

# 2019

ANNUAL REPORT OF HÖRMANN INDUSTRIES GMBH



# Key figures at a glance

## Financial position and results of operations

(in EUR million)

	2019	2018
Sales	622.2	624.1
Total output	641.2	675.1
Gross profit	289.2	322.3
EBITDA*	35.6	41.8
Operating EBIT**	28.3	30.5
EBIT***	23.7	25.1
Net cash from operating activities	13.0	16.2
Net cash used in investing activities	-41.0	-10.8

## Net assets

(in EUR million)

	31 Dec. 2019	31 Dec. 2018
Total assets	312.6	294.7
Equity	121.2	112.8
Equity ratio %****	38.8 %	38.3 %
Working capital*****	79.1	77.4
Net cash and cash equivalents*****	64.8	77.3
Employees*****	2.821	3.175

- \* 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, including non-recurring effects
- \*\*\*\* Equity plus goodwill/total assets,
- \*\*\*\*\* Inventories plus trade receivables minus trade payables,
- \*\*\*\*\* Net cash including securities classified as current assets,
- \*\*\*\*\* Average number

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# HÖRMANN

## Group on a stable footing for the future



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

### INTERVIEW WITH THE MANAGEMENT BOARD

The 2019 financial year was a positive one for the HÖRMANN Group. The tried-and-tested principle of commercial prudence provides the Group with secure foundations even in extraordinary circumstances like the coronavirus crisis, while the strategic realignment and additional investments give grounds for optimism for the future. We spoke to the Management Board about the past development and what is still to come. Eye-to-eye with Michael Radke and Johann Schmid-Davis ...

**We are currently experiencing a global crisis the likes of which has not been seen since the financial crisis of 2008. Trade barriers and geopolitical tension have been exacerbated by the worldwide impact of the COVID-19 pandemic. The economic forecasts of the relevant institutes are correspondingly muted and the general business climate has deteriorated significantly. What consequences do you anticipate for the HÖRMANN Group?**

**Michael Radke** More than anything, we develop in line with the market and our customers. All of our customers in the Automotive and Services divisions suspended production in mid-March. We currently expect this situation to last for around six weeks. We responded extremely quickly and shut down our own production. We will compensate for this temporary dip by applying for reduced working hours. In the Communication and Engineering divisions, we have a number of public clients, meaning that business is largely continuing as normal under the circumstances. These divisions are therefore also ensuring the stability of the HÖRMANN Group as a whole.

**Johann Schmid-Davis** We have seen significant downturns on the stock markets, and our bond has also been affected. We are a stable partner on the bond markets, but we have to accept the general negative developments resulting from the pandemic at present. Despite this, we are financially well positioned. Last year's refinancing is helping us to deal with the crisis well. And our broad diversification means we are better off than many of our competitors.

**Can the production losses in the Automotive division resulting from the current situation be recovered in the second half of the year?**

**MR** That will mainly depend on the level of demand on the market. The ifo Institute's economic forecast for spring 2020 set out various scenarios. In line with the principle of commercial prudence, our internal preparations will assume a more pronounced recession, as we believe the consequences for economic development will be rather longer-lasting. However, we expect to be able to recover some of the lost production in the third and fourth quarters. This is

“Despite the current coronavirus crisis, I can see that our employees are optimistic, hands-on and looking to the future.”

MICHAEL RADKE, CEO

achievable from a production perspective, and we have the necessary capacity. In other words, there is upside potential.

**Against this background, a question about the closure of HÖRMANN Automotive Penzberg GmbH: This process is scheduled to be completed on 30 June 2020. Is this timeframe still valid, and how are things looking as far as the relocation of production to the Bánovce plant in Slovakia is concerned?**

**MR** We are very much sticking to the timeframe. As the saying goes, every cloud has a silver lining. The current standstill in the automotive industry has given us the scope to accelerate the relocation. As such, we are quite confident that production in Penzberg will close on 30 June 2020, and the relocation to Bánovce will be complete. The employees for whom we have agreed a comprehensive social package will then leave the Penzberg company. We expect this to significantly increase the earnings power of the Automotive division in future.

