100.7 million or 16.2 % lower than in 2019 (EUR 622.2 million) and EUR 55.4 million or 9.6 % lower than the forecast originally issued prior to the pandemic. The year-on-year downturn in sales was attributable in particular to the Automotive and Services divisions, whereas the Engineering and Communication divisions maintained or increased their sales even in the crisis-hit year of 2020.

In the Automotive division, sales declined by EUR 106.3 million year-on-year, from EUR 379.5 million to EUR 273.2 million. Of this figure, EUR 29.8 million was attributable to HÖRMANNAutomotive Penzberg GmbH, which was deconsolidated with effect from 1 April 2019, while a reduction of around EUR 12 million was forecast for 2020 due to the expected economic downturn in demand for heavy trucks. As a result of the unexpected spread of COVID-19 and the large-scale closure of production capacities in the automotive industry as a result, business development in the Automotive division was severely impaired from mid-March onwards. Production in the Automotive division's plants in Germany was also interrupted and temporarily suspended, leading to an unplanned loss of sales of almost EUR 60 million (cumulative) in the months from March to May 2020 alone. The division had forecast sales of EUR 337.9 million for 2020. Accordingly, the deviation of EUR 64.6 million or –19.1 % is primarily due to the sales lost as a result of the shutdown.

Business performance stabilised in the second half of 2020, with sales amounting to EUR 287.2 million (forecast: EUR 292.1 million). Combined with the diversified Group structure and continued positive business development in the Communication and Engineering divisions, this meant the decline in Group sales and the impact of the COVID-19 pandemic were mitigated on a full-year basis. With sales of EUR 84.3 million (previous year: EUR 86.9 million/forecast: EUR 77.0

million), the Engineering division broadly maintained its business volume compared with the previous year and exceeded the forecast. With sales of EUR 146.3 million (previous year: EUR 134.2 million/forecast: EUR 136.5 million), the Communication division recorded sales growth of around 9 % compared with the previous year and around 7 % compared with the forecast. The Services division, which was also affected by the economic downturn in the automotive industry and the COVID-19 pandemic, generated sales of EUR 17.0 million (previous year: EUR 21.4 million/forecast: EUR 25.3 million).

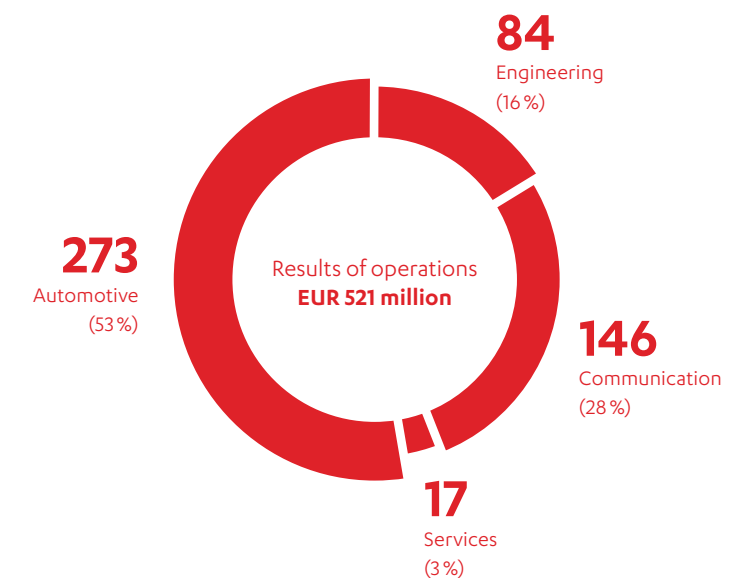
Other operating income of EUR 13.6 million (previous year: EUR 13.0 million) includes EUR 6.9 million in income from the reversal of provisions, EUR 1.4 million in income from investment and research grants, EUR 1.6 million in payments in kind, EUR 0.8 million in prior-period income, EUR 0.4 million income from insurance payments and EUR 0.2 million from currency translation.

Taking into account a change in inventories of EUR –1.0 million, **total output** amounted to EUR 535.1 million, a EUR 106.1 million or 16.5 % decline on the previous year (EUR 641.2 million).

The **cost of materials** in the amount of EUR 279.1 million (previous year: EUR 352.0 million) includes expenses for raw materials, consumables and supplies and purchased goods totalling EUR 220.1 million (previous year: EUR 282.4 million) as well as the cost of purchased services in the amount of EUR 59.1 million (previous year: EUR 69.6 million). The cost of materials corresponded to 52.2 % of total output, down on the prior-year figure (54.9 %). The lower cost of materials compared with the previous year was due to the deconsolidation of HÖRMANNAutomotive Penzberg GmbH, good business performance in the Engineering and Communication division and the decline in material-intensive Automotive business. In addition, temporary workers and external services in the Automotive division were cut back at the beginning of the COVID-19 pandemic in the first half of 2020.

At EUR 256.0 million, **gross profit** decreased by EUR 33.2 million compared with the prior-year figure of EUR 289.2 million. HÖRMANN Automotive Penzberg GmbH, which was deconsolidated in 2019, contributed

Breakdown of sales by business division for 2020
in EUR million



EUR 11.7 million to gross profit in 2019. The gross profit margin corresponded to 47.8 % of total output (previous year: 45.1 %).

Personnel expenses declined by EUR 20.8 million year-on-year to EUR 153.7 million (previous year: EUR 174.5 million). Due to the sale of HÖRMANN Automotive Penzberg GmbH as described above, personnel expenses of EUR 10.6 million were eliminated in 2020 compared with the previous year. In addition, net savings of approximately EUR 10 million year-on-year in staff costs were made as a result of the short-term cost-cutting measures taken (e. g. reduced working hours schemes, working off working time accounts and holiday entitlement, postponing new hires and job cuts). Staff costs corresponded to 28.7 % of total output (previous year: 27.2 %). Excluding trainees, HÖRMANN Industries GmbH employed an average of 2,774 people in the year under review (31 December 2019: 2,821).

At EUR 12.8 million, **depreciation and amortisation** was up EUR 1.0 million on the prior-year figure (EUR 11.8 million). This included goodwill amortisation of EUR 3.2 million (previous year: EUR 2.4 million), which was responsible for the increase in depreciation and amortisation in the reporting period.

At EUR 75.9 million, **other operating expenses** were down EUR 2.2 million on the prior-year figure (EUR 78.1 million). Of this figure, EUR 14.2 million related to the cost of buildings and premises, EUR 18.2 million to administrative expenses and EUR 23.4 million to operating and selling costs. The winding-up of the factory in Penzberg and the relocation of production to the Slovakian plant in Banovce resulted in non-recurring expenses of around EUR 5.8 million at the level of HÖRMANN Automotive GmbH and HÖRMANN Automotive Slovakia s.r.o. in the year under review due to book losses, losses on receivables and consulting and special transportation costs, which were reported in other operating expenses. Other operating expenses corresponded to 14.2 % of total output (previous year: 12.2 %).

With an **operating result** of EUR 13.6 million (previous year: EUR 24.8 million), the Group maintained its positive results of operations thanks to the economic recovery in large sections of the Automotive division in the second half of 2020 and the aforementioned good business development in the Engineering and Communication divisions throughout 2020 as a whole. After deducting other taxes of EUR 1.0 million, **EBIT** for 2020 amounted to EUR 12.6 million (previous year: EUR 23.7 million/forecast: EUR 22.2 million). Adjusted for non-recurring expenses in connection with the closure and relocation of the Penzberg plant in the amount of approximately EUR 5.8 million and extraordinary goodwill amortisation in the Services division in the amount of EUR 0.5 million, operating EBIT was almost in line with forecasts.

The **financial result** improved by EUR 6.6 million year-on-year to EUR –3.7 million (previous year: EUR –10.3 million). The financial result in the previous year was primarily impacted by a EUR 5.8 million write-down on the investment in euromicron AG, Neu Isenburg, at the level of Funkwerk AG. In the year under review, interest and similar expenses including commitment fees were incurred in the amount of EUR 3.7 million (previous year: EUR 4.1 million) for the bond issued in 2019, the credit facilities of EUR 40 million drawn down under the existing syndicated loan as a precautionary measure during the course of the year, and the EUR 10 million tranche of the KfW entrepreneur loan drawn down in October 2020.

The **income tax expense** for trade tax and corporation tax amounted to EUR 6.7 million in 2020 (previous year: EUR 4.5 million). Income from deferred taxes in the reporting period amounted to EUR 1.0 million (previous year: EUR 0.9 million).

The 2020 financial year closed with consolidated net income of EUR 3.2 million (previous year: EUR 9.9 million).

HÖRMANN Industries GmbH developed according to plan at the start of 2020. From mid-March 2020, the Group's business activities – especially in the Automotive and Services divisions – were significantly impaired by the spread of the novel coronavirus SARS-CoV-2, the associated restrictions on public life and the large-scale closure of production capacities in the automotive industry. The effects of the production interruptions at automotive and commercial vehicle manufacturers were felt in the first half of 2020 with a loss of sales of almost EUR 60 million. Reacting to this, cost-reducing and liquidity-conserving measures were taken immediately after the production interruptions became known, and all German automotive plants applied for reduced working hours. The loss of gross profit was not fully offset by the countermeasures taken and the good business development in the Engineering and Communication divisions, meaning that the EBIT forecast of around EUR 22 million was not achieved. Despite the substantial sales lost in the difficult and challenging 2020 financial year, however, the Group succeeded in achieving positive results of operations with EBIT of around EUR 13 million while also further stabilising its financial position. This development once again underlines the effect of the diversification strategy and the stronger focus on the non-automotive areas of HÖRMANN Industries GmbH. On the whole, the management considers the Group's business development and results of operations in the 2020 reporting year to be stable.

FINANCIAL POSITION

Capital structure

The Group's **equity base** including non-controlling interests amounted to EUR 120.8 million as at 31 December 2020 (31 December 2019: EUR 121.2 million). Despite the higher level of net assets, this meant that the equity ratio remained largely stable even in a difficult and crisis-hit year thanks to the positive results of operations, amounting to 37.2 % as at 31 December 2020 (31 December 2019: 38.8 %).

Total assets increased by EUR 12.1 million, from EUR 312.6 million to EUR 324.7 million, largely as a result of the higher level of bank balances compared with the prior-year reporting date and the liabilities to banks at the end of the year under review.

Including inventories of EUR 61.1 million and trade receivables of EUR 42.8 million and less trade payables of EUR 37.8 million, working capital decreased from EUR 79.1 million as at 31 December 2019 to EUR 66.1 million as at the end of the reporting period. This development was primarily due to the reduction in trade receivables from EUR 64.5 million at the prior-year reporting date to EUR 42.8 million in the year under review. By contrast, the Automotive division built up stocks of raw materials in a targeted manner in response to the high level of demand from the commercial vehicle industry that emerged in the fourth quarter of 2020, meaning that inventories increased by EUR 7.5 million year-on-year to EUR 61.1 million. Encouragingly, the advance payment rate was maintained at a high level even in the crisis-hit year of 2020 thanks to good and, in some cases, long-standing customer relationships as well as existing guarantee and surety facilities. At the end of the 2020 financial year, payments received from customers for projects and orders that had already begun amounted to EUR 74.6 million (31 December 2019: EUR 73.9 million).

Liabilities in connection with **bonds** amounted to EUR 50.0 million as at 31 December 2020 (31 December 2019: EUR 50.0 million). The bond issued by HÖRMANN Industries GmbH in June 2019 with a volume of EUR 50.0 million and a coupon of 4.5 % has a term of five years until 6 June 2024.

Liabilities to banks amounted to EUR 10.0 million at the end of the 2020 financial year (31 December 2019: EUR 0.0 million). At the end of July 2020, HÖRMANN Industries GmbH obtained approval for a EUR 40 million KfW entrepreneur loan it had applied for, as a precautionary measure, as part of the German Federal government's package of measures to mitigate the economic impact of the COVID-19 pandemic. In September 2020, the federal government contractually agreed the loan facility granted under the terms of the KfW Special Programme 2020 for large companies with the existing bank consortium as the financing partners with assuming 80 % of the risk. The loan has a term of five years with 16 quarterly repayment instalments beginning in the second year. HÖRMANN Industries GmbH drew down a partial amount of EUR 10.0 million as a precautionary measure in October 2020.

The EUR 10 million EURIBOR credit facility, which was drawn for HÖRMANN Industries GmbH as at 30 June 2020 as a precautionary measure in light of the COVID-19 pandemic, was repaid at the end of Q3 2020. Under the new five-year syndicated loan agreement with a two-year extension option concluded with a bank consortium comprising SaarLB, HeLaBa, Commerzbank AG and Oberbank AG in December 2019, the Group has a credit line of up to EUR 40.0 million, of which up to EUR 15 million can be used as a current account credit line and up to EUR 25 million as a revolving EURIBOR line. There was no credit utilisation as a result of this as at 31 December 2020.

Information on the term and collateralisation of the other liabilities can be found in the notes to the consolidated financial statements. Conditions have not deteriorated compared with the previous year as a result of credit standing and are in line with market developments.

Liquidity

Cash-in-hand and bank balances including **securities classified as current assets** amounted to EUR 83.2 million at the reporting date (31 December 2019: EUR 64.8 million).

As at 31 December 2020, there were available credit facilities of EUR 72.5 million (31 December 2019: EUR 42.5 million).

At the reporting date, HÖRMANN Industries GmbH had **net cash and cash equivalents** of EUR 73.2 million (31 December 2019: EUR 64.8 million). Net cash and cash equivalents is calculated as cash in hand and bank balances plus securities classified as current assets, less liabilities to banks.

Consolidated cash flow statement

The cash flow statement is structured in accordance with DRS 21. Cash flow from operating activities increased by EUR 15.4 million in the 2020 financial year, from EUR 13.0 million in the previous year to EUR 28.3 million. Cash flow from investing activities declined by EUR 26.5 million, from EUR –41.0 million to EUR –14.5 million, as a result of the lower level of investment in the 2020 financial year. In the previous year, cash flow from investing activities was influenced by acquisitions and the issue of a long-term loan collateralised by property in particular. Investment activity in the year under review focused on necessary expenditure on fixed assets for the expansion of the Automotive plant in Slovakia and investments in further increasing the degree of automation at German production sites. Cash flow from financing activities amounted to EUR 4.6 million (previous year: EUR 15.8 million). The cash inflow from the EUR 10.0 million drawdown of the KfW entreprenEUR loan was offset by payments for interest, dividends and distributions for other shareholders in the amount of EUR 5.4 million (previous year: EUR 4.0 million).

The Group companies were able to meet their payment obligations at all times.

NET ASSETS

At EUR 15.6 million (previous year: EUR 14.9 million), additions to **tangible fixed assets** and **intangible fixed assets** were higher than depreciation and amortisation of fixed assets (EUR 12.8 million). As in the previous year, investment activity in the reporting period was largely characterised by investments in systems and machinery for the new Automotive plant in Banovce, Slovakia, and other Automotive locations.

The first-time consolidation of Funkwerk AG as at 1 October 2016 resulted in goodwill of EUR 5.2 million (previous year: EUR 6.1 million), which was subject to pro rata amortisation of EUR 0.9 million in the 2020 financial year. The acquisitions of MAT Automationstechnik GmbH, MAT Industrieservice GmbH and MAT Maschinentechnik GmbH at the end of 2017 financial year resulted in goodwill on first-time consolidation in the amount of EUR 0.4 million as at 31 December 2020 (previous year: EUR 1.2 million), which was subject to amortisation of EUR 0.8 million in the past financial year, EUR 0.5 million of which was an extraordinary write-down. The first-time consolidation of Klatt Fördertechnik GmbH as at 1 April 2019 resulted in goodwill of EUR 4.3 million (previous year: EUR 4.9 million), which was subject to amortisation of EUR 0.6 million in the past financial year.

Total **inventories** (after deducting payments received on account of orders) rose by EUR 7.5 million to EUR 61.1 million compared with the 2019 reporting date. The reduction in work in progress to EUR 77.9 million (31 December 2019: EUR 84.0 million) and the increase in advance payments received to EUR 74.6 million (31 December 2019: EUR 73.9 million) did not fully offset the rise in raw materials and finished goods from EUR 33.7 million to EUR 43.8 million and in advance payments for inventories from EUR 9.7 million to EUR 14.0 million, which were required to ensure supply. The Automotive division built up stocks of raw materials with a view to the high level of demand from the commercial vehicle industry in 2021, which had already begun to emerge in late 2020. Accordingly, the ratio of days of inventories to sales increased to 42.2 days (previous year: 31.0 days). Daily turnover is calculated by dividing the inventories as at 31 December 2020 by the average sales per day in the period under review.