**Mr. Schmid-Davis, earlier you highlighted diversification as one of the HÖRMANN Group's strengths. Is this an attribute that is particularly important at times like these – and that offers the HÖRMANN Group a certain degree of “protection”?**

**JSD** Diversification certainly offers protection against sudden economic downturns and recessions – and the HÖRMANN Group is extremely broadly diversified. Our business is based on four strong pillars to which our investors and other stakeholders also look continuously. This business model gives us grounds for optimism for the future even in the difficult current macroeconomic situation. We also have various crisis-resistant orders. In our Communication division, for example, we are involved in infrastructure projects via multi-year government orders that are continuing uninterrupted. And our portfolio even includes one of the winners of the crisis, namely a manufacturer of medical products. All of this is helping us to better absorb the temporary shutdown in the Automotive division. In other words, the HÖRMANN Group has not come to a standstill – with the exception of Automotive, our business is continuing.

**Looking back, the 2019 financial year was characterised by a number of changes for the HÖRMANN Group, not only due to the industrial and geopolitical conditions, but also as a result of structural changes within its business operations. In hindsight, what is your assessment of the past financial year?**

**MR** We are affected by the geopolitical developments only to a limited extent, as our core markets are in Europe. One positive factor for us in the previous year was undoubtedly the fact that investments in infrastructure remained high, particularly in the rail sector. Our Communication division with Funkwerk AG and HÖRMANN Kommunikation & Netze is reaping the rewards of this development. The downturn in the number of commercial vehicles produced in the fourth quarter of 2019 had a negative influence. These economic indicators have now been intensified by the coronavirus crisis. Our decisions and the measures taken to streamline the portfolio and concentrate production in the Automotive division have proven to be correct as regards placing the division on a more stable footing for the future. A fall in incoming orders had been observed among the major truck manufacturers since mid-2019, which is why we assumed a downturn in unit numbers at an early stage in our planning for 2020. As a family company, we are committed to our values, and we act responsibly, sustainably and with a view to the future in the interests of the Group as a whole.

**JSD** Truck sales are always a leading indicator of general economic development. They highlight changes in good flows, and hence indicate how economic development might progress over the next 24 months or so. But we should also look at the figures for 2019 in comparison with the previous year. Our consolidated sales were essentially unchanged year-on-year at around EUR 622 million, while EBIT was down only slightly on 2018 at almost EUR 24 million. In other words, we can be broadly satisfied with our performance in the past year – the Group's position is positive and stable.

**Following impressive EBIT growth of 32 percent in 2018, HÖRMANN Industries GmbH had to adjust its full-year earnings forecast for 2019 in mid-November. What exactly were the reasons for this decision, and why did it take place so late in the year?**



“Our broad diversification gives us security – rather than putting all our eggs in one basket, our business is built on four strong pillars that protect our entire company.”

**JOHANN SCHMID-DAVIS, CFO**

**JSD** Needless to say, we immediately adjusted our forecast and reported it as soon as our internal reporting indicated an expected change in our earnings. This occurred when our customers in the Automotive division announced their unit figures. We enjoyed healthy business performance in the first nine months and even added extra shifts and weekend shifts in order to process the high volume of orders. The order situation first saw a sustained deterioration in autumn 2019. We responded swiftly by revising our earnings forecast to reflect this.

**MR** I would like to emphasise that the downturn was primarily attributable to the Automotive division, and in particular deliveries for truck production. The Services division, which provides extensive services for the automotive industry, also suffered from the structural problems affecting car manufacturers. By contrast, the Communication division outperformed expectations, and the Engineering division also achieved excellent figures in 2019. All in all, we are satisfied with our business performance and our earnings in 2019, particularly in light of the particular challenges the year brought with it.

**Let us turn to another key topic: digitalisation. What progress did HÖRMANN Industries GmbH make in this area in the past year?**

**MR** The HÖRMANN Group is traditionally very product-oriented. For example, the Automotive division is a typical build-to-print manufacturer. However, passion for innovation is one of our corporate values, which is why we also support new digital projects. In the Communication division, for example, it is only natural that digitalisation is already part of our day-to-day business. Our activities in this area primarily focus on train radio, passenger information and video systems, and we are currently making significant investments in developing the next generation of software.

At the same time, Funkwerk AG is working to develop modules for the new generation of mobile train radio in partnership with the European Committee for Standardization (CEN). As part of our efforts to accelerate digitalisation, we have also formed a new subsidiary, HÖRMANN Digital GmbH, a start-up that is tasked with supporting new digital innovations throughout the company. The recruitment of software developers has begun and some have already

been appointed. Thanks to a close cooperation with the Technical University of Munich in which we also support student projects, we have been able to attract young software developers to our company.

**JSD** We have learned from the less pleasant experiences of our investment in euromicron AG in the past year and will return to primarily focusing on organic growth from company resources. Our aim with euromicron was to become more active in the area of infrastructure services. We will now pursue this aim in our own right and make progress by appointing suitable personnel. For example, we have obtained major orders for the new rail project Stuttgart 21 that are currently being processed by HÖRMANN Kommunikation & Netze GmbH. Our workforce in this area increased by around 40 % in 2019 and we established new sites. I would also like to take this opportunity to express my praise for our internal IT department, which acted quickly to set up VPN access for our employees so that we can continue to work remotely from home during the exceptional coronavirus crisis, and hence remain operational. One valuable lesson we have learned from this situation so far is that there are a lot more things that can be done digitally.

**The Engineering division saw the acquisition of Klatt Fördertechnik GmbH. One year ago, you described this deal as a perfect fit. Has this proven to be correct, and have you already increased your 51 % equity interest?**

**JSD** Our equity interest remains at 51 %, because the terms of the contract state that we cannot increase it until 2021 at the earliest. As for the perfect fit comment, we are very satisfied with Klatt Fördertechnik’s business performance. Capacity utilisation is excellent, and we have obtained major orders in new industrial segments where we previously did not have

a foothold. The fit with HÖRMANN Logistik is developing as planned, and the companies are working very well together. With EBIT of around EUR 1 million in the past financial year, Klatt Fördertechnik made an important contribution to our consolidated net income. In other words, we are on exactly the right track with this investment.

**In May 2019, HÖRMANN Industries GmbH successfully placed a new bond with a volume of EUR 50 million and then repaid the predecessor bond. In December, you also extended your syndicated loan facility by a further five years. Are any other capital measures planned, and what is your assessment of the company’s financial structure as it currently stands?**

**JSD** Additional bond placements are not planned at present, and they would be almost impossible in the current capital market environment anyway. Let us be absolutely clear: Placing our financing on a new, stable foundation in the past year turned out to be a wise move. The five-year bond with a volume of EUR 50 million and our extended syndicated loan, which has been increased to EUR 40 million, mean we enjoy a stable position, especially in light of the current circumstances. The HÖRMANN Group is fully financed for the medium term and has a healthy liquidity position. As the consequences of the COVID-19 crisis are still unclear, we have applied for an additional loan under the German Federal Government’s KfW funding programme, albeit purely as a precautionary measure. We are keeping a close eye on the situation and will respond to circumstances as directly, reliably and prudently as always.

**MR** The HÖRMANN Group took the right action at an early stage: The closure of HÖRMANN Automotive Penzberg GmbH and the associated social plan and severance payments were already covered financially last year, we placed our bond at the right time, and we currently still have a positive cash position as well as the corresponding credit facilities at our disposal. In the stormy seas of the coronavirus pandemic, one tenet holds true in particular: Cash is king. We are currently conducting a stringent liquidity management programme in order to reduce our total liquidity requirements in 2020. This is focusing on material inventories, working capital and investments, which are currently being postponed where possible.

Thanks to these actions, we remain confident that a significant upward trend will resume following the coronavirus crisis.

**The HÖRMANN Group saw changes in 2019, and some major challenges still lie ahead. In closing, then: How is the mood in the HÖRMANN family company team?**

**MR** Despite the current coronavirus crisis, I can see that our employees are optimistic, hands-on and looking to the future. We are currently in the process of redefining our strategy for 2025. This will undoubtedly also incorporate some of the experiences and new perspectives resulting from the coronavirus crisis. But we firmly believe that we remain well positioned. Our far-reaching restructuring processes in the Automotive division began in 2018 and will be successfully completed this year. Ultimately, there is one thing that characterises both us and midmarket companies as a whole: Everyone rolls up their sleeves and gets stuck in, and not only at times of crisis. We are

known for a hands-on mentality in which we approach challenges. This attitude is an elementary aspect of the responsibility we have for the HÖRMANN family company. As such, not only are we entering 2020 in a spirit of

confidence, but we firmly believe that the HÖRMANN group will continue to enjoy successful development in future.