Orders on hand amounted to EUR 293.0 million at the end of the reporting period (previous year: EUR 275.5 million). Of this figure, EUR 70.6 million (previous year: EUR 79.5 million) was attributable to the Engineering division, EUR 138.6 million (previous year: EUR 118.8 million) to the Communication division, EUR 3.7 million (previous year: EUR 9.9 million) to the Services division and EUR 80.5 million (previous year: EUR 67.3 million) to the Automotive division. The project-oriented divisions of Engineering and Communication thus have an order backlog of almost one year's sales. In the Automotive division, the existing multi-year master agreements with OEM customers are included in orders on hand only for notified call orders of an average of 8 – 12 weeks.

Trade receivables fell from EUR 64.5 million to EUR 42.8 million, mainly as a result of the sales decline and the effect of reverse factoring with a major customer in the Automotive division, resulting in turnover of 29.6 days (previous year: 38.2 days). Daily turnover is calculated by dividing the receivables as of 31 December by the average sales per day in the period under review.

Other assets increased from EUR 16.7 million to EUR 19.0 million, essentially due to tax receivables.

Deferred taxes are taken over from the single-entity financial statements. Deferred tax assets primarily result from differences between the amounts recognised for provisions in the financial accounts and the tax accounts, as well as from utilisable tax loss carry-forwards. Deferred tax assets increased by EUR 1.0 million to EUR 14.3 million in the 2020 financial year (previous year: EUR 13.3 million).

At EUR 21.2 million as of 31 December 2020, **pension provisions** were up EUR 2.4 million on the previous year (EUR 18.8 million). This was mainly due to the reclassification of pension obligations that were reported in other social security liabilities until 31 December 2019.

Tax provisions amounted to EUR 3.6 million as of 31 December 2020 after EUR 3.7 million in the previous year.

Trade payables were largely unchanged year-on-year at EUR 37.8 million (previous year: EUR 39.0 million). The utilisation of supplier credits for the cost of materials and other operating expenses increased from an average of 33.3 days to 38.5 days due to the lower volume. The average duration of credit utilisation is calculated by dividing the trade payables as of 31 December 2020 by the sum of the average cost of materials and the average other operating expenses per day in the period under review.

REPORT ON PERFORMANCE INDICATORS

Non-financial performance indicators

Production

Production capacity utilisation within HÖRMANN Industries GmbH varied in 2020. While the Communication and Engineering divisions operated at full capacity in the reporting year due to the high business volume, plant utilisation in the Automotive division declined sharply in the period from mid-March to the end of April on account of the shutdown of the automotive industry and the resulting disruption to production. Despite the massive restrictions and constraints on cross-border travel and transport, production in the Automotive division continued its relocation from the Penzberg plant to the Banovce, Slovakia, plant in the first half of 2020 and so production at the Penzberg site was discontinued on 30 June 2020 as planned. This meant around 6,000 items were relocated in the space of one year without interrupting production, considerably expanding the Banovce, Slovakia, plant fourfold to around 25,000 square metres.

This remarkable achievement resulted in substantial non-recurring expenses with a corresponding impact on the earnings of HÖRMANN Automotive Slovakia s.r.o. and HÖRMANN Automotive GmbH in 2020. In addition, the plant in Banovce was hard hit by the second wave of infection in autumn/winter 2020 in particular. The high infection rate in Slovakia led to temporary workforce capacity losses of up to 30 % in the fourth quarter. As a result, it was possible to maintain production and supply customers only by using temporary workers, commissioning additional purchased services and arranging extensive special shipments, which necessitated significant additional expenditure.

Procurement

The purchase of raw materials and supplies as well as components within the Group is managed decentrally by the individual subsidiaries on a demand-oriented basis. The required material is procured worldwide from various suppliers, most of whom the units work with on a long-term basis. Depending on the volume, multi-year master agreements are used. In the Automotive division, a strategic purchasing department was installed to leverage additional cost-cutting potential by bundling a wide range of product groups and services with an impact on earnings. Additionally, strategic purchasing is facing the challenge of excess demand on the steel market and ensuring the supply of production materials at the start of the 2021 financial year. With a view to the high level of orders in the first quarter of 2021, these activities are focused on securing the necessary quantity and quality of materials in good time.

Employees

HÖRMANN Industries GmbH employed an average of 2,774 people in 2020 compared with 2,821 in 2019 (full year).

It also employed a total of 95 trainees (previous year: 107). Measured against the total workforce, this corresponds to a share of almost 3.4 %. The training on offer covers various industrial and commercial occupations.

In order to secure the further expansion of the Group in terms of staff and to actively counteract a possible shortage of skilled workers, one of the focal points of human resources work is to consistently enhance the attractiveness of HÖRMANN Industries GmbH as an employer and to attract competent, motivated young professionals. The Group does this by creating an interesting and pleasant working environment for

employees and applicants, with a wide range of creative freedom. It also focuses on a motivational corporate culture, safety at work and social factors such as the balance between family and working life. In addition, the Group offer success-oriented incentive systems, targeted professional training and a broad range of further education and training opportunities to continuously develop the skills and expertise of its employees and prepare staff promptly for future requirements.

In the 2020 financial year, HÖRMANN Industries GmbH met its considerable responsibility for protecting its employees by establishing the conditions for remote working to the widest possible extent. As soon as the first signs of the pandemic emerged in February 2020, more than 900 office workstations were equipped with mobile devices and system access thanks to the exceptional efforts of the IT departments. This allowed the Group to remain operational throughout 2020 with minimal disruption while effectively protecting its employees' health. In addition, widespread and comprehensive hygiene measures were introduced at the Group's production sites at a very early stage of the pandemic, including the provision of protective masks and regular COVID-19 tests. This ensured that employees who were unable to work remotely were also protected to the greatest possible extent. To date, these measures have limited the impact of the COVID-19 pandemic across the Group's plants and production and assembly facilities in Germany to a small number of isolated cases.

Quality assurance

To ensure the high quality level and the reliability of our products and services in the long term, the relevant processes in the Group's operating units are regularly individually reviewed according to the respective requirements and improved where necessary. The respective quality management systems are continuously certified or re-certified according to requirements. The requirements of the General Data Protection Regulation (GDPR) are monitored by an external data protection officer.

Sustainability and social responsibility

An important pillar of long-term corporate development is the acceptance of ecological and social responsibility. The Group tries to keep the effects of its actions on the environment as low as possible or to reduce them on an ongoing basis. These ecological interests are linked to economic goals. It also assumes responsibility to society and its employees in many different ways. In addition to supporting universities and schools, the Group awards scholarships and sponsor selected cultural institutions and social projects.

Financial performance indicators

Financially, HÖRMANN Industries GmbH is managed based on the key figures of sales, total output, gross profit, EBIT and EBIT margin. All performance indicator systems and monthly reports of the subsidiaries show these key performance indicators with a plan comparison.

Liquidity available is also a key performance indicator. Frequent, Group-wide liquidity planning and management was of central importance in the 2020 financial year due to the impact of the COVID-19 pandemic.

	2020	2019	2018
Sales (EUR million)	521.5	622.2	624.1
Total output (EUR million)	535.1	641.2	675.1
Gross profit (EUR million)	256.0	289.2	322.3
Gross profit margin in % of total output	47.8 %	45.1 %	47.7 %
EBIT (EUR million)	12.6	23.7	25.1
EBIT margin in % of total output	2.4 %	3.7 %	3.7 %
Available liquidity (EUR million) (Net liquidity plus free credit volume)	145.7	107.3	110.3

In its strategic medium-term planning, HÖRMANN Industries GmbH continues to adhere to its target of achieving consolidated sales growth to around EUR 750 million with a sustained EBIT margin of 5 % p. a. in the next few years.

COURSE OF BUSINESS IN THE DIVISIONS

The course of business is presented in the form of a multi-year comparison of sales and EBIT. Sales are adjusted for intragroup sales and therefore only include sales with third parties and sales with companies that are not fully consolidated due to immateriality.

EBIT includes the operating result (Section 275(2) No. 1 – 8 of the German Commercial Code (HGB)) minus/ plus other taxes (Section 275(2) No. 16 HGB) unless expressly stated otherwise. The EBIT percentages relate to sales unless expressly stated otherwise.

The development of the individual divisions is presented in the following sections.

Automotive division

The Automotive division of HÖRMANN Industries GmbH is a supplier of metal components, modules and systems for the European commercial vehicle industry.

This industry was also hard hit by the coronavirus pandemic in the past year. According to the European Automobile Manufacturers' Association (ACEA)³, the number of commercial vehicles registered in the EU decreased by 18.9 % to 1.7 million despite positive figures in September and November.

The Association of International Motor Vehicle Manufacturers (VDIK)⁴ stated that just under 350,000 commercial vehicles were registered in Germany. All segments saw a significant downturn in sales with the exception of buses with an overall vehicle weight of over 3.5 tonnes. Registrations of new vehicles in the high-volume segment of light commercial vehicles up to 3.5 tonnes in Germany declined by 12.2 % to around 268,000. Sales of heavy commercial vehicles over 16 tonnes and commercial vehicles with an overall vehicle weight of between 3.5 and 16 tonnes declined by 26.1 % to around 50,000 new registrations and by 19.5 % to around 24,500 new registrations respectively.

The main customer for the Automotive division in 2020 remained TRATON SE, primarily with its subsidiary MAN Truck & Bus AG. According to TRATON SE⁵, MAN Truck & Bus AG sold 190,200 trucks in the period under review compared with 240,760 in 2019, meaning that sales declined by 21 % in 2020. However, strong demand in the second half of 2020 resulted in total incoming orders of 216,300. This meant the downturn in incoming orders recorded in the previous year slowed considerably to 5 %, which represents

an important indicator for development in 2021. Alongside TRATON SE, Daimler AG's Trucks & Buses lines make it a key customer for the Automotive division. According to Daimler AG⁶, truck sales fell by 27 % to 358,300 (2019: 488,500).

Multi-year comparison for the Automotive division:

	2020	2019	2018	2017
Sales (in EUR million)	273.2	379.5	423.9	375.4
Change (absolute) (in EUR million)	-106.3	-44.4	48.5	32.0
Change (relative)	-28.0 %	-10.5 %	12.9 %	9.3 %
EBIT (in EUR million)	-16.0	3.2	3.8	1.7
EBIT margin	-5.7 %	0.8 %	0.9 %	0.5 %
Non-recurring and prior-period effects* (in EUR million)	5.8	0.2	6.3	5.4
Adjusted EBIT (in EUR million)	-10.2	3.4	10.1	7.1
Adjusted EBIT margin	-3.7 %	0.9 %	2.4 %	1.9 %

* From 2016 to 2019, HÖRMANN Industries recognised provisions and write-downs on current and fixed assets in connection with the adjustment of German staff capacities as a result of the expansion of automation, the relocation of labour-intensive products to the new plant in Slovakia and the relocation of its operations in Bielefeld. The deconsolidation of HÖRMANNAutomotive Penzberg GmbH resulted in non-recurring income of EUR 1.2 million in the first half of 2019. In the 2020 financial year, the relocation and closure of the Automotive plant in Penzberg resulted in non-recurring expenses due to book losses, losses on receivables and consulting and special transportation costs at the level of HÖRMANNAutomotive GmbH and HÖRMANN Automotive Slovakia s.r.o.

The Automotive division generated sales of EUR 273.2 million in the 2020 financial year (previous year EUR 379.5 million). In addition to the deconsolidation of HÖRMANNAutomotive Penzberg GmbH as of 1 April 2019 and the cyclical market downturn that began in autumn 2019 and that was expected to continue in the 2020 financial year, the EUR 106.3 million (-28.0 %) decline was caused mainly by the massive market collapse in the commercial vehicle industry in the first half of 2020 as a result of the COVID-19 pandemic.

Due to the unplanned sales slump triggered by the COVID-19 pandemic and gross profit being around EUR 24 million lower than expected as a consequence of this, the Automotive division plunged deep into

³ ACEA, Press release, 26 January 2021
⁴ VDIK press release, 3 December 2020
⁵ TRATON SE, press release, 22 January 2021
⁶ Daimler AG, Annual Report 2020 published on 18 February 2021

the red in the 2020 financial year. The measures taken immediately after the company became aware of customers' production interruptions from mid-March 2020 onwards were sufficient to partially offset the gross profit loss by around EUR 6 million or just under 25 % compared with planning. A further complicating factor was the high infection rate and the roll-out of nationwide COVID-19 mass testing in Slovakia in the fourth quarter of 2020, which led to production capacity losses at the Automotive plant of up to 30 %. Temporary staff, purchased services and other significant additional expenses were required in order to maintain production and ensure delivery, which gave rise to additional quality costs. EBIT decreased from EUR 3.2 million in the previous year to EUR -16.0 million in 2020. This includes EUR 5.8 million in non-recurring expenses in connection with the relocation of production from Penzberg to the Banovce plant in Slovakia and the subsequent closure of the Penzberg site.

Communication division

In the Communication division, HÖRMANN Industries GmbH is a technologically leading provider of innovative communication, information, warning and security systems together with its subsidiaries. The product portfolio includes professional radio equipment for railways and public transportation, smart electronic security systems to protect buildings, public spaces, industrial properties and facilities and inland shipping and airports. The Communication division's portfolio also includes the development, production, installation and maintenance of electronic warning systems for civil protection.

HÖRMANN Kommunikation & Netze GmbH, a provider of infrastructure services related to railway traffic and communication technology as well as energy supply, was reassigned from the Services division to the Communication division in an internal transaction effective 1 January 2020. The internal prior-year figures for the Communication division were restated for improved comparability.

The railway industry has been on a growth course worldwide for many years, but must hold its ground in a very dynamic competitive environment. In particular, megatrends such as urbanisation, the increase in international trade flows resulting from globalisation, and growing environmental awareness as well as more stringent environmental protection targets are making rail transport more important. At the same time, the environment and technological requirements are changing, influenced by digitalisation and automation.

Despite the impact of the coronavirus pandemic in the first half of 2020, sales in the railway industry reached a new high of EUR 6.4 billion according to the German Railway Industry Association (VDB)⁷. This year-on-year increase of 25.5 % serves to underline the resilience of the railway industry in Germany. Domestic business and exports both enjoyed strong growth of 18 % and 39 % respectively, with foreign business accounting for around 40 % of total sales. Vehicle business remained the strongest performer, with sales of EUR 4.4 billion and growth of 26 %, while infrastructure also grew by 25 %. However, the VDB notes that the good sales figures in the first six months of 2020 were due to the high level of incoming orders in previous years, and the railway industry is expected to feel the ramifications of the coronavirus crisis in the years following the reporting year.

On the other hand, the infrastructure measures resolved by many countries as a means of supporting the economy could have a positive impact. This represents additional sales potential for the Communication division. Looking at Germany specifically, the coalition committee approved an expansive economic and crisis response package, as well as a "future package". In addition to a EUR 50 billion stability package, this also includes a EUR 150 million sub-package intended to improve mobile reception along 39,000 kilometres of railway in Germany, including improved interference immunity for train radio modules in older trains.

By contrast, the German Federal Security Technology Association (BHE)⁸ reported that the economic impact of the coronavirus pandemic on the usually successful security industry in the first half of 2020 was huge in some cases. However, the BHE's autumn economic survey found that the situation improved as the year progressed. Having reached a low of 2.46 in the spring, the assessment of the business situation using the German school grade system improved to

2.04 by the time of the survey in early November 2020. Individual business lines enjoyed significant growth compared with the spring survey. This applied to companies in the video security sector in particular, with their assessment of their business situation rebounding from an all-time low of 2.81 in the spring to a new high of 2.20 in the autumn.

The Communication division proved to be exceptionally resilient in the face of crisis in 2020 and continued to perform well, not only achieving but significantly exceeding all its growth targets. Consolidated sales amounted to EUR 146.3 million (previous year: EUR 134.2 million). The division benefited from the noticeable increase in demand and the favourable product mix.

Thanks to the high number of orders on hand, projects that had been delayed or postponed on account of the massive travel restrictions and the shutdown, especially projects in other European countries, were offset by other orders. As in the previous year, the results of operations in 2020 also benefited from advantageous cost structures and optimised quality and process flows accompanied by extremely high capacity utilisation.