**JSD** That is how I see it, too. The mood at the Group is good, for all there are still some major topics to be addressed. For example, last year we began rearranging our entire enterprise resource planning (ERP) landscape. This involves simultaneously restructuring two ERP systems, which is a challenge for the local teams. At the same time, projects like this are increasingly demonstrating the extent to which we are working together as the HÖRMANN Group. There is a strong sense of solidarity throughout the entire Group. This will give us sustained strength for the future and allow us to realise synergy effects between the individual divisions to an ever greater extent. This is an ongoing process that we are shaping as an interacting of equals with all of our employees. ♦

**“As a family company, we are committed to our values and we act responsibly, sustainably and with a view to the future in the interests of the Group as a whole.”**

**MICHAEL RADKE, CEO**

## Values of the HÖRMANN Group

### Passion for innovation

When it comes to technology and business, we think in terms of opportunities. Developments are possible for everyone. We aim to improve every single day.

### Hands-on mentality

When we do something, we do it right – with absolute quality and reliability. We harness the knowledge of the entire Group. We want to be proud of our achievements.

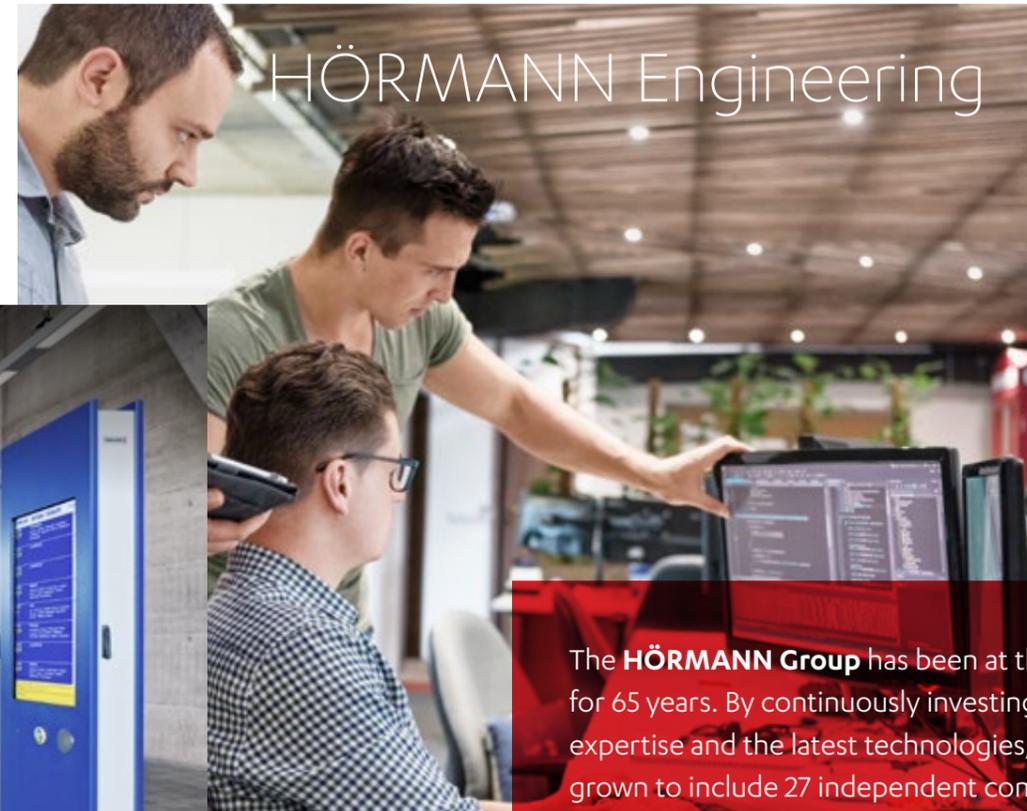
### Accountability

We make decisions rationally and in everyone's interest. We act in solidarity. We think about tomorrow.

### Interacting among equals

We treat colleagues, customers and partners with respect. We conduct ourselves fairly.

# 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 company has grown to include 27 independent companies. Together, they are successful in four divisions: Communication, Engineering, Automotive and Services. The divisions provide mutual support, ensure the stability of the Group and generate synergy effects. Passion for innovation is infectious – as the following projects illustrate ...