As a result, EBIT increased by EUR 5 million or 27 % year-on-year to EUR 23.5 million in the 2020 financial year.

Multi-year comparison for the Communication division

	2020	2019	2018	2017
Sales (in EUR million)	146.3	134.2	113.4	109.1
Change (absolute) (in EUR million)	12.1	20.8	4.3	-0.3
Change (relative)	9.0 %	18.3 %	3.9 %	-0.3 %
EBIT (in EUR million)	23.5	18.5	12.9	8.2
EBIT margin	16.1 %	13.8 %	11.4 %	7.5 %

All in all, the Communication division has enjoyed stable sales and earnings development (EBIT) for many years.

ENGINEERING DIVISION

HÖRMANN Industries GmbH and its subsidiaries offer a broad range of products and services in the Engineering division. A detailed description of these activities can be found in the section basic information on the Group. The division's business development primarily depends on the economic performance of the construction, logistics and railway vehicle construction industries.

Once again, the construction industry proved to be a pillar of the German economy in 2020 and was impacted only to a moderate extent by the coronavirus pandemic. In contrast to the wider economic development, the Federation of the German Construction Industry (HDB)⁹ expects sales to have increased by 3.0 % in nominal terms to EUR 139 billion in the period under review. The HDB is forecasting that residential construction will come through the crisis particularly well thanks to the increase in the number of approved apartments and the existing surplus of apartments that have been approved but not yet completed, with nominal sales growth estimated at 4.0 % in 2020. The HDB also expects commercial construction to see sales growth of 1.0 % in nominal terms.

By contrast, the German Mechanical Engineering Industry Association (VDMA)¹⁰ reported on 16 February 2021 that the production volume in the German intralogistics industry had declined by 10 % across the year as a whole, from EUR 24.5 billion to EUR 22 billion. The wider trend was counteracted by positive performance in the e-commerce sector, with additional online business leading to increased demand for highly automated intralogistics solutions. HÖRMANN Industries was also able to participate in this development.

The logistics property market saw stable development over the past year. According to data published in January 2021 by the logistics consulting firm Logivest¹¹, just under 5 million square metres of new logistics space was developed in 2020 as a whole, an increase of almost 400,000 square metres compared with 2019. The second and third quarters saw some of the strongest performance in the last five years, with new logistics space of 1.5 million square metres and 1.4 million square metres respectively.

⁷ VDB press release 23/2020, 20 October 2020

⁸ BHE autumn economic survey

⁹ HDB Construction Industry Report, 26 January 2021

¹⁰ VDMA press report, "Intralogistics economy in the pandemic year 2020", 16 February 2021

¹¹ Logivest Seismograph, Q4/2020 edition

With regard to the economic development of rail vehicle construction, please refer to the comments on the development of the railway industry for the Communication division.

Aided by the long-term order backlog and high numbers of orders of hand in the project business as well as the range of products and services, the Engineering division also performed well in 2020 despite the macroeconomic conditions. At EUR 84.3 million, sales in the Engineering division were essentially unchanged year-on-year (previous year: EUR 86.9 million). EBIT also largely maintained the extremely positive prior-year level at EUR 9.1 million (previous year: EUR 9.5 million). Given this, the division met all of its targets in full. This earnings development was driven in particular by solutions for intralogistics and complex high-bay warehouse systems, with multi-year project orders being completed and invoiced in the year under review. Following its acquisition in the previous year, Klatt Fördertechnik GmbH also enjoyed extremely positive development. VacuTec Meßtechnik GmbH also benefited from the sharp rise in global demand for X-ray machines and the necessary sensors for measuring radiation doses.

Multi-year comparison for the Engineering division

	2020	2019	2018	2017
Sales (in EUR million)	84.3	86.9	65.6	33.3
Change (absolute) (in EUR million)	-2.6	21.3	32.3	-18.5
Change (relative)	-3.0 %	32.5 %	97.0 %	-35.7 %
EBIT (in EUR million)	9.1	9.5	8.6	5.1
EBIT margin	10.8 %	10.9 %	13.1 %	15.3 %

Services division

The Services division bundles the industrial service offering of HÖRMANN Industries GmbH, which the Group intends to use to leverage the growth potential of the technological megatrends of automation and electric mobility as well as the emerging structural change within the automotive industry.

According to the latest calculations by the German Federal Statistical Office¹² in January 2021, the coronavirus pandemic also left its mark on industry excluding construction and the manufacturing sector in 2020 as a result of interruptions to production lasting several weeks and temporary disruption to global supply chains. Industry excluding construction, which accounts for one-quarter of the total economy, saw a decline in price-adjusted economic output of 9.7 % compared with 2019, while the downturn in the manufacturing sector was even higher at 10.4 %. These calculations are confirmed by the "Maintenance" sector indicator of the Institute for Industrial Management (FIR) at RWTH Aachen University¹³. Over the course of the year, the sector indicator declined to just 12 points in the fourth quarter of 2020 (previous year: 44 points), the lowest level since the survey began, indicating a direct correlation with the decline in demand for industrial services in the German manufacturing industry. The many weeks of interruption to production during the shutdown and the resulting cost-cutting programs of leading automotive and industrial groups also weighed heavily on the Services division in the current financial year.

In this extremely tough market environment, sales in the relatively new Services division decreased from EUR 21.4 million in 2019 to EUR 17.0 million in the year under review. The resulting EUR 2.6 million decline in gross profit and the additional impact of extraordinary goodwill amortisation in the amount of EUR 0.5 million were not fully offset by cost-cutting measures. Accordingly, the division closed the 2020 financial year with EBIT of EUR -2.5 million (previous year: EUR -4.0 million).

HÖRMANN Kommunikation & Netze GmbH was allocated to the Communication division with effect from 1 January 2020. The internal prior-year figures for the division were restated accordingly.

Multi-year comparison for the Services division

	2020	2019	2018	2017
Sales (in EUR million)	17.0	21.4	21.2	4.1
Change (absolute) (in EUR million)	-4.4	0.2	17.1	n.a.
Change (relative)	-20.6 %	0.9 %	n.a.	-n.a.
EBIT (in EUR million)	-2.5	-4.0	0.4	-0.1
EBIT margin	-14.7 %	-18.7 %	1.9 %	-2.4 %
Non-recurring and prior-period effects* (in EUR million)	0.5	2.4	0.0	0.0
Adjusted EBIT (in EUR million)	-2.0	-1.6	0.4	-0.1
EBIT margin	-11.8 %	-7.5 %	1.9 %	-2.4 %

* In 2019, the restructuring of the industrial service units of HÖRMANN Industries and the subsequent follow-up and labour-intensive costs from project orders, the consolidation of administrative locations and the associated adjustment of staff capacities and rental expenses until the end of the respective rental agreements as well as extraordinary goodwill amortisation resulted in non-recurring expenses of EUR 2.4 million. In 2020, extraordinary goodwill amortisation was recognised in the amount of EUR 0.5 million due to the development of the respective company's value.

¹² Destatis press release 020/21, 14 January 2021

¹³ RWTH, FVI Das Netzwerk – Maintenance Sector Indicator Q4/2020

Report on opportunities, risks and expected developments

OUTLOOK

Economic environment

The global economy is still suffering to an unprecedented degree from the consequences of the spread of the coronavirus. Accordingly, forecasts by experts are subject to a high degree of uncertainty regarding the continued duration and severity of the pandemic. A reliable forecast of the economic consequences and the associated economic and financial crisis is possible only to a limited extent at the time of preparing this management report. All available forecasts of the economic institutes also point to the enormous uncertainties regarding future developments. In its forecast in January 2021, the International Monetary Fund (IMF)¹⁴ summarised this uncertainty in three interrelated questions:

1. How will restrictions needed to curb transmission affect activity in the near term before vaccines begin delivering effective society-wide protection?
2. How will vaccine-rollout expectations and policy support affect activity?
3. And how will financial conditions and commodity prices evolve?

Based on these questions, the IMF is forecasting global economic growth of 5.5 % in 2021, an increase of 0.3 percentage points relative to the previous forecast from October 2020. The industrialised nations are expected to see growth of 4.3 %. Eurozone growth in the current year is forecast at 4.2 %. In Germany, economic growth is expected to come in at 3.5 %.

The pandemic spread across the world more rapidly than initially expected and numerous measures were taken to contain the virus. A sustained fall in the number of new cases and a gradual easing of restrictions imposed in Germany and key trade partners for public health reasons are creating the groundwork for economic recovery throughout the rest of 2021. In addition, financial support measures and the approved economic stimulus programmes will have a positive impact.

Despite this cautiously optimistic outlook for economic development in the near future, the questions formulated by the IMF reflect the uncertainty that remains with regard to the economic impact of the ongoing COVID-19 pandemic and the emerging third wave. There is potential for further economic setbacks if it is not possible to limit the number of new infections or the impact of the latest variants. The macroeconomic recovery in Germany and the EU is expected to be concentrated on the second half of 2021.

Forecast for the Automotive division

The Association of International Motor Vehicle Manufacturers (VDIK) is anticipating a slight recovery in demand for commercial vehicles in 2021 as a whole. With around 370,000 registered units, the VDIK¹⁵ is forecasting growth of around 6 %. However, the experts also note the prevailing uncertainty that remains. Based on the latest reports for 2021, major manufacturers and customers like the Traton Group¹⁶ and Daimler Trucks¹⁷ expect to see a sharp rise in sales figures in the EU-30 markets that are relevant for us, and hence are anticipating a more pronounced recovery than the industry experts. At the same time, however, they point out the risks relating to the unforeseeable development of the COVID-19 pandemic and the resulting consequences for supply chains and production.

In light of the current order situation and the latest sales forecasts of its customers in the commercial vehicle market, HÖRMANN Industries GmbH expects the Automotive division to increase its production volume by more than 20 % in the 2021 financial year. This sharp rise in demand will be driven by government investment subsidy programmes (such as the “scrap-page bonus” for old trucks) and the increasingly stringent exhaust gas quality requirements for trucks in future, as well as the economic recovery with its rising transport volumes and the further acceleration of industrial value creation to Eastern European countries.

At the same time, the Automotive division expects to see increased productivity and an improved cost position in 2021. The extensive restructuring measures in 2019 and 2020 and substantial investment in further process automation and optimisation will lead to an increase in earnings power in 2021.

This positive development in demand may be delayed by the shortages in material availability that have emerged since the start of 2021. In the first quarter of 2021, it was possible to prevent interruptions to production and delivery only thanks to intensive efforts on the part of the purchasing department in close cooperation with customers and suppliers. The increased staff costs required to ensure delivery and the increased material costs could have a significant impact on earnings in the 2021 financial year if it is not possible to pass on the higher costs to customers in the form of price increases.

Additionally, it remains difficult to assess the ongoing ramifications of the coronavirus pandemic in terms of production and demand for commercial vehicles. While the domestic plants returned to close to pre-crisis levels in the second half of 2020 as the hygiene concepts took effect and demand gradually stabilised from month to month, the new plant in Slovakia suffered a huge setback in the fourth quarter of 2020 due to the rapid spread of the second wave of the pandemic and the extremely high infection rates in Slovakia, which prompted the introduction of mass testing. With up to 30 % of production capacities unavailable at times due to pandemic-related absences, it was possible to maintain production operations only through the cost-intensive use of external service providers and temporary staff. Similar developments in 2021 with profound disruption to business development cannot be ruled out at present.

HÖRMANN Industries GmbH expects to record sales in the Automotive division of more than EUR 300 million in the 2021 financial year after adjustment for steel prices (previous year: EUR 273.2 million), while EBIT will return to break-even or slightly positive territory following the substantially negative figure recorded in 2020 (EUR -16.0 million) due to the non-recurring costs incurred. In addition to the pandemic levelling off, achieving the ambitious medium-term targets will require a sustained stable economy that allows the OEMs to meet the sales forecasts that form the basis for the targets.

Forecast for the Communication division

In its latest forecast in October 2020, the German Railway Industry Association (VDB) stated that, following growth in sales in 2020, the railway industry is likely to feel the impact of the coronavirus pandemic over the coming years. While the order backlog in Germany increased by 18 % over the course of 2020, incoming orders outside Germany declined by 36 %. According to the VDB, this is due to the scaling back, postponement or renegotiation of some public investments in rail projects outside Germany as a result of the pandemic, as well as the fact that local consultation – a key factor in securing export orders – is often not possible at present. To offset these downturns in the export-oriented rail industry, the VDB is proposing that the widespread roll-out of the “Digital Rail for Germany” programme be accelerated in conjunction with the German Federal Government’s economic package. Deutsche Bahn presented its “Digital Rail for Germany” programme in mid-January 2018. Among other things, this involves replacing physical signal boxes with digital signalling. To this end, the contract on the new Performance and Financing Agreement III (LuFV III) concluded in early 2020 states that a record figure of EUR 86 billion will be invested in the maintenance and modernisation of the existing rail network between now and 2030. Deutsche Bahn will contribute up to EUR 24 billion of this figure, with the German Federal Government providing EUR 62 billion.

¹⁴ IMF World Economic Outlook Update January 2021

¹⁵ VDIK press release, 3 December 2020

¹⁶ TRATON Group Annual Report 2020

¹⁷ Daimler AG Annual Report 2020

¹⁸ VDB press release 23/2020, 20 October 2021

¹⁹ BMVI press release, January 2020

In addition, the market for digital security, surveillance, communication and network technology had recovered from the impact of the coronavirus pandemic by the autumn. Around three-quarters of the companies participating in the autumn economic survey of the German Federal Security Technology Association (BHE) described their economic situation as good or very good. In addition, almost half of the companies surveyed were looking for new employees, with only one percent planning to scale back their workforce.

HÖRMANN Industries GmbH expects the Communication division to see stable development in 2021 on the back of the good order situation and the high level of demand. This forecast is further supported by the impact of the state aid measures resolved. As part of the German Federal Government's economic stimulus package in response to the coronavirus, additional funds have been provided for the accelerated expansion of the European Train Control System (ETCS) and the more efficient design of network infrastructure with a view to the digitalisation of rail transport ("Digital Rail for Germany"), and Funkwerk AG might be able to participate in these projects in particular. However, HÖRMANN Warnsysteme GmbH's mass warning systems and HÖRMANN Kommunikation & Netze GmbH's services will also continue to support the division's positive business development on the back of investments in disaster control and the high level of demand for qualified services for electrical planning and installation, mechanical assembly and maintenance for the realisation of energy transition, and the aforementioned investments in rail transport. The Communication division is anticipating growth of up to 10 % across 2021 as a whole. Taking into account the expected product mix, higher development and project planning costs and potential price rises for materials, EBIT is expected to remain at the prior-year level (EUR 24.4 million).

Forecast for the Engineering division

In the current financial year, the Federal of the German Construction Industry (HDB)²⁰ and the Central Association of the German Construction Industry (ZDB) expect sales in the construction industry to stagnate at 2020 levels on a nominal basis. With the overarching trends of urbanisation and low interest rates set to remain unbroken in 2021, sales growth of 3.0 % to EUR 52.6 billion is forecast for residential construction. By contrast, the two leading construction

industry associations expect the economic consequences of the coronavirus crisis on the manufacturing and service industries to lead to a 2.0 % reduction in commercial construction to EUR 48.7 billion in the current year. Public construction is also forecast to decline by 2.0 % to EUR 29.5 billion.

Similarly, the logistics industry is expected to continue to be impacted by the coronavirus pandemic over the coming months. Despite this, the Logistics Expert Summit²¹ anticipates growth of 3.0 % in real terms (4.4 % in nominal terms) in the current year thanks to impetus from consumer spending and the chemicals sector, although it also notes the highly uncertain nature of the economic situation. The industry is not expected to return to 2019 levels until 2023. Logivest²² is forecasting a slight downturn in the logistics property market, with the first two quarters of 2021 in particular setting the tone for the year as a whole.

There were considerable delays in the award of industrial contracts in 2020 due to the significant uncertainty surrounding the coronavirus pandemic and its economic consequences. With a view to these postponed incoming orders, HÖRMANN Industries GmbH expects the Engineering division to feel the delayed impact of the crisis in the 2021 financial year, with sales declining to around EUR 63 million (2020: EUR 84.3 million). Accordingly, EBIT is forecast at EUR 5 to 7 million (2020: EUR 9.1 million). In light of the positive outlook for the industry and the considerable stabilisation of the order situation in the meantime, we expect the Engineering division to record sales growth to over EUR 100 million in the medium term to 2025, accompanied by an EBIT margin of around 10 %. The primary growth driver will be our products and solutions for intralogistics.

Forecast for the Services division

The Institute for Industrial Management (FIR) at RWTH Aachen University²³ records the sentiment in terms of economic development in the maintenance industry in Germany in its quarterly indicator 'Maintenance'. Following a sharp downturn in the first and second quarter of 2020 and a slight recovery in the third quarter, the indicator fell to its lowest level since the survey began in the fourth quarter of 2020. According to the FIR, this development was due to negative expectations concerning the economic situation in particular. Only 14 % of the companies surveyed anticipated a more favourable economic situation, 30 % fewer than in the third quarter of 2020.

However, 33 % of participants expect the order situation in the coming quarter to be more favourable, with a further 48 % expecting the order situation to remain unchanged.

The impact of the coronavirus pandemic on economic life in Germany and the disruption to supply chains in the automotive industry are crucial factors in the development of the Services division. In particular, renewed industrial plant closures in Germany would lead to a further significant decline in demand for industrial services.

Despite the setback in 2020, HÖRMANN Industries GmbH plans to continuously develop the Services division over the coming years. Acquisitions will be intensively focused on non-automotive sectors and the service portfolio will be strengthened in the areas of automation and maintenance in particular. HÖRMANN Automationservice GmbH has already expanded its expertise in the area of automation technology with the acquisition of the Automation division of SAV GmbH, Mittweida, and its 11 employees effective 1 January 2021. The Group expects business development to stabilise in the 2021 financial year, with sales exceeding EUR 20 million (2020: EUR 17.0 million) and a break-even in terms of EBIT (2020: EUR -2.5 million).

Forecast for HÖRMANN Industries GmbH

In the new 2021 financial year, economic and industry-specific developments will continue to influence the operational and financial development of HÖRMANN Industries GmbH. The forecasts made by the Group on the expected course of business are based on certain assumptions regarding the development of the economy in Germany and the eurozone and in the specific industries, as well as an optimistic assessment of the further course of the COVID-19 pandemic.

Given the high levels of uncertainty regarding the further course of the COVID-19 pandemic at the time of preparing this report and the economic and financial effects of this crisis in the eurozone, HÖRMANN Industries GmbH assumes that the pandemic will continue to have an impact on the company's sales and earnings performance in 2021. Nevertheless, it expects the overall economic situation to continue to recover in 2021 in line with economic forecasts. However, any negative macroeconomic developments beyond this, such as a renewed shutdown of the economy, could mean that the actual results for the 2021 financial year differ from the forecast values.

Based on the current order situation in the individual divisions, HÖRMANN Industries GmbH is anticipating total sales of EUR 540 to 560 million at Group level in 2021 (2020: EUR 521.5 million). In operating business, the target is a positive result before interest and taxes (operating EBIT) of around EUR 20 million (2020: EUR 13 million).

In light of the forecast results of operations, working capital – comprising inventories and trade receivables less trade payables – is expected to be around EUR 10 to 15 million higher at the end of 2021 than as at 31 December 2020. Accordingly, taking into account the planned payments for provisions and investments, net cash and cash equivalents are expected to decline by around EUR 15 to 20 million between December 2020 and December 2021. Based on net cash and cash equivalents at the end of 2020 and the available credit facilities with banks for 2021, the Group therefore expects the financial situation to remain stable.

All in all, the four divisions of HÖRMANN Industries GmbH are continuing to place close cooperation with the customer at the heart of all their activities. This strong customer orientation, combined with targeted innovation and technology management and the future-oriented development of the staff, will allow the company to further strengthen its market and competitive position in the medium and long term.

RISK REPORT

General business risks

The global economy and the economies in the eurozone and Germany, which are key for HÖRMANN Industries GmbH, are subject to fluctuations that could impair the business activities and results of operations of HÖRMANN Industries GmbH.

HÖRMANN Industries GmbH is heavily dependent on the economy in the eurozone and in Germany. The past financial and economic crisis in 2008/2009 led to a significant downturn in sales and earnings, particularly in the commercial vehicle industry and thus in the HÖRMANN Automotive division, that substantially impacted HÖRMANN Industries GmbH's business activities. A renewed crisis scenario such as the current COVID-19 pandemic, the debt situation of many industrialised nations, political instability or a renewed crisis in the financial system could have a significant impact on the business activities of HÖRMANN Industries GmbH.

²⁰ HDB / ZDB Construction Industry Report, 26 January 2021

²¹ Logistics Expert Summit, 25 September 2020

²² Logivest Seismograph, Q4/2020 edition

²³ RWTH, FVI Das Netzwerk – Maintenance Sector Indicator Q4/2020

HÖRMANN Industries GmbH's business development fundamentally depends on its success in maintaining or expanding its market position and – where applicable – technology leadership and responding quickly to the emergence of new competitors or the intensification of the competitive situation. To prevent the loss of market share, the company offers a high level of product and service quality, maintains close, trust-based contact with its customers and pursues systematic innovation, price and cost management. The Group also regularly observes market developments and the business policy of other market participants and adjusts its activities to reflect changes in requirements in regular strategy reviews. These countermeasures also create opportunities for HÖRMANN Industries GmbH to gain market share.

HÖRMANN Industries GmbH's future results also depend on the extent to which it is able to anticipate or respond to technological changes by improving its products and adapting them to reflect new requirements or by developing new products. If HÖRMANN Group fails to respond adequately to technological changes, this could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

HÖRMANN Industries GmbH's business activities come up against a large number of existing competitors as well as new competitors entering the market segment and seeking to expand their business at HÖRMANN Industries GmbH's expense. Sustained or intensified price pressure and a deterioration or loss of competitiveness could have an adverse effect on the company's net assets, financial position and results of operations.

HÖRMANN Industries GmbH generates the majority of its sales with multiple individual customers, particularly major automotive and commercial vehicle manufacturers and Deutsche Bahn AG and its suppliers. HÖRMANN Industries GmbH generated over 25 % of its sales with Volkswagen AG and its subsidiaries in the 2020 financial year. If it is not possible to retain these key customers or to offset a significant downturn in sales with them by gaining new customers or expanding business with other customers, this could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Some of HÖRMANN Industries GmbH's business activities are dependent on political decisions that dictate the provision of funding for public investment in railway systems, personal security, property protection systems, motorways and other infrastructure projects. In light of the sharp increase in public debt and the consolidation pressure on public budgets in many European nations at present, delayed or cancelled investment projects and public funds could have an adverse effect on public-sector contract awards, and hence on business development in the affected areas.

General operational risks

HÖRMANN Industries GmbH is exposed to general operational risks. These also include risks in connection with business expansion and the risk of business disruption and other interruptions, such as strikes or other industrial action or restrictions imposed by government orders. This could have an adverse effect on the earnings and financial position of HÖRMANN Industries GmbH.

Presentation of individual risks

As in the previous year, the following section contains a summary description of the material risks that could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Risks in connection with viral pandemics

Since March 2020, the environment of HÖRMANN Industries GmbH has been increasingly burdened by the COVID-19 pandemic, which has had a considerable impact on the entire global economy. These novel, currently completely incalculable situations such as the current global virus pandemic represent a risk that has a strong impact on all areas of HÖRMANN Industries GmbH and therefore cannot be secured. The further course of the COVID-19 pandemic and the specific consequences for the real economy and the financial system – and thus possibly also for HÖRMANN Industries GmbH – cannot be predicted. Furthermore, there is no historical experience of comparable events from which probable scenarios can be derived.

Even after the current COVID-19 pandemic has been contained, renewed significant impairment to the business activities of HÖRMANN Industries GmbH cannot be ruled out in the medium term.

The extent of the impact of the COVID-19 pandemic on the economy as a whole and on HÖRMANN Industries GmbH still cannot be estimated. The Group felt the effects in the interruption of production by automotive and commercial vehicle manufacturers lasting several weeks and in project and order postponements by its customers in the first quarter and early in the second quarter of 2020, as well as at the Slovakian plant in particular in the fourth quarter of 2020. In addition, travel restrictions have been defined for the Group's employees, which is continuing to severely restrict acquisition activities. The Group is prepared to adequately address the current dynamic development of the situation. Existing contingency plans will help to maintain core functions should the situation change significantly again. The Group is in constant communication with its customers and suppliers in order to deal with the ongoing and dynamically changing situation in the best possible way. Management and all executives are focused on the permanent identification of possible disruptions in the value chain in order to react quickly to new circumstances with appropriate measures. In particular, cost-reducing and liquidity-conserving measures were taken immediately after the production interruptions became known in 2020, and all German automotive plants applied for reduced working hours. In addition, measures were launched to sustainably adjust staff capacities in the Automotive division.

As a result of the broad globalisation of the world economy, the ever-stronger growth in worldwide tourism, global warming and the intrusion of humans into nature, the occurrence of completely new virus pandemics, the effects of which are even more serious, can no longer be ruled out.

Dependence on industry-specific permits and certifications

Among other things, HÖRMANN Industries GmbH's business success depends on its ability to obtain industry-specific permits and certifications and its compliance with the prevailing standards and technical guidelines that govern the introduction of new products and technologies. If HÖRMANN Industries GmbH is unable to develop products and processes that meet these requirements or to obtain the necessary permits in the respective country, this could be detrimental to its business activities.

Dependence on international markets

To date, HÖRMANN Industries GmbH has focused on Germany and the rest of Europe. However, the Group's main customers are reliant on the sales markets in European and non-European countries. Particularly in the Communication and Engineering divisions, business activities in non-European countries are already being increasingly internationalised. This also involves risks for HÖRMANN Industries GmbH. In particular, this includes imponderables due to the prevailing economic and tax conditions in different countries, exchange rate risks and the need to comply with the respective local technical standards, country-specific legal systems and political instability.

Currency risks

HÖRMANN Industries GmbH generates the vast majority of its sales in euro. Where invoices are issued in other currencies, exchange rate hedging is performed to the extent that this is possible and appropriate. By contrast, purchases of parts, components and raw materials are also made in foreign currency to a significant degree. As such, there is a not inconsiderable exchange rate risk that could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Dependence on commodity and energy prices

A rise in commodity and energy prices could lead to higher production costs, particularly in the Automotive division, and hence to falling income at HÖRMANN Industries GmbH. The risk potential is illustrated by the development on the commodity markets since the fourth quarter of 2020, with temporary supply shortages currently leading to significant price rises for steel products. The company tries to counteract these influences by adjusting its sales prices in line with changes in material prices. However, if this is not successful due to the highly competitive situation, this could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

IT risks

The HÖRMANN Industries GmbH companies can be controlled only with the help of complex IT systems. The companies' ability to deliver at all times also depends on the permanent availability of the corresponding systems and data. Serious disruptions such as system outages, external network attacks and data loss or manipulation could jeopardise their ability to deliver and give rise to claims for damages on the part of customers. Accordingly, the company works to permanently optimise its IT environment and IT security, including with the support of external experts.

Project organisation and management risks

HÖRMANN Industries GmbH is particularly active in the project business areas of communication, engineering and services. When orders are awarded, there is a possibility that the contractual partners will expect different conditions, thereby jeopardising the realisation of the respective project or the planned profit margin. As remuneration is based on the completion of defined performance phases, cancellation may mean that preliminary work done and costs and expenses incurred are not settled in full. In addition, the risk assessment of the specific project may be erroneous or incomplete, meaning that the agreed remuneration is not proportionate to the expenses incurred.

Risk in connection with outstanding project receivables in Algeria

Funkwerk video systeme GmbH (FVS) and Funkwerk plettac systems GmbH (fps) have an investment in a consortium under Algerian law (Groupement Funkwerk Contel plettac). As a result of domestic political developments in Algeria, an investigation into alleged suspicions of corruption and illegal overcharging against several companies and individuals was initiated in 2010. The affected parties included this consortium, the Algerian partner and FVS/fps, but not its managing directors or other employees of the Funkwerk Group. The proceedings are still ongoing. Shortly after the initiation of the investigation in 2010, bank accounts of the consortium were temporarily blocked, among other things. These accounts contained amounts paid for properly performed work in the equivalent amount of EUR 2.9 million calculated as at the reporting date that cannot currently be transferred to Germany and which are due within the Group solely to FVS/fps. An internal investigation by Funkwerk AG found no evidence to suggest that the corruption allegations are accurate.

An oral ruling was issued at the Algerian criminal court in Algiers in February 2016, but FVS/fps had not received a written ruling in the form required by law as at the preparation of the audit opinion. The oral ruling includes the conviction of FVS/fps and other companies for corruption and overcharging in Algeria and a fine of around EUR 40,000. An appeal was lodged against the ruling ahead of the deadline, meaning the bank accounts that were released under the oral ruling are still unavailable.

In connection with the projects realised, Funkwerk AG provided bank guarantees issued by Algerian banks on the basis of corresponding counter-guarantee agreements with some German banks. All the bank guarantees from German banks were derecognised at the reporting date. Of the derecognised bank guarantees, the principal has yet to return original guarantees in the amount of around EUR 8.4 million. Under the terms of the contracts with the principal, it should no longer be possible to assert claims against FVS/fps due to the latter having met the underlying delivery and performance obligations, the expiry of the contractual warranties and the expiry of the bank guarantees, which is why the guarantees have also already been derecognised by the German banks. However, there is a residual risk with regard to the original bank guarantees that have not yet been returned, as the German banks issued the Algerian banks with 'real' counter-guarantees.

Staff recruitment and selection risks

HÖRMANN Industries GmbH is dependent on qualified staff. If it is no longer to attract and retain qualified staff within the company to a sufficient extent and at salaries that are in line with market conditions in the long term, this could diminish the company's ability to successfully implement and adapt the business models of the divisions. A shortage of qualified staff may become a decisive growth-inhibiting factor in the future. HÖRMANN Industries GmbH is responding to this demographic challenge with its usual activities in staff marketing and development.

Procurement and production risks

HÖRMANN Industries GmbH's production depends on the supply of parts, products and services in perfect condition. Fluctuation in demand could lead to long response times on the part of suppliers. In addition, HÖRMANN Industries GmbH's requirement and capacity planning could be inadequate. Unexpected border controls and closures can lead to considerable short-term supply shortages.

Missing or qualitatively defective finished parts or raw materials could lead to production delays or stoppages. There has been substantial excess demand on the steel market since 2020. This is making it considerably more difficult to purchase raw materials for the Automotive division in a timely manner and represents a significant potential risk for HÖRMANN Industries GmbH. At present, there are growing reports of supply bottlenecks for electronic components and microchips. This could represent a significant potential risk for the Funkwerk Group (Communication division).

Due to production or product relocations within the Automotive division, there is a risk of assembly line stoppages during the conversion of the production facilities and the relocation of operating resources.

HÖRMANN Industries GmbH primarily operates production sites in Germany, Austria and Slovakia. In the worst case, the extensive destruction of one or more sites, e. g. as a result of flood, fire, explosion, sabotage or other causes, could lead to permanent production stoppages.

Key suppliers and other business partners could find themselves in economic difficulties, thereby negatively impacting the course of business of HÖRMANN Industries GmbH. Unplanned price rises also have negative consequences for the results of operations. To prevent this, HÖRMANN Industries GmbH regularly reviews its business partners' performance and selects suppliers carefully. In addition, long-term supply contracts are concluded where possible in order to offset fluctuations and prevent bottlenecks.

Logistics risks

HÖRMANN Industries GmbH does not have its own logistics infrastructure. It therefore uses external logistics companies for transportation between its production sites and warehouses as well as for supplying its production sites and its customers. As such, HÖRMANN Industries GmbH is dependent on the smooth operation of the logistics services provided by these third parties.

Warranty risks

Products and systems may be faulty, thereby exposing HÖRMANN Industries GmbH to warranty claims and/or claims for damages. Furthermore, there are liability risks arising from supply agreements (liability clauses in contracts with customers), contractual risks due to liability for delays in the start of production, and production processing risks, particularly in the Automotive division. Similar liability risks also exist for services and deliveries in the project business of the Communication, Engineering and Services divisions. If the Group companies are unable to ensure on-time delivery or services in line with customer requirements and HÖRMANN Industries GmbH jeopardises production at the customer or the completion of subgroups as a result, this could lead to increased costs and recourse claims against HÖRMANN Industries GmbH or the loss of orders, which would have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Risks in connection with receivables

If customers and other business partners default on receivables, either in full or in part, or there are significant and wide-scale delays in payment, this could lead to liquidity bottlenecks and hence restrict HÖRMANN Industries GmbH's business activities or considerably impact its net assets, financial position or results of operations. HÖRMANN Industries GmbH counteracts these risks by requiring advance payments and invoicing on a percentage-of-completion basis in its product business and by concluding commercial credit insurance.