# Communication

Funkwerk AG

## Fully automated passenger information system for the Luxembourg national railway company

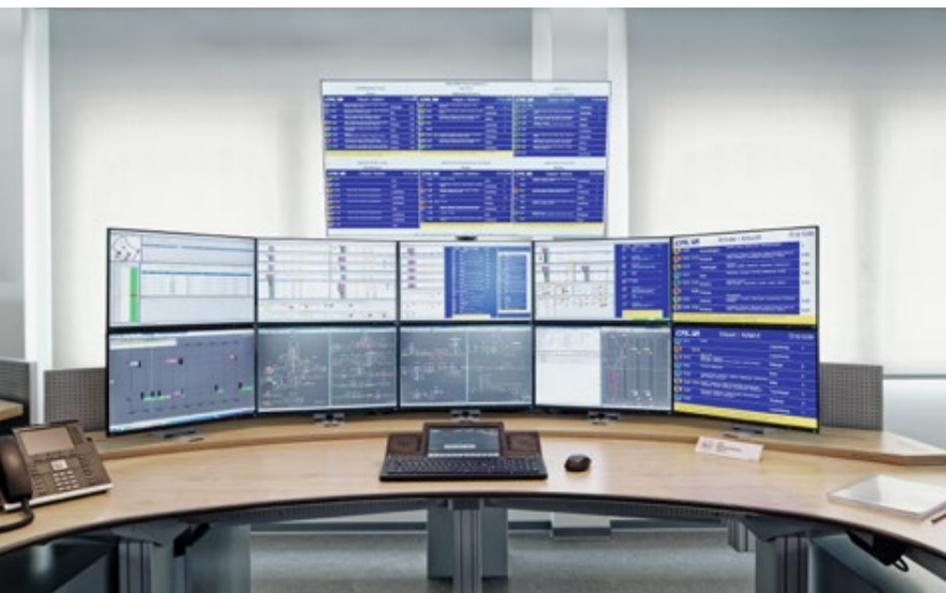
The national railway company of Luxembourg has adopted a new operating strategy in order to reflect the growth in international and national travel, optimise rail line capacities and consolidate its workforce in control centres. The new concept involves the centralised, highly automated processing of business and communication processes.

The government-owned railway company CFL intends to introduce a new passenger information system and modernise its station displays. The main objective is to achieve a high degree of automation, including for complex events, so that the individual stations can be controlled centrally. Current timetable data and train reports are taken from a higher-level interlocking system and analysed and processed in Funkwerk AG's passenger information system.

As part of the modernisation, all stations in Luxembourg will be fitted with AURIS passenger information systems and display systems from Funkwerk AG by the end of 2021. In the process, the CURA public address system from Funkwerk AG will also be installed at all stations. "We are delivering visual and acoustic display systems for passenger information," says Kerstin Schreiber, CEO of Funkwerk AG. CURA is equipped with text-to-speech technology for automated announcements in four languages: German, English, French and Luxembourgish. This gives passengers the greatest possible flexibility in terms of speech output.

For AURIS, an LED master display board has been installed at Luxembourg's main railway station so that passengers can be provided with the latest timetable data and special information. In addition, more than 200 47-inch TFT displays and more than 150 47-inch

interactive information columns have now been installed at railway stations in Luxembourg. At the passenger's request, the information columns can read out the displayed information on potential restrictions or alterations to their journey. The system has received a positive response from associations for people with disabilities and has met with approval among their members.



Funkwerk passenger information at Luxembourg main railway station

**Funkwerk AG** is a technologically leading provider of communication, information and security systems. It provides its customers with professional communication and information solutions for railways, airports, public transportation and shipping as well as smart security systems for buildings, government authorities, banks, public spaces, transport routes and industrial properties.



**Funkwerk video systeme GmbH**, which is part of Funkwerk AG, develops video systems and technology as a one-stop shop for high-end system solutions made in Germany for highly sensitive applications. Its product range extends from modern camera series and pan/tilt units for various applications and management systems with smart image processing through to an extensive range of accessories. Every day, the in-house development department comes up with new components that guarantee ideal solutions for customers' individual requirements.



Funkwerk Platon NEO pan/tilt camera station

Funkwerk video systeme GmbH

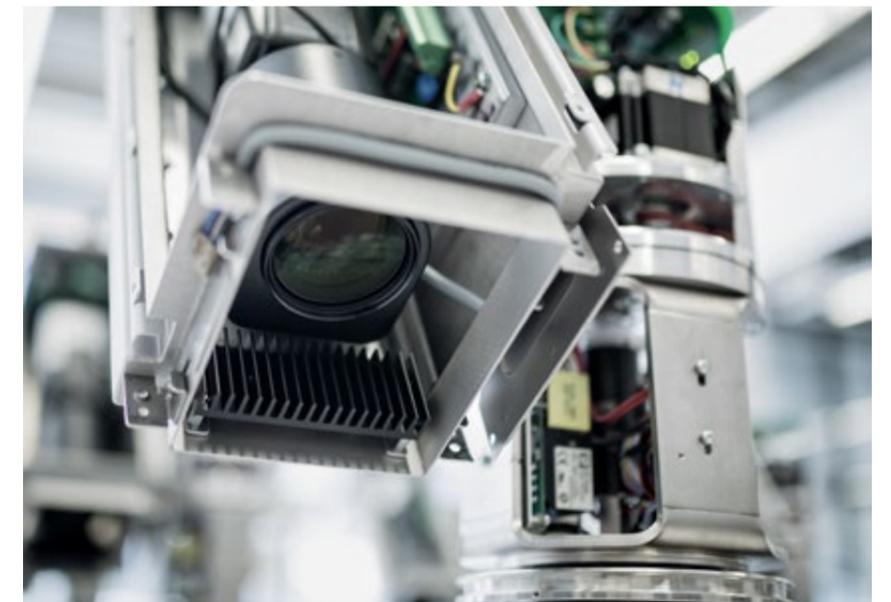
## Smart traffic control systems for motorways

Hessen Mobil, the road and traffic management authority for Hesse state in Germany, is using smart traffic control systems to optimally influence transport on the local motorways. "An important element of these systems is our video components and end-to-end solutions, like temporarily opening the hard shoulder," says Norbert Meißner, Managing Director of Funkwerk video systeme. His colleague Lutz Otto adds: "This enables optimised traffic flow even at rush hour and in other bottleneck situations without the need for investing in complex and expensive infrastructure like additional lanes."

Since the expansion in 2019, the use of the hard shoulder has been in operation on numerous sections of motorway in the Frankfurt am Main area with a total length of around 60 kilometres. To provide the necessary video images, the video technicians installed more than 220 Funkwerk pan/tilt camera stations from the Platon series and its successor, Platon NEO,

along the motorways. The video system is analysed and controlled at a number of control centres under the authority of the Verkehrszentrale Hessen (VZH) traffic control headquarters. Located at the "House of Logistics and Mobility" in Frankfurt am Main, VZH is one of Europe's most state-of-the-art traffic control centres and is manned 24 hours a day. Funkwerk was also responsible for fitting the central systems with over 20 video workstations.

As VZH will take over as the national traffic centre (master centre) for the new German federal motorway operator company on 1 January 2021, the developers placed a particular emphasis on future-proofing and scalability when designing the video system.