Risks in connection with the repayment of subsidies, tax audits and social security contributions

HÖRMANN Industries GmbH has been and continues to be granted or promised public government investment subsidies for individual development projects and business measures. The use of such funds is typically earmarked for a specific purpose and tied to corresponding requirements and conditions. If HÖRMANN Industries GmbH is unable to ensure and demonstrate that these requirements and conditions have been met, it could have to repay the respective investment subsidies.

HÖRMANN Industries GmbH is of the opinion that the tax returns prepared by its companies have been submitted correctly and in full. However, differing views of the respective matters could give rise to demands for the back payment of taxes. Changes in tax law or the interpretation of existing tax law could have a negative influence on the business activities of HÖRMANN Industries GmbH and its commercial and tax law structures. HÖRMANN Industries GmbH companies could be required to make backpayments of taxes for the periods for which tax audits have not yet been conducted. The same applies for any demands to make additional social security contributions.

Risks in connection with inadequate insurance

Despite concluding extensive insurance cover, HÖRMANN Industries GmbH cannot guarantee that either it or its subsidiaries will be compensated in full for any losses incurred.

If losses occur that are not covered by the insurance concluded either in part or in full, particularly in the area of product liability or as a result of interruptions to production as well as other material damage, this could have a negative effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Risks in connection with compliance violations

Potential compliance violations could lead to future regulatory investigations, backpayments of taxes, claims for damages and the termination of supplier relationships by customers.

HÖRMANN Industries GmbH comprises a number of companies that bid for large-scale orders in the automotive, rail, service and construction sectors. This involves the risk that the applicable statutory provisions will be violated in order to gain an advantage over the competition when competing for and initiating orders.

To counter these risks, HÖRMANN Industries GmbH has implemented a comprehensive compliance system.

Risks in connection with financial obligations

HÖRMANN Industries GmbH has considerable pension, lease and rental obligations that could impair its liquidity situation in the future.

These obligations must be met from cash flow from operating activities. The rental and lease obligations for buildings, technical machinery and equipment, facilities, office space and vehicles are significant and constitute substantial fixed costs. These costs cannot be adjusted in response to a sharp downturn in sales and earnings. This could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Litigation risks

HÖRMANN Industries GmbH companies are parties to various judicial and extrajudicial disputes. The outcome of these proceedings is unclear and each case involves the risk that the plaintiff/claimant could prevail, either in part or in full. Adequate provisions are recognised to the greatest possible extent where this is considered to be necessary.

However, the possibility that these provisions will be insufficient cannot be ruled out. This could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Risks in connection with acquisitions and joint ventures

Risks could arise in connection with acquisitions or joint ventures if the future expectations in terms of income potential, profitability and growth opportunities fail to materialise or if hidden defects or inherited liabilities occur, e.g. due to prior deliveries or product liability. The resulting extraordinary amortisation requirement of recognised goodwill could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Risks in connection with violations of environmental law

HÖRMANN Industries GmbH could violate existing provisions of environmental law or its production activities could pollute the environment. This could have an adverse effect on the net assets financial position and results of operations of HÖRMANN Industries GmbH.

Risks in connection with violations of industrial property rights

Competitors could copy HÖRMANN Industries GmbH's products and techniques or could unknowingly infringe upon patents of HÖRMANN Industries GmbH. Furthermore, the possibility of HÖRMANN Industries GmbH unknowingly infringing upon its competitors' patents due to a different understanding of the content of the intellectual property protected by the patent in particular cannot be ruled out. This could have a negative effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

Risks from a lack of credit

HÖRMANN Industries GmbH and a syndicate of banks have concluded a global syndicated loan with a volume of EUR 40 million and a term to December 2024, consisting of a current account credit line of EUR 15 million and a revolving EURIBOR credit line of EUR 25 million. The financial crisis in 2008/2009 has shown that there may be a temporary shortage of credit in the economy. At present, it cannot be ruled out that there will not be another financial crisis with a temporary shortage of credit for the economy in the wake of the current coronavirus pandemic. If the contractually agreed credit lines are not made available in a timely manner in accordance with the requirements of HÖRMANN Industries GmbH, this could have a significant impact on the business activities of HÖRMANN Industries GmbH. To mitigate this risk and as a precautionary measure, the management took advantage of a EUR 40 million KfW entrepreneur

loan as part of the German Federal government's package of measures to mitigate the economic impact of the coronavirus pandemic, of which EUR 10 million had been drawn down as at the reporting date.

Risks in connection with the bond issue

HÖRMANN Industries GmbH has issued a bond with a volume of EUR 50 million, a coupon of 4.5 % p.a. and a term until 6 June 2024. Interest is payable each June. There is a risk that the funds generated from the bond will not be employed profitably enough to cover the coupon payments. This would have a negative impact on the Group's net assets, financial position and results of operations. Furthermore, there is a risk that misinvestments could lead to an inability to make coupon payments and/or redeem the bond to the necessary extent and/or on schedule or at all. This would have negative consequences for the Group's position.

Interest rate risks

HÖRMANN Industries GmbH and a syndicate of banks have concluded a global syndicated loan with a volume of EUR 40 million and a term to December 2024. The loan agreement sets out a variable interest rate based on EURIBOR. If EURIBOR were to rise to above 0 %, this could increase the interest cost of future financing, which would have an adverse effect on the Group's results of operations.

STRATEGIC ORIENTATION AND REPORT ON OPPORTUNITIES

Automotive division

Despite the various operational challenges in the 2020 financial year, the strategy for 2025 was addressed in all divisions with methodical support from the holding company, thereby laying the foundations for HÖRMANN Industries GmbH to move into a successful future following the COVID-19 pandemic.

In the largest division, **Automotive**, HÖRMANN Industries GmbH is continuing to pursue a strategy of being a key supplier of metal chassis products and high-end body-in-white components for the European commercial vehicle and agricultural/construction machinery industries. It intends to press ahead with increasing the competitiveness and customer diversification of the division.

Based on current developments and forecasts of the industry association VDA, HÖRMANN Industries GmbH expects the European market excluding Russia to see higher sales of commercial vehicles in 2021, with the market therefore recovering compared with the 2020 financial year. Industry analysts still expect demand for commercial vehicles to rise steadily in the medium term. The main drivers for this forecast are the successive obsolescence of existing vehicle fleets, increasingly stringent requirements in terms of exhaust quality and the ongoing trend towards relocating production to eastern Europe. High demand for light commercial vehicles, particularly vans for delivering parcels, is also propelled by the continued rapid growth of online shipping logistics.

If this proves to be the prevailing market development for our customers in the medium term, this is expected to lead to increased call orders in the next few years, with a corresponding positive impact on sales forecasts. HÖRMANN Industries GmbH expects the outsourcing of in-house production activities by European commercial vehicle manufacturers to result in additional orders. The continued growth in vehicle derivatives and the development of new vehicle concepts for electric mobility, particularly when it comes to light commercial vehicles, could open up additional markets.

The existing expertise in the area of forming technology, a broad portfolio of systems and machinery with sufficient capacity, the strategy of significantly expanding automation at the plants in Germany while outsourcing labour-intensive production to cheaper foreign plants and the planned stronger positioning as a systems supplier provide healthy foundations for obtaining additional customers, returning to growth and enjoying sustained earnings power at a level that is typical for the industry after the effects of the COVID-19 pandemic have subsided. The expansion of the plant in Banovce, Slovakia, in 2020 and the significantly improved cost position will make an important contribution to this.

Communication division

The **Communication** division intends to continue to grow while maintaining its strong results of operations and is seeking to further strengthen its competitive position in order to do so. The division has a high-tech product range with a number of unique selling points. Among other things, opportunities for the division result from the progressive digitalisation of transport, the growing need for video surveillance and the conversion of communication networks to

5G technology. Growth potential is also offered by government economic support programmes and the accompanying investments in the expansion of infrastructure, the continuous upturn in the need for security around the world, the sustained trend towards urbanisation and the further dynamic expansion of rail transport in the wake of the climate debate. There are also expansion opportunities thanks to digital service concepts and equipment for paperless railway stations. The long product lifecycles for rail vehicles in the rail industry also involve opportunities. Reliable services over the entire useful life and professional obsolescence management can help to secure customer investments for the long term. The division also intends to further strengthen its export business by entering into new partnerships, including abroad.

To complete the range of services offered, infrastructure service provider HÖRMANN Kommunikation & Netze GmbH was transferred from the Services segment to the Communication segment in an intra-group transaction with effect from 1 January 2020 with the aim of pursuing a joint growth strategy and exploiting synergies in the future.

Engineering division

With its broad portfolio of expertise along the entire engineering value chain, from design engineering through factory and building planning to the realisation of turnkey logistics centres, **Engineering** is a division with a promising future and high growth potential. Knowledge management and the industrial application of engineering know-how has a long and successful tradition in Germany and will remain one of the key drivers of global technological progress and dynamic industrial development. Although the division is already very well positioned for the challenges of today and tomorrow, it intends to systematically expand this position with a view to the digital transformation of industry and the wide range of new technological requirements arising from electric mobility in order to take advantage of the resulting opportunities. To this end, the Group is planning to further strengthen the division's product and customer diversification by extending its range of services, pressing ahead with internationalisation and expanding its engineering capacities. In addition to organic growth, opportunities for inorganic growth in the form of acquisitions are continuously examined.

The close networking of design expertise, manufacturing technology knowledge and production experience can open up a wide range of new options. In particular, the current dynamic development of electric mobility and new hydrogen-based drive systems offers extensive additional potential for developing new areas of activity for rail and road vehicles alike. The Group also sees extended product solutions for the intralogistics segment as an important growth area. The extremely dynamic development of the market and the sharp rise in demand for mail order and e-commerce during the extended lockdown serve to underline the growth potential in this area.

However, all the other segments of the Engineering division will also have wide-ranging opportunities for business expansion if HÖRMANN Industries GmbH is even more successful at marketing itself as an attractive medium-sized employer and is able to recruit new employees to a sufficient extent.

Services division

With the further establishment of the **Services** division, HÖRMANN Industries GmbH is seeking to reflect the growing trend towards the outsourcing of industrial services. In future, the division's activities will concentrate to a greater extent on high-tech services in the industrial environment of automation, digitisation and Industry 4.0. As a result, the infrastructure service with HÖRMANN Kommunikation & Netze GmbH was reassigned to the Communication division in an internal transaction at the start of 2020.

The structural changes in the familiar industrial environment of the automotive and automotive supply industry and mechanical and plant engineering that are currently emerging will offer wide-ranging opportunities for high-quality services. The Group is laying the foundations for further organic and inorganic growth with the integration and reorientation of the service companies towards applications outside the automotive industry, and it intends to systematically press ahead with its growth strategy over the coming years. To this end, the skills and capacities for factory automation and digitisation will be further strengthened and expanded. HÖRMANN Digital GmbH, which commenced activities with its first projects in 2020, will make an important contribution to this process.

OVERALL ASSESSMENT OF THE FUTURE DEVELOPMENT OF HÖRMANN INDUSTRIES GMBH

In the new 2021 financial year, economic and industry-specific developments under the conditions of the ongoing COVID-19 pandemic will continue to influence the operational and financial development of HÖRMANN Industries GmbH. The outlook made by the Group on the expected course of business is therefore based on certain assumptions regarding the development of the economy in Germany and the eurozone, as well as in the specific industries.

Given the prevailing uncertainty regarding the further course of the COVID-19 pandemic at the time of preparing this report and the economic and financial effects of this crisis in the eurozone, HÖRMANN Industries GmbH assumes that the pandemic will continue to have an impact on the company's sales and earnings performance in 2021. Following the deep slump in the first half of 2020 and the slow upturn in the second half of 2020, the company currently expects the economic situation to see a further recovery in 2021 as the pandemic levels off, restrictions are relaxed and ultimately lifted, and the numerous government support measures continue to have a positive effect. However, any deviations or negative macroeconomic developments could mean that the actual results for the 2021 financial year differ from the forecast values.

Based on the planning drawn up at the end of the 2020 financial year for the 2021 financial year and the current order situation, the management assumes that HÖRMANN Industries GmbH will increase its sales to between EUR 540 million and EUR 560 million in 2021 (previous year: EUR 521.5 million), thus generating positive EBIT of around EUR 20 million (previous year: EUR 13.0 million). The net assets, financial position and results of operations are expected to remain at a very stable level.

All in all, the management considers the position of the Group to be stable at the time at which this report was prepared.

On the basis of HÖRMANN Industries GmbH's stable net assets, financial position and results of operations at the beginning of the year and in view of the broad diversification of its business activities, the management is confident that HÖRMANN Industries GmbH will also successfully overcome the challenges facing the Group.

The management assumes that HÖRMANN Industries GmbH will return to positive business development at pre-crisis levels in the medium term once the COVID-19 pandemic and its economic consequences have subsided.

Opportunities for the further development of HÖRMANN Industries GmbH will continue to be systematically identified, taken and utilised in all subsidiaries as part of the regular strategy process. In addition to observing internal and external data and the development of competitors, this is achieved using regular reports, strategic product and project management and the establishment of a systematic innovation and strategy process.

In the medium term over the coming years, HÖRMANN Industries GmbH as a whole will continue to pursue the objective of profitable growth with a focus on the company's strengths. With the re-establishment of the traditional Services division and the continued strengthening of the Engineering and Communication divisions, HÖRMANN Industries GmbH is pursuing a strategy of positioning itself as a broadly diversified company built on four profitable pillars with strong future prospects and a high degree of resilience to economic fluctuations. This strategy proved its worth once again in the crisis-hit year of 2020: Despite the sharp downturn in the Automotive and Services division, the positive business development in the Communication and Engineering divisions enabled the Group to maintain a positive earnings situation – in contrast to other market participants. The Group intends to achieve this goal not only through organic growth, but also through supplementary acquisitions when attractive opportunities arise.

All in all, HÖRMANN Industries GmbH considers its close relationship with its customers, which it is intensifying in a targeted manner, to be a key factor in the Group's success. In addition to its extensive existing customer base, it intends to press ahead with new business while also placing system solutions and services on the market. Another important factor for future success will be the continued intensification of interdisciplinary cooperation between the various specialist units and companies within HÖRMANN Industries GmbH, particularly across division boundaries and in close cooperation with HÖRMANN Digital GmbH, which was founded in 2019. This can open up new services that will benefit long-standing customers.

The opportunities at the Group's disposal also include the retention of specialist staff and the long service of its employees, which allow it to make the available expertise and specialist experience available across the various divisions in a way that is advantageous to customers. Accordingly, attractive incentive systems, interesting training and development opportunities and modern working time concepts are used as means of further strengthening the perception of HÖRMANN Industries GmbH as an attractive employer.

Other disclosures

Research and development

In the **Automotive** division, an extremely good basic understanding of metallurgy and its requirements in terms of customer products is a key success factor. Product-specific expertise with regard to forming, joining and assembly technology is required in order to gain additional market share. For new series production orders, the design and development as well as the use and maintenance of technologically sophisticated tools in production are very important. In addition to the ongoing enhancement of existing expertise, the development of new manufacturing technologies and their application to new materials is being driven forward in order to prepare for the future demands on commercial vehicles at an early stage. A particular focus here is on lightweight construction and weight reduction, composite components made of various materials and standardisation for the further development of OEM platform strategies.

The **Engineering** division contributes to the successful market presence of HÖRMANN Industries GmbH with its consulting expertise. HÖRMANN Vehicle Engineering GmbH is expanding the division's vehicle development expertise and leveraging synergy potential with the Automotive division. This is helping to advance the strategic development of the Automotive division from a build-to-print manufacturer to a solution provider and system supplier using the latest design, calculation and simulation methods. Within the framework of joint research projects, HÖRMANN Vehicle Engineering is also involved in the development of road vehicles with innovative fuel cell drives.