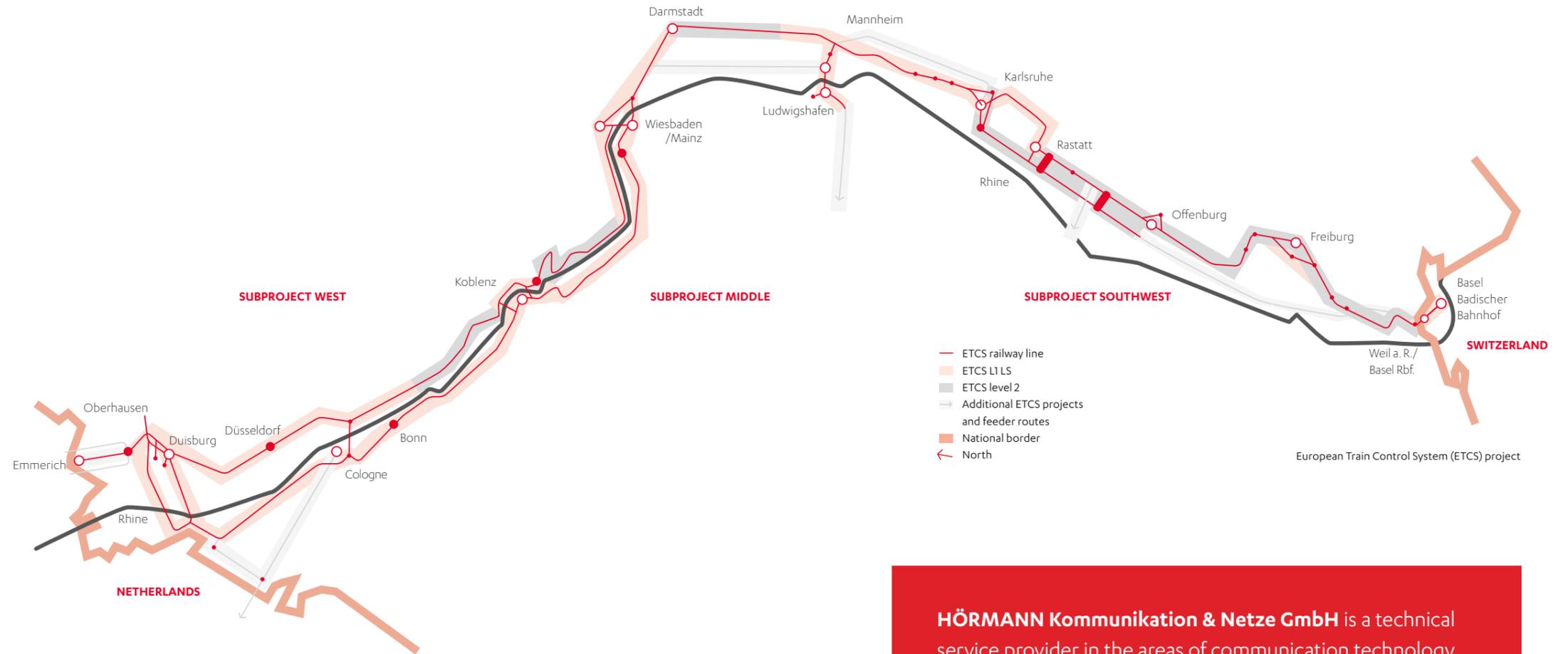
HÖRMANN Kommunikation & Netze GmbH  
**Increased reliability in cross-border rail operations**

Modern telecommunications and information super-highways are vital factors in today's economic infrastructure. "We help people to communicate smoothly and without interference," says Managing Director Johannes Antoni with reference to a current project for DB Netz AG.

His colleague Günter Seufzger adds: "The European Train Control System, ETCS for short, is the standardised, uniform Europe-wide train control system that will be used by DB Netz in future. It allows trains to be operated without lineside signals, i. e. effectively on autopilot, which also means greater safety. The system is being introduced throughout Europe in order to improve the reliability of cross-border rail operations and allow uninterrupted movement across borders with no technical barriers. The ETCS trackside equipment gets information either directly from the signal box or from the vehicle via the GSM-R wireless communication system. Alternatively, communication takes place via reaction-free signal pick-up using "balises" in the existing trackside equipment. A balise is a piece of technical equipment placed between the rails that transmits intermittent signal, route and location information to a rail vehicle as it passes over it."

HÖRMANN Kommunikation & Netze is performing construction work for the cable routing systems and power supply installations forming part of the ETCS equipment on the line from Duisburg to Freiburg. The company already has experience with the system from underground cabling works on Corridor A (Rotterdam – Genoa) near Uhlerborn in Ingelheim am Rhein, which involved extensive work using rail-road technology on closed tracks. As well as creating cable troughs along the track, the specialists installed new track crossings using cut-and-cover and pipe jacking techniques.

With its Germany-wide presence, HÖRMANN Kommunikation & Netze is a reliable partner to Deutsche Bahn when it comes to expanding, maintaining and servicing its transport infrastructure.



**HÖRMANN Kommunikation & Netze GmbH** is a technical service provider in the areas of communication technology, overhead line construction, energy generation and efficiency and maintenance for all sectors. The company offers innovative, customer-oriented solutions as one of the leading full-service partners for the performance of complete and partial services. The projects of the HÖRMANN company are many and varied, including railway projects such as Stuttgart 21, the construction of the 5G mobile network, charging station assembly, high-voltage overhead line work, stadium lighting installation, and the erection of advertising hoardings for the Munich metro and commuter rail network.





With over 60 years of expertise in the development and construction of sirens and siren warning systems, **HÖRMANN Warnsysteme GmbH's** mission is to reliably warn the public about imminent threats. The sirens made in Germany alert people around the world to threats from tsunamis, flooding, fire, toxic substances and other disasters. Founded in 1955 by Hans Hörmann as a two-man operation, the sirens laid the groundwork for today's HÖRMANN Group.