The primary objective of the extensive research and development activities in the **Communication** division remains to secure and expand its technology leadership in the respective technologies and application-specific markets. These activities focus on customer-specific developments and applications as well as innovative new products and system solutions. Special emphasis is placed here on the development of new electronics, filter technologies and new mobile phone standards for train radios as well as the ongoing further development of the extensive product-oriented software systems. In addition, work is constantly being done to improve the production processes.

In addition, HÖRMANN Digital GmbH and its team of specialists develop new digital business models and software-based product enhancements for the individual divisions of the Group, among other things.

In order to utilise as much expertise for development as possible and to always be at the cutting edge of research, all the divisions regularly cooperate with external partners and universities. In addition, there is a regular dialogue with suppliers of key components and customers in order to allow innovative topics and trends and individual requirements to be integrated into the development process at an early stage.

Kirchseeon, 1 April 2021

HÖRMANN Industries GmbH

The Management



Dr.-Ing. Michael Radke



Johann Schmid-Davis

» Our stated aim is for the HÖRMANN Group to continue to realise profitable growth, generating sales of around EUR 750 million by 2025 and an EBIT margin in every division that is typical for the respective industry. «

MICHAEL RADKE, CEO

Financial Data

- 84 Consolidated Balance Sheet – Assets
- 84 Consolidated Balance Sheet – Equity and Liabilities
- 85 Consolidated Income Statement
- 87 Consolidated Cash Flow Statement
- 88 Consolidated Statement of Changes in Fixed Assets
- 90 Consolidated Statement of Equity Changes

Consolidated Balance Sheet

ASSETS (EUR thousand)	31 Dec. 2020	31 Dec. 2019
A. FIXED ASSETS	90,087	88,168
I. Intangible assets	14,380	15,438
1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	2,243	1,704
2. Goodwill	11,578	13,672
3. Advance payments made on intangible assets	559	63
II. Tangible assets	54,550	51,714
1. Land, leasehold rights and buildings	11,906	12,480
2. Technical equipment and machinery	26,693	25,470
3. Other equipment, factory and office equipment	9,483	7,755
4. Advance payments and assets under construction	6,468	6,009
III. Long-term financial assets	21,157	21,016
1. Equity investments	304	62
2. Securities held as fixed assets	204	203
3. Other loans	20,649	20,751
B. SHORT-TERM ASSETS	216,975	208,907
I. Inventories	61,084	53,586
1. Raw materials, consumables and supplies	31,282	23,385
2. Work in progress	77,906	84,003
3. Finished goods and merchandise	12,538	10,333
4. Advance payments	13,965	9,746
5. Payments received on account of orders	-74,607	-73,882
II. Receivables and other assets	72,682	90,500
1. Trade receivables	42,835	64,480
2. Receivables from affiliated companies	10,860	9,295
3. Other assets thereof to shareholders: EUR 2,570 thousand (previous year EUR 1,320 thousand)	18,987	16,725
III. Securities	182	182
IV. Cash-in-hand and bank balances	83,027	64,639
C. PREPAID EXPENSES	2,964	1,963
D. DEFERRED TAX ASSETS	14,333	13,325
E. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES	381	253
Total assets	324,740	312,616

Consolidated Balance Sheet

EQUITY AND LIABILITIES (EUR thousand)	31 Dec. 2020	31 Dec. 2019
A. EQUITY	120,749	121,179
I. Subscribed capital	200	200
II. Capital reserve	43,422	43,422
III. Consolidated balance sheet profit	62,112	65,775
IV. Non-controlling interests	15,015	11,782
B. PROVISIONS	94,391	87,437
1. Pension provisions and similar obligations	21,228	18,811
2. Tax provisions	3,601	3,683
3. Other provisions	69,562	64,943
C. LIABILITIES	109,593	103,986
1. Bonds	50,000	50,000
2. Liabilities to banks	10,013	6
3. Trade payables	37,811	38,968
4. Liabilities to affiliated companies	1,794	1,689
5. Other liabilities thereof from taxes: EUR 4,207 thousand (previous year EUR 4,713 thousand) thereof for social security EUR 1,097 thousand (previous year EUR 3,694 thousand) thereof to companies: EUR 225 thousand (previous year: EUR 0 thousand)	9,975	13,324
D. DEFERRED INCOME	7	14
Total assets	324,740	312,616

Consolidated Income Statement

(EUR thousand)		1 Jan. – 31 Dec. 2020		1 Jan. – 31 Dec. 2019	
		T€	T€	T€	T€
1. Sales revenues			521,473		622,184
2. Increase in finished goods and work in progress			-1,004		5,687
3. Other internally produced and capitalised assets			1,008		334
4. Other operating income thereof from currency translation: EUR 178 thousand (previous year EUR 131 thousand)			13,631		12,995
5. Cost of materials					
a) Expenses for raw materials, consumables and supplies and purchased goods		220,054		282,391	
b) Cost of purchased services		59,094	279,148	69,627	352,018
Gross profit			255,960		289,182
6. Personnel expenses			153,685		174,525
a) Wages and salaries		128,452		146,470	
b) Social contributions and expenses for pensions and social welfare thereof pensions: EUR 347 thousand (previous year EUR 267 thousand)		25,233		28,055	
7. Depreciation and amortization on tangible and intangible assets			12,844		11,813
8. Other operating expenses			75,855		78,081
9. Income from other securities and loans from financial assets			1		1
10. Other interest and similar income thereof from discounting of provisions EUR 7 thousand (previous year EUR 9 thousand) thereof from associated companies: EUR 295 thousand (previous year EUR 171 thousand)			720		533
11. Depreciation of financial assets and securities held as current assets			0		5,825
12. Interest and similar expenses thereof from compounding of provisions EUR 696 thousand (previous year EUR 733 thousand) thereof from associated companies: EUR 117 thousand (previous year EUR 117 thousand)			4,432		5,003
13. Taxes on income			6,693		4,487
14. Deferred taxes (– income)			-1,008		-892
15. Earnings after taxes			4,180		10,874
16. Other taxes			956		1,019
17. Consolidated net income			3,224		9,855
18. Non-controlling interests			-5,387		-2,754
19. Consolidated net profit			-2,163		7,101
20. Gewinnvortrag aus dem Vorjahr			64,275		58,674
21. Consolidated balance sheet profit			62,112		65,775

Consolidated Cash Flow Statement

(EUR thousand)		1 Jan. – 31 Dec. 2020		1 Jan. – 31 Dec. 2019	
+ Consolidated income (consolidated net income/loss including income/loss attributable to non-controlling interests)			3,224		9,855
+/- (+) Depreciation/(-) write-ups on fixed assets			12,844		11,813
+/- (+) Increase/(-) Decrease in provisions			13,808		6,135
+/- Other non-cash expenses/income			-7,738		-4,454
+/- (+) Decrease (-) Increase in inventories, trade receivables and other assets that are not attributable to investing or financing activities			5,384		-26,993
+ (-) Decrease (+) Increase in liabilities from trade payables and other liabilities that are not attributable to investing or financing activities			-4,471		7,332
+/- (-) Gain/(+) Loss from disposal of fixed assets			-113		-144
+/- Interest expenses/income			3,712		4,470
+/- Expenses and income of extraordinary amount and importance			3,870		7,647
+/- Income tax expenses/income			5,685		3,595
+ Payments in conjunction with expenses of extraordinary amount and importance			-1,911		-1,567
- Income tax payments			-5,972		-4,740
= Cash flow from operating activities			28,322		12,950
+ Proceeds from the disposal of intangible and fixed assets			10		7
- Payments for intangible assets			-2,851		-1,084
+ Proceeds from sales of property, plant and equipment			1,053		895
- Payments for property, plant and equipment			-12,486		-13,360
- Payments for investments in non-current financial assets			-494		-26,084
- Payments for additions to the consolidated group			-24		-1,615
+ Interests received			277		265
= Cash flow from investing activities			-14,515		-40,976
+ Proceeds from the bond issue			0		50,000
- Payment from the bond redemption			0		-30,000
- Dividends paid to other shareholders			-2,056		-1,843
- Payments for redemption of (financial) borrowings			0		-266
- Interests paid			-3,368		-2,140
+ Proceeds from (financial) borrowings			10,007		0
= Cash flow from financing activities			4,583		15,751
Decrease (previous year increase) of cash flow			18,390		-12,275
Liquid funds at the start of the period			64,639		77,426
Change in cash and cash equivalents due to changes in consolidated group			-2		-512
Liquid funds at the end of the period			83,027		64,639

Consolidated Statement of Changes in Fixed Assets

(EUR thousand)

ACQUISITION OR CONSTRUCTION COSTS						DEPRECIATION					BOOK VALUES	
A. FIXED ASSETS	As of 1 Jan. 2020	Addition	Disposal	Transfers	As of 31 Dec. 2020	As of 1 Jan. 2020	Addition	Disposal	Transfers	As of 31 Dec. 2020	Book value 31 Dec. 2020	Book value 31 Dec. 2019
I. Intangible Assets												
1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	3,382	1,566	0	-55	4,892	1,678	1,012	0	-40	2,650	2,243	1,704
2. Goodwill	36,248	1,083	0	0	37,330	22,576	3,177	0	0	25,752	11,578	13,672
3. Advance payments	63	266	0	230	559	0	0	0	0	0	559	63
Total intangible assets	39,692	2,915	0	175	42,782	24,253	4,189	0	-40	28,402	14,380	15,438
II. Tangible assets												
1. Land, leasehold rights and buildings	14,487	581	-98	-143	14,826	2,007	785	-58	186	2,920	11,906	12,480
2. Technical equipment and machinery	30,573	5,422	-1,817	1,191	35,370	5,104	5,005	-1,591	160	8,677	26,693	25,470
3. Other equipment, factory and office equipment	12,753	5,000	-4,452	-321	12,979	4,997	2,864	-4,313	-53	3,495	9,483	7,755
4. Advance payments and assets under construction	6,009	1,688	-540	-689	6,468	0	0	0	0	0	6,468	6,009
Total tangible assets	63,822	12,691	-6,908	38	69,643	12,108	8,655	-5,963	293	15,093	54,550	51,714
III. Long-term financial assets												
1. Equity investments	5,887	244	-1	0	6,130	5,825	0	0	0	5,825	304	62
2. Securities held as fixed assets	788	0	0	0	789	585	0	0	0	585	204	203
3. Other loans	20,751	250	-352	0	20,649	0	0	0	0	0	20,649	20,751
Total long-term financial assets	27,426	494	-353	0	27,567	6,410	0	0	0	6,410	21,158	21,016
Total Fixed Assets	130,940	16,100	-7,260	213	139,993	42,771	12,844	-5,963	253	49,905	90,087	88,168

Consolidated Statement of Equity Changes

AS OF 31 DECEMBER 2020

(EUR thousand)

	EQUITY OF THE PARENT COMPANY					NON-CONTROLLING INTERESTS	EQUITY
	Reserves						
	I. Subscribed capital	II. Capital reserve	III. Retained earnings Other retained earnings	IV. Consol- idated balance sheet profit	Total	Total capital attributable to non-controlling interests	
Balance at 1 Jan. 2019	200	43,717		58,674	102,592	10,215	112,806
Consolidated annual result				7,101	7,101	2,754	9,855
Distributions						-1,958	-1,958
Purchase of shares from third parties			-295		-295	771	476
Other changes		-295	295				
Balance at 31 Dec. 2019	200	43,422		65,775	109,397	11,782	121,179
Balance at 1 Jan. 2020	200	43,422		65,775	109,397	11,782	121,179
Consolidated annual result				-2,163	-2,163	5,387	3,224
Distributions				-1,500	-1,500	-2,154	-3,654
Balance at 31 Dec. 2020	200	43,422		62,112	105,734	15,015	120,749

» Thanks to our stable income and financing structure with four strong pillars, Euler Hermes confirmed its stable rating for HÖRMANN Industries. «

JOHANN SCHMID-DAVIS, CFO

**A. GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS
AND ACCOUNTING POLICIES**

1. Consolidation and accounting policies applied

The consolidated financial statements of the company for the 2020 financial year were prepared in accordance with the provisions of German commercial law for corporations and the supplementary provisions of the Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG – German Limited Liability Companies Act).

The consolidated income statement is structured according to the total cost (nature of expense) method (section 275(2) of the Handelsgesetzbuch (HGB – German Commercial Code)).

The consolidated income statement was expanded to include the subtotal gross profit in order to better reflect results of operations. By way of derogation from section 274(2) sentence 3 HGB, income from changes in recognised deferred is shown separately under “Deferred taxes” on account of its materiality.

The presentation of the consolidated financial statements is the same as in the previous year.

2. Consolidated group

a.) Companies under the uniform control of HÖRMANN Industries GmbH, Kirchseeon, as a result of a direct or indirect majority investment or as a result of these companies being integrated into a uniform business policy were included in the consolidated financial statements in accordance with the principles of sections 300 et seq. HGB. These are shown in Appendix 1.

DIRECT AND INDIRECT SHAREHOLDINGS OF HÖRMANN INDUSTRIES GMBH as at 31 December 2020	Equity portion HB I (EUR thousand)	Total Equity HB I (EUR thousand)	Overall annual results HB I (EUR thousand)	Interest (in %)
Automotive division				
HÖRMANN Automotive GmbH, Kirchseeon ³	10,390.6	10,390.6	0.0	100.00 %
HÖRMANN Automotive Saarbrücken GmbH, Saarbrücken ³	4,570.6	4,570.6	0.0	100.00 %
HÖRMANN Automotive Eislingen GmbH, Ebersbach a. d. Fils ³	378.0	378.0	0.0	100.00 %
HÖRMANN Automotive St. Wendel GmbH, St. Wendel ³	4,190.8	4,190.8	0.0	100.00 %
HÖRMANN Automotive Wackersdorf GmbH, Wackersdorf ³	1,960.9	1,960.9	0.0	100.00 %
HÖRMANN Automotive Assets GmbH, Kirchseeon (formerly HÖRMANN Automotive Bielefeld GmbH)	271.3	271.3	6.5	100.00 %
HÖRMANN Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg	17,948.8	17,948.8	-5,597.6	100.00 %
HÖRMANN Automotive Slovakia s.r.o., Banovce, Slovakia	2,745.7	2,745.7	-5,334.8	100.00 %
Versorgungswerk HÖRMANN Automotive Gustavsburg e.V., Ginsheim-Gustavsburg	-2,123.2	-2,123.2	-613.7	100.00 %
Engineering division				
HÖRMANN BauPlan GmbH, Chemnitz ³ (formerly AIC Ingenieurges. für Bauplanung GmbH)	1,382.3	1,382.3	48.2	100.00 %
HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz ³	518.4	518.4	0.0	100.00 %
HÖRMANN Logistik GmbH, Munich ³	5,071.8	6,035.0	0.0	84.04 %
Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria	1,298.2	2,545.4	2,386.4	51.00 %
VacuTec Meßtechnik GmbH, Dresden ³	6,766.3	7,518.1	0.0	90.00 %
HÖRMANN Vehicle Engineering GmbH, Chemnitz	1,530.5	1,530.5	39.5	100.00 %

DIRECT AND INDIRECT SHAREHOLDINGS OF HÖRMANN INDUSTRIES GMBH as at 31 December 2020	Equity portion HB I (EUR thousand)	Total Equity HB I (EUR thousand)	Overall annual results HB I (EUR thousand)	Interest (in %)
Communication division				
Communication system segment				
Funkwerk AG, Kölleda	15,316.8	19,638.0	2,432.3	78.00 %
Funkwerk Systems GmbH, Kölleda ³	15,933.1	15,933.1	0.0	100.00 %
Funkwerk StatKom GmbH, Kölleda	213.7	213.7	6.6	100.00 %
Funkwerk Systems Austria GmbH, Vienna, Austria	-548.8	-548.8	-904.5	100.00 %
Funkwerk Technologies GmbH, Kölleda	20,172.8	20,172.8	5,382.6	100.00 %
Funkwerk video systeme GmbH, Nuremberg	-42,884.6	-42,884.6	1,054.7	100.00 %
Funkwerk plettac electronic GmbH, Nuremberg ¹	25.0	25.0	0.0	100.00 %
FunkTech GmbH, Kölleda ³	513.0	513.0	0.0	100.00 %
Funkwerk IoT GmbH, Kölleda	-940.7	-940.7	-295.6	100.00 %
euromicron AG in insolvency, Neu-Isenburg ²	-12,584.6	-81,930.8	-143,172.8	15.36 %
Communication services segment				
HÖRMANN Warnsysteme GmbH (formerly HÖRMANN GmbH), Kirchseeon ³	2,360.5	3,147.7	0.0	74.99 %
HÖRMANN KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria	473.7	473.7	144.2	100.00 %
HÖRMANN Kommunikation & Netze GmbH, Kirchseeon ³	3,673.4	3,673.4	0.0	100.00 %
Services division				
HÖRMANN Services GmbH, Kirchseeon ³	193.3	193.3	0.0	100.00 %
HÖRMANN Industrieservice GmbH, Lehre	-3,684.2	-3,684.2	-675.7	100.00 %
MAT Maschinentechnik GmbH, Salzgitter	340.7	508.5	-238.3	67.00 %
HÖRMANN Automationservice GmbH, Salzgitter	-386.3	-386.3	-388.0	100.00 %
Holdings, other companies				
HÖRMANN Digital GmbH, Kirchseeon	-214.1	-214.1	0.0	100.00 %

The exemption provision of section 313 (3) sentence 4 of the German Commercial Code (HGB) was used for participations that are of minor importance for the presentation of the net assets, financial position and results of operations.

¹ preliminary

² Annual result 2019

³ Annual result after profit transfer

⁴ Balance sheet profit

There were the following material changes in the consolidated group in the financial year:

In the 2020 financial year, business operations at AIC Zeitarbeit GmbH i.L., Chemnitz, were discontinued, and the liquidation of the company resolved. AIC Zeitarbeit GmbH i.L., Chemnitz, in which HÖRMANN Industries GmbH, Kirchseeon, holds a 60 % stake, was deconsolidated with effect from 31 December 2020.

With effect from 1 January 2020, AIC Süd GmbH, Kirchseeon, was merged into HÖRMANN BauPlan GmbH, Chemnitz, (formerly: AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, Chemnitz).

In December 2020, FunkTech GmbH, Kölleda, an affiliated company of Funkwerk AG, Kölleda, Funkwerk plettac electronic GmbH, Nuremberg, was founded. Funkwerk plettac electronic GmbH, Nuremberg was consolidated for the first time as at 31 December 2020.

In addition, HÖRMANN Industries GmbH, Kirchseeon, acquired all shares in HÖRMANN Digital GmbH, Kirchseeon, from HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and consolidated the company as at 31 December 2020.

The changes in the consolidated group do not affect comparability with the previous year.

- b.)** No companies were included according to the provisions on equity consolidation in accordance with sections 311 et seq. HGB as at 31 December 2020.
- Changes were presented under 2. Consolidated group a).
- c.)** Companies not included due to immateriality.
- By reference to section 296(2) HGB and section 311(2) HGB, the shares in the following companies were not included in consolidation on account of their immateriality to the financial position and financial performance of the Group.

COMPANY	Interest in %
HÖRMANN Pannon Software Kft., Budapest, Hungary	50.00
HL Mitarbeiterbeteiligungsgesellschaft mbH, Munich	80.00
Camunsa-HÖRMANN S.A., Spain	37.50
VAKS a.s., Czech Republic	31.50
HÖRMANN-Rema Praha spol.sr.o, Czech Republic	30.00
HÖRMANN ERMAFA GmbH, Chemnitz	100.00
AIC Zeitarbeit GmbH i.L., Chemnitz	60.00
Versorgungswerk HÖRMANN Gruppe e.V., Traunstein	Special purpose entity
Versorgungswerk HÖRMANN Gruppen-Unterstützungskasse e.V., Kirchseeon	Special purpose entity

- The exemption of section 313(3) sentence 4 HGB was applied to equity investments of minor significance to the presentation of the net assets, financial position and results of operations, as the companies are either inactive or generate sales that are insignificant to the Group.
- d.)** Interests within the meaning of section 271(1) HGB.

Funkwerk AG, Köllda, has a 15.36 % stake in euromicron AG in Insolvenz, Neu-Isenburg. As a result of the insolvency proceedings on 23 December 2019, the investment of EUR 5.8 million at the level of Funkwerk AG, Köllda, was written off in full as at 31 December 2019.

3. Reporting date of the consolidated financial statements, deviating financial years

The consolidated financial statements were prepared as at 31 December 2020. This reporting date is the end of the financial year for all companies included in the consolidated financial statements. After the conversion to the standard company reporting date, the financial year of Fördertechnik GmbH, Neumarkt am Wallersee, Austria, also ends on 31 December. Thus the period from 1 April 2020 to 31 December 2020 is a short fiscal year. Originally the financial year of this company was from 1 April to 31 March. None of the other companies included in the consolidated financial statements has a differing financial year.

4. Consolidation policies

HÖRMANN Industries GmbH, Kirchseeon, is exempt from the obligation to prepare consolidated financial statements in accordance with section 291 HGB. As at 31 December 2020, HÖRMANN Industries GmbH, Kirchseeon, has voluntarily prepared consolidated financial statements comprising a consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the consolidated financial statements and a Group management report.

HÖRMANN Warnsysteme GmbH, Kirchseeon, and HÖRMANN Kommunikation & Netze GmbH, Kirchseeon, were contributed to HÖRMANN Industries GmbH, Kirchseeon, as at 31 October 2011, as was HÖRMANN Automotive GmbH, Kirchseeon, as at 30 November 2011. These companies were contributed at their carrying amount. At EUR 5.1 million, the book value of the contributions exceeded the value of the shares granted as consideration. The excess was transferred to capital reserves. The companies contributed as at 31 October 2011 and 30 November 2011 were included in consolidation for the first time as at these dates. The resulting negative goodwill of EUR 31.0 million was reclassified to capital reserves in accordance with sections 301 and 309 HGB as the shares were acquired as a contribution in kind at book value in the context of a restructuring of the HÖRMANN Holding GmbH & Co. KG Group. Goodwill arising was written off immediately.

Acquisition accounting was performed in line with the revaluation method. In accordance with section 301(1) HGB, the remeasured equity is carried in the amount of the fair value of the assets, liabilities, prepaid expenses and deferred income and special reserves included in the consolidated financial statements as at the date of first-time consolidation.

Any excess remaining after offsetting the shares in the affiliated company against equity is reported as goodwill. The offsetting of goodwill against revenue reserves in equity, as was the practice until 2009, has no longer been possible since the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act) became effective.

Goodwill offset against revenue reserves in previous years is no longer recognised as an expense in the consolidated income statement on deconsolidation. Any negative goodwill remaining is reported as a separate item after equity.

Associated companies included in the consolidated financial statements after control was acquired are consolidated using the German purchase method of accounting.

Shares in capital attributable to non-controlling interests are reported separately in consolidated equity as ‘Non-controlling interests’ in the amount of their share in equity.

Intragroup receivables, liabilities, provisions and sales, other intragroup income and expenses and intercompany profits were eliminated.

Deferred tax assets and liabilities arising as a result of consolidation adjustments are accounted for at the level of HÖRMANN Industries GmbH, Kirchseeon, using a tax rate of 28.00 % and at the level of Funkwerk AG, Köllda, using a tax rate of 29.83 %, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.83 % and an individual trade tax rate dependent on the tax rate applied of 14.00 % on average. The resulting tax expenses are offset against tax income.

There are uniform reporting, measurement and classification guidelines for accounting for the Group companies included in consolidation. Corresponding reclassifications or remeasurements were implemented in the event of deviations from the uniform classification or measurement provisions.

5. Negative goodwill

The ‘Goodwill’ item includes the goodwill from the first-time consolidation of Funkwerk AG, Köllda, as at 1 October 2016. Its value was EUR 5,230 thousand as at 31 December 2020 (previous year: EUR 6,140 thousand). It is being written down over a ten-year period. Goodwill was written down pro rata by EUR 910 thousand in the financial year.

The goodwill of HÖRMANN Vehicle Engineering GmbH, Chemnitz, of EUR 442 thousand from first-time consolidation as at 1 December 2016 is also being written down over ten years. Its value was EUR 261 thousand as at 31 December 2020 (previous year: EUR 309 thousand). This resulted in a pro rata write-down of EUR 48 thousand in the year under review.

As at 31 December 2020, HÖRMANN Automationservice GmbH (formerly MAT Automationstechnik GmbH), Salzgitter, generated qualifying goodwill of EUR 0 thousand (previous year: EUR 73 thousand). This was written down in the 2020 financial year by EUR 18 thousand p.a. and with an extraordinary write-down of EUR 55 thousand.

As at 31 December 2020, MAT Industrieservice GmbH, Salzgitter, which was merged with HÖRMANN Industrieservice GmbH, Lehre, generated qualifying goodwill of EUR 0 thousand (previous year: EUR 668 thousand). This was written down in the 2020 financial year by EUR 167 thousand p.a. and an extraordinary write-down of EUR 501 thousand.

As at 31 December 2020, MAT Maschinentechnik GmbH, Salzgitter, generated qualifying goodwill of EUR 384 thousand (previous year: EUR 439 thousand). This was written down in the amount of EUR 55 thousand p.a. in the 2020 financial year. It is being written down over a ten-year period.

As at 31 December 2020, Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, generated qualifying goodwill of EUR 4,303 thousand (previous year: EUR 4,861 thousand). This was written down in the amount of EUR 558 thousand p.a. in the 2020 financial year. It is being written down over a ten-year period.

6. Currency translation principles

Assets and liabilities in foreign currency and foreign currency amounts in the income statement are translated at the exchange rate on the date of initial recognition. Assets and liabilities denominated in foreign currencies with a remaining term of up to one year are translated at the middle spot rate as at the balance sheet date. Those with a remaining term of over one year are translated in accordance with the imparity principle, and so exchange losses as at the balance sheet date are accounted for as an expense but exchange gains are not.

7. Accounting policies

The financial statements of the companies included in the consolidated financial statements are prepared using uniform accounting policies.

If the accounting methods used for the individual balance sheets differ from the Group's principles, adjustments were made – if necessary – and deferred taxes were recognised.

Purchased concessions, industrial and similar rights and assets and licences in such rights and assets are capitalised at acquisition cost and amortised pro rata temporis on a straight-line basis over the expected useful life of three to five years.

Purchased **goodwill** is capitalised at acquisition cost and amortised pro rata temporis on a straight-line basis over a period of four to ten years. It is written down to fair value if necessary.

Tangible assets are measured at acquisition or production cost less straight-line depreciation over their expected useful lives. Depreciation is measured using the tax depreciation tables, essentially taking the maximum rates as a basis.

Low-value assets of up to EUR 250.00 acquired in the financial year are written off in full in their year of acquisition and treated as a disposal. An omnibus item is recognised in the year of acquisition for low-value assets of between EUR 250.00 and EUR 1,000.00 and written down on a straight-line basis over five years.

If the fair value of intangible assets and tangible assets is less than their carrying amount as at the balance sheet date as a result of permanent impairment, the assets are written down to their lower fair value and the remaining useful life is adjusted if necessary.

Equity investments and other loans are carried at the lower of cost or fair value.

Long-term investments are initially carried at acquisition cost and subsequently at market prices or fair value, not exceeding acquisition cost, if such market prices cannot be determined.

Raw materials, consumables and supplies and merchandise are measured at average acquisition cost. They are written down to lower fair value depending on storage periods, diminished marketability, lower replacement costs and lower selling prices.

Work in progress and finished goods are carried at production cost (direct costs and appropriate amounts of material and production overheads) including appropriate amounts of administrative costs and depreciation of fixed assets if caused by production, but not including borrowing costs and in accordance with the principle of lower of cost or market. Normal utilisation levels were assumed in calculating the overhead rates. For expected losses from executory contractor that exceed production costs, provisions for expected losses are recognised.

Merchandise is measured at average acquisition cost. They are written down to the lower fair value depending on storage periods, diminished marketability, lower replacement costs and lower selling prices.

Payments received on account of orders are deducted from inventories on the face of the balance sheet, if possible.

Receivables and other assets are carried at their nominal amount. The lower fair value is recognised where necessary.

The principle of lower of cost or market was applied for specific risks by means of corresponding specific valuation allowances.

Global valuation allowances are recognised on **trade receivables** and other assets for general interest and credit risks.

Receivables from affiliated companies include receivables from companies that satisfy the conditions for consolidation in the parent company HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and are thus included in the consolidated financial statements to be prepared for the largest number of companies. These are essentially receivables from the Group cash pool and a loan granted.

Other securities classified as current assets are carried at the lower of acquisition cost or fair value as at the balance sheet date in accordance with section 255(4) HGB.

Cash-in-hand and bank balances are carried at nominal amount.

Disbursements before the reporting date are reported as prepaid expenses if they constitute an expense for a specific period after this date.

Deferred tax assets are recognised in the amount that it is probable that they will lead to tax relief in future financial years. Deferred tax liabilities are recognised for future tax charges. **Deferred tax assets** were reported as at 31 December 2020. Where possible, deferred tax assets and liabilities are offset in accordance with the option provided by section 274 HGB in conjunction with section 306 HGB.

Deferred taxes are recognised for differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax carrying amounts in the calculation of taxable income.

Deferred tax liabilities are generally recognised for all taxable temporary differences; deferred tax assets are recognised to the extent that it is probable that there will be future taxable profits against which deductible temporary differences can be utilised.

Deferred tax liabilities and tax assets are calculated on the basis of the expected tax rates and tax laws that are expected to apply when the liability is settled or the assets are realised, or when the loss carryforward is utilised.

The amount by which the **fair value of assets exceeds the liabilities** arising from partial early retirement obligations or pension obligations is reported as the excess of plan assets over pension liabilities. These assets cannot be accessed by any other creditors and are intended solely for the satisfaction of liabilities from partial early retirement obligations or pension obligations.

Pension provisions were calculated in accordance with the projected unit credit method using the 2018 G Heubeck mortality tables and taking into account the fluctuation rate and forecast wage, salary and pension increases specific to the company. The interest rates are consistent with the average market interest rates for the last ten financial years published by Deutsche Bundesbank in accordance with section 253(2) HGB, applying the practical expedient for an average remaining term of 15 years. The effects on profit or loss of changes in the discount rate are recognised in financial result.

Assets that satisfy the requirements of plan assets for pension and partial early retirement obligations are measured at fair value and offset against the respective individual obligation.

One fifteenth of the difference arising from the remeasurement of pension obligations and plan assets as a result of the adoption of the Bilanzrechtsmodernisierungsgesetz (BilMoG – German Accounting Law Modernisation Act) was added in the financial year.

Tax provisions are calculated in accordance with the principles of prudent business judgement.

Other provisions take into account all discernible risks and uncertain obligations in line with prudent business judgement. They are carried at the necessary settlement amount. Price and cost increases are taken into account accordingly where necessary when calculating the settlement amount. Other provisions with a remaining term of over one year are discounted according to their remaining term using the average market interest rate for the last seven years in accordance with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung – RückAbzinsV).

The issued **bond** of EUR 50 million is recognised at nominal value and bears interest at 4.5% p.a.

Liabilities to banks are carried at settlement amount.

Liabilities and other liabilities are carried at their settlement amount.

Liabilities to affiliated companies include liabilities to companies that satisfy the conditions for consolidation in the parent company HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and are thus included in the consolidated financial statements to be prepared for the largest number of companies. These relate both to liabilities from loans and trade payables.

Proceeds received before the reporting date are reported as deferred income if they constitute income for a specific period after this date.

8. Changes from accounting methods applied in the previous year

The accounting methods applied are the same as those applied in the previous year.

B. NOTES TO THE BALANCE SHEET

1. Fixed assets

Assets recognised as fixed assets were written down to the lower fair value if necessary. The differences from reclassifications in acquisition and production cost result from changes in reporting from fixed assets to current assets and vice versa.

Research and development costs amounted to around EUR 9.6 million in total in the past 2020 financial year (previous year: EUR 9.4 million). In the 2020 financial year, no internally generated intangible assets or research and development costs were capitalised.

The statement of changes in fixed assets during the financial year is shown on pages 88/89.

2. Inventories

Payments received on account of orders of EUR 74,607 thousand (previous year: EUR 73,882 thousand) were deducted from inventories on the face of the balance sheet.

3. Receivables and other assets

Trade receivables of EUR 83 thousand (previous year: EUR 45 thousand) have a remaining term of more than one year.

Other assets of EUR 73 thousand (previous year: EUR 769 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include trade receivables of EUR 181 thousand (previous year: EUR 92 thousand) and loan and interest receivables of EUR 0 thousand (previous year: EUR 300 thousand) and EUR 10,679 thousand (previous year: EUR 8,903 thousand) from cash pooling.

4. Prepaid expenses

These are essentially special lease payments, advance rent payments, license fees, payments for service and maintenance contracts and interest.

5. Consolidated equity

The development of consolidated equity in the financial year is shown in the consolidated statement of changes in equity.

Retained profits brought forward were EUR 64,275 thousand in the 2019 financial year (previous year: EUR 58,674 thousand).

6. Provisions

Pension provisions were measured based on the following premises:

- ♦ Interest rate (10-year average): 2.30 % to 2.32 %
- ♦ Interest rate (7-year average): 1.60 % to 1.62 %
- ♦ Expected wage and salary increases: 0.00 % to 2.50 %
- ♦ Expected inflation rate/pension trend: 0.00 % to 2.00 %

In accordance with section 253(2) sentence 1 HGB, the Group used a ten-year period to calculate the average interest rate for the discounting of pension obligations. Comparing against the calculation using the average market interest rate for the last seven financial years results in a difference pursuant to section 253(6) HGB of EUR 4,431 thousand (previous year: EUR 4,282 thousand).

The settlement of pension provisions is EUR 36,328 thousand (previous year: EUR 32,908 thousand). This is offset against assets of EUR 2,318 thousand (previous year: EUR 2,235 thousand) that are exclusively reserved for pension obligations. Plan assets in excess of the settlement amount of EUR 58 thousand (previous year: EUR 19 thousand) were reported on the assets side of the balance sheet as the ‘Excess of plan assets over pension liabilities’.

Amortised cost of the offset assets is EUR 1,964 thousand, while their recognised fair value is EUR 1,564 thousand. The fair value recognition is due to the fact that the insurance policies concluded serve exclusively to cover the pension liabilities and so are to be measured at fair value and offset against the related liabilities (section 246(2) sentence 2 HGB, section 253(1) sentence 4 HGB). Only insignificant amounts are offset in the income statement in this regard.

As a result of the HGB regulations amended as at 1 January 2010, an addition of at least one-fifteenth to the direct pension provision (which amounts to EUR 1,540 thousand) is required in line with Article 67(1) Sentence 1 of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code). In the financial year, EUR 107 thousand was added.

EUR 1,065 thousand of the difference was already recognised by 31 December 2020.

The direct pension provisions not reported in the balance sheet amount to EUR 475 thousand as at the balance sheet date.

The indirect pension obligations are underfunded in accordance with Article 28(1) Sentence 2 EGHGB. The underfunding amounts to EUR 9,164 thousand as at 31 December 2020 (Article 28(2) EGHGB).

In line with section 249 HGB in connection with Article 28 (2) EGHGB, the underfunding level of the unrecognised direct pension obligations at Versorgungswerk HÖRMANN Gruppen-Unterstützungskasse e.V., Kirchseeon, amounts to EUR 189 thousand.

The settlement amount of early retirement provisions is EUR 1,276 thousand (previous year: EUR 1,317 thousand). This is offset against assets of EUR 1,656 thousand (previous year: EUR 1,806 thousand) that are exclusively reserved for early retirement obligations.

The acquisition cost of the offset assets is EUR 1,656 thousand. The recognised fair value of the offset assets amounts to EUR 1,656 thousand. The fair value of these assets is equal to their market value as at the balance sheet date. Plan assets in excess of the settlement amount of EUR 323 thousand were reported on the assets side of the balance sheet as the ‘Excess of plan assets over pension liabilities’.

Only insignificant interest expenses and interest income were offset in the income statement in this regard.

7. Liabilities

Liabilities are reported at settlement amount. Their remaining terms are shown below in the maturity structure of liabilities.

Liabilities to affiliated companies consist of EUR 1,794 thousand (previous year: EUR 869 thousand) in trade payables and EUR 0 thousand (previous year: EUR 820 thousand) in loan liabilities.

There is also normal business collateral (e. g. retentions of title, global assignments and the assignment of warehouses as collateral).

CONSOLIDATED
MATURITY STRUCTURE
OF LIABILITIES
(EUR thousand)

	REMAINING TERM				
	up to one year	more than one year	thereof more than five years	Total 31 Dec. 2020	thereof secured
1. Bonds	0	50,000	0	50,000	0
previous year	0	50,000	0	50,000	0
2. Liabilities to banks	638	9,375	0	10,013	0
previous year	6	0	0	6	0
3. Trade payables	37,811	0	0	37,811	0
previous year	38,968	0	0	38,968	0
4. Liabilites to affiliated companies	1,794	0	0	1,794	0
previous year	1,689	0	0	1,689	0
thereof to shareholders	1,702	0	0	1,702	0
previous year	0	0	0	0	0
5. Other liabilities	9,975	0	0	9,975	0
previous year	13,324	0	0	13,324	0
therof from taxes	4,207	0	0	4,207	0
previous year	4,713	0	0	4,713	0
thereof for social security	1,097	0	0	1,097	0
previous year	3,694	0	0	3,694	0
thereof to companies	225	0	0	225	0
previous year	0	0	0	0	0
Fiscal year	50,218	59,375	0	109,593	0

Liabilities do not include any anticipatory liabilities that have not yet legally arisen as at the balance sheet date.

8. General disclosures

Deferred taxes

Deferred tax assets result from temporary differences between the financial accounts and the tax accounts for receivables, tax losses carried forward, pension provisions, provisions for partial early retirement obligations and other provisions.

Deferred tax liabilities result from temporary differences between the financial accounts and the tax accounts for land and buildings and inventories.

There are trade tax and corporation tax loss carry forwards at the individual companies. Based on the planning for the individual companies, the management expects that trade tax and corporation tax losses can be offset against taxable profits in future.

Deferred tax assets and liabilities arising as a result of consolidation adjustments are accounted for at the level of HÖRMANN Industries GmbH, Kirchseeon, using a tax rate of 28.00 %, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.83 % and an individual trade tax rate dependent on the tax rate applied of between 12.25 % and 17.15 %. The resulting tax expenses are offset against tax income.

The deferred taxes from the individual financial statements in accordance with section 274 HGB are combined with deferred taxes at Group level in accordance with section 306 HGB.

There are derivative financial instruments in the form of interest rate options with a nominal amount of EUR 15,000 thousand as at the balance sheet date. The fair value of the interest rate options is EUR 0. They are measured using the market-to-market method. Their carrying amount is EUR 24 thousand and is included in prepaid expenses.

C. CONSOLIDATED INCOME STATEMENT DISCLOSURES

1. Expenses and income in accordance with section 314(1) No. 23 HGB

The following expenses of an extraordinary amount were incurred in the past financial year:

Background	Amount (in EUR thousand)	Income statement item
Special write-downs	1,234	Amortisation of intangible fixed assets and depreciation of tangible fixed assets
Book losses on disposal of current assets	3,563	Other operating expenses
Extra journeys due to supply disruptions	1,098	Other operating expenses
Interim costs from plant closure	813	Other operating expenses
Losses on receivables from plant closure	307	Other operating expenses
Total	7,015	Total expenses

Impairment was recognised for capitalised goodwill, as permanent impairment losses are anticipated. The book losses, interim costs from plant closure, losses on receivables from plant closure and costs for extra journeys occurred on a non-recurring basis in the wake of closing HÖRMANN Automotive Penzberg GmbH, Penzberg, and shifting production to the plant at HÖRMANN Automotive Slovakia s.r.o., Banovce, Slovakia.

There was no large non-recurring income in financial year 2020.

2. Sales

Breakdown of revenues by region	2020 (In EUR million)	2019 (In EUR million)
Sales, domestic	340	409
Sales, international	181	213
Total	521	622

Divisions	2020 (In EUR million)	2019 (In EUR million)
Automotive	273	379
Engineering	84	86
Services	17	21
Communication	146	134
Holdings	1	2
Total	521	622

3. Other operating income

Other operating income includes prior-period income of EUR 8,164 thousand (previous year: EUR 6,024 thousand), EUR 6,853 thousand (previous year: EUR 4,569 thousand) of which relates to the reversal of provisions, EUR 461 thousand (previous year: EUR 88 thousand) to the reversal of write-downs, EUR 44 thousand (previous year: EUR 1,124 thousand) to disposals of assets and EUR 806 thousand (previous year: EUR 337 thousand) to other prior-period income. Other operating income also includes income from currency translation of EUR 178 thousand (previous year: EUR 131 thousand).

4. Unscheduled write-downs

In the financial year, there was goodwill impairment of EUR 1,234 thousand (previous year: EUR 741 thousand).

There were no unscheduled write-downs on financial assets in the financial year (previous year: EUR 5,825 thousand).

There are non-recurring expenses within the meaning of section 314(1) No. 23 HGB.

5. Other operating expenses

Other operating expenses include prior-period expenses of EUR 561 thousand (previous year: EUR 732 thousand). These include expenses for pension and social insurance audits of EUR 81 thousand (previous year: EUR 3 thousand), expenses from debt waivers of EUR 244 thousand (previous year: EUR 0 thousand), rectification in connection with allocations to the archiving provision of EUR 41 thousand (previous year: EUR 0), supplier invoices of EUR 0 thousand (previous year: EUR 63 thousand) and other expenses of EUR 195 thousand (previous year: EUR 171 thousand).

6. Taxes on income

Taxes on income include prior-period tax expenses of EUR 59 thousand (previous year: EUR 70 thousand) and prior-period tax income of EUR 571 thousand (previous year: EUR 11 thousand).

D. OTHER DISCLOSURES

1. Contingent liabilities and other financial obligations

a.) Contingent liabilities

There are contingent liabilities of EUR 3 million in accordance with section 251 in conjunction with section 268(7) HGB from guarantees issued for liabilities.

Furthermore, HÖRMANN Industries GmbH, Kirchseeon, together with HÖRMANN Automotive GmbH, Kirchseeon, are liable as co-borrowers and joint debtors for a guarantee issued by Commerzbank AG ,Frankfurt am Main, to HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and HÖRMANN Industries GmbH, Kirchseeon up to an amount of EUR 10 million until further notice. EUR 0.9 million of this guarantee facility had been utilised as at 31 December 2020. To the best of our knowledge, both HÖRMANN Holding GmbH & Co. KG, Kirchseeon and HÖRMANN Automotive GmbH, Kirchseeon conduct their business properly and in a manner that ensures that they are able to meet all their obligations on their own and that therefore recourse to HÖRMANN Industries GmbH, Kirchseeon is not expected for the contingent liabilities we have entered into.

b.) Other financial obligations

Obligations under rental and lease agreements and other longer-term contracts amount to around EUR 35 million. Other financial obligations of approx. EUR 10 million have a remaining term of up to one year, EUR 19 million have a remaining term of between one and five years and approx. EUR 6 million have a remaining term of more than five years.

2. Related party transactions

There are no transactions with related parties that are not as at arm’s length.

3. Auditor’s fees

	2020 (in EUR thousand)
Audits of financial statements	621
Other assurance or valuation services	53
Tax advisory services	439
Other services	10
Total	1,123

4. Management

- ♦ Mr. Dr.-Ing. Michael Radke, engineer
- ♦ Mr. Johann Schmid-Davis, business administration graduate

The managing directors are exempt from the restrictions of section 181 of the Bürgerliches Gesetzbuch (BGB – German Civil Code) for transactions with the company.

The managing directors of the parent company are not employed by the company and do not receive remuneration for their work.

5. Employees

There were 2,900 employees on average in the 2020 financial year (previous year 2,820). The average number of trainees was 99 (previous year: 107).

Average number of employees by group:

Group	2020
Production	2,105
Sales/Project Management	270
Development	316
Administration	209
Total	2,900

6. Exemption in accordance with section 264(3) HGB

The subsidiaries HÖRMANN Automotive GmbH, Kirchseeon, HÖRMANN Automotive Saarbrücken GmbH, Saarbrücken, HÖRMANN Automotive St. Wendel GmbH, St. Wendel, HÖRMANN Automotive Eislingen GmbH, Ebersbach an der Fils, HÖRMANN Automotive Wackersdorf GmbH, Wackersdorf, HÖRMANN Warnsysteme GmbH, Kirchseeon, HÖRMANN Logistik GmbH, Munich, HÖRMANN Bauplan GmbH, (formerly AIC Ingenieur-gesellschaft für Bauplanung Chemnitz GmbH), Chemnitz, VacuTec Meßtechnik GmbH, Dresden, HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz, HÖRMANN Kommunikation & Netze GmbH, Kirchseeon, HÖRMANN Digital GmbH, Kirchseeon, and HÖRMANN Services GmbH, Kirchseeon, exercise the exemption regarding the disclosure of their annual financial statements in accordance with section 325 HGB and, if necessary, the provisions regarding the preparation of notes or a management report in accordance with section 264(3) HGB.

7. Group affiliation

HÖRMANN Industries GmbH, Kirchseeon, and its equity investments are included as affiliated companies in accordance with section 271(2) HGB in conjunction with section 290 HGB in the consolidated financial statements of HÖRMANN Holding GmbH & Co. KG, Kirchseeon, the parent company with the largest consolidated group. The consolidated financial statements of HÖRMANN Holding GmbH & Co. KG, Kirchseeon, are filed with and disclosed by the electronic Federal Gazette.

E. CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement is structured in accordance with the German Accounting Standard DRS 21.

Cash flow from operating activities is an indicator of the extent to which operating activities generated cash surpluses. Incoming and outgoing payments reported in the financial year in connection with expenses and income of an extraordinary amount or extraordinary significance relate to outgoing payments in connection with restructuring activities at subsidiaries.

Cash flow from investing activities indicates the extent to which expenses were incurred for resources expected to generate future income and cash flows.

Cash flow from financing activities includes the interest payments on account of the bond issued for the financing of the HÖRMANN Industries Group.

Definition of cash and cash equivalents

Cash and cash equivalents at the end of the period shown in the consolidated cash flow statement consisted exclusively of bank balances available at short notice and cash-in-hand. Please see the comments in the “Financial position” section IV of the Group management report.

Kirchseeon, 14 April 2021

HÖRMANN Industries GmbH



Dr.-Ing. Michael Radke



Johann Schmid-Davis

INDEPENDENT AUDITOR’S REPORT

To HÖRMANN Industries GmbH, Kirchseeon

AUDIT OPINIONS

We have audited the consolidated financial statements of HÖRMANN Industries GmbH, Kirchseeon, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31. December 2020, the consolidated statement of profit and loss, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the financial year from 1. January 2020 to 31. December 2020 and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of HÖRMANN Industries GmbH for the financial year from 1. January 2020 to 31. December 2020.

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 requirements of German commercial law and 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 01. January 2020 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.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and 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 German commercial and professional law, and we have fulfilled our other German professional responsibilities in compliance with these requirements. 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.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS 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 the requirements of German commercial law and that the consolidated financial statements, in compliance with German Legally Required Accounting Principles, 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 controls as they, in accordance with German Legally Required Accounting Principles, 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 provided no actual or legal circumstances conflict therewith.

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.

AUDITOR 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 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 scepticism 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, and intentional omissions, misrepresentations, or the override of internal controls.
- ♦ Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- ♦ Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- ♦ Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.

- ♦ 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 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.

Munich, 23 April 2021

BDO AG
Wirtschaftsprüfungsgesellschaft



signed by Buchwald
Wirtschaftsprüfer
(German Public Auditor)



signed by Jahn
Wirtschaftsprüfer
(German Public Auditor)



Imprint

HÖRMANN Industries GmbH

Hauptstraße 45–47
85614 Kirchseeon
Germany

Responsible

Dr.-Ing. Michael Radke, CEO
Johann Schmid-Davis, CFO

Accounting & Controlling

Andreas Wolfrum

Marketing & Communication

Celina Begolli

Investor Relations

IR.on AG

Layout

Kochan & Partner GmbH, Munich

Picture Credits

All pictures HÖRMANN Group –
with the exception of
cover Funkwerk AG
Page 13 Getty Images
Page 15 fancycravel at Pixabay
Pages 16/17 Richter + Frenzel
Page 27 ÖBB/Philipp Horak
Page 41 Getty Images
Page 110 Liebensteiner

HÖRMANN Industries GmbH
Hauptstraße 45–47 / 85614 Kirchseeon
T +49 8091 5630-0 / F +49 8091 5630-195

www.hoermann-gruppe.com