HÖRMANN Warnsysteme GmbH

## Successful launch of HÖRMANN sirens on the Brazilian market

20 September 2019 was the long-awaited day: "Almost two years after the initial contact with our partner in Brazil, our first siren warning system in the country went live successfully," reports Matthias Müllner, Managing Director of HÖRMANN Warnsysteme. His colleague Johannes Antoni adds: "Having seen the shocking images of the Brumadinho dam disaster in early 2019, we agreed that our customer Vallourec Brazil needed to be properly equipped for emergencies."

The specialists installed three high-performance electronic sirens in the working area of the mine and in two villages that would be hit by flooding in the event of a dam breach. The Vallourec Brazil control centre contains a base station with the communication unit for the sirens, which is connected to a computer with a user and status information interface, while an additional base station ensures redundant siren operation. The stations can be used to prompt the signals to issue alerts in the form of alarms and recorded voice messages or to transmit voice announcements to the sirens for broadcast.

The transmission medium is a specially installed radio network. Following the recommendation of its Brazilian partner, HÖRMANN Warnsysteme painstakingly developed the mast installation with a view to resistance and protection against vandalism. Power is supplied by two solar panels on each siren. In the event of extreme adverse weather conditions, the trained workers can also attach a generator to a charging cable in the inspection opening on the mast base.

In the same month, Brazil commissioned a further two systems of the same type and purpose, each comprising four sirens.



MOBELA mobile sirens

## Bolzano fire brigade enforces lockdown using mobile sirens

HÖRMANN Warnsysteme Mobela 150D mobile sirens with an announcement function were sent to Italy to support the fight against the coronavirus pandemic. The municipality of Bolzano in South Tyrol is using them to enforce the lockdown among the local population. South Tyrol has been hit hard by the COVID-19 pandemic. Accordingly, Bolzano decided to step up containment measures in order to flatten the infection curve. Mobela sirens are fitted to car roofs, allowing them to be used for both alerts and announcements.

HÖRMANN Warnsysteme required a special permit for the delivery. "We fitted the systems and took them into operation immediately," says Sascha Hofer

from the civil protection office of Bolzano municipality. Now the fire brigade can draw attention to the rules with no risk of being ignored. As well as a pre-recorded announcement, drivers can use spherical loudspeakers to address people directly.

Hundreds of Mobela sirens are used by rescue services in Germany and abroad, often alongside existing stationary sirens. Their strength is that they can be quickly deployed in response to the needs of the situation.



“We are actively shaping  
the digital age with  
passion for innovation.”

MICHAEL RADKE, CEO

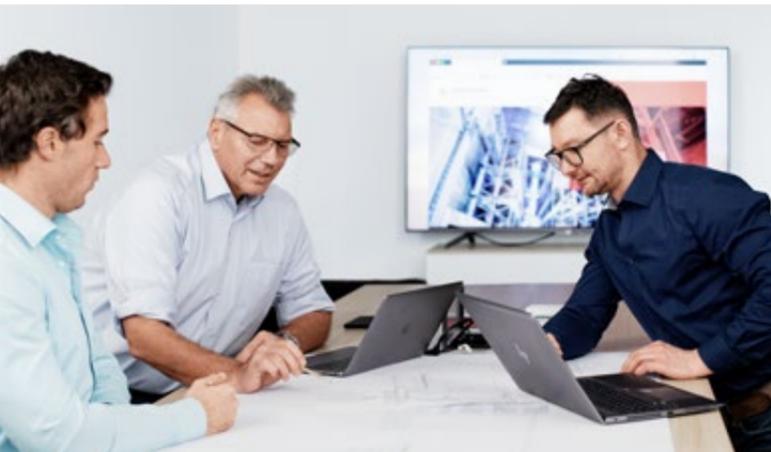
# Engineering

HÖRMANN Logistik GmbH

## Innovative warehouse technology for the packaging industry

The continuous growth in online mail order has led to a boom in the corrugated cardboard and packaging industry that requires quick and innovative logistics solutions.

At its site in Bad Neustadt, Kunert Wellpappe was planning a new automatic high-bay warehouse to create space for expanding its production while meeting changing customer requirements in favour of smaller order volumes with shorter delivery cycles



and efficient inventory holding. HÖRMANN Logistik was tasked with realising the new warehouse with connecting conveyor technology. One particular feature of the four-aisle channel warehouse is the multi-deep crosswise storage of a wide range of finished product formats on different pallet types and with multiple sub-pallets.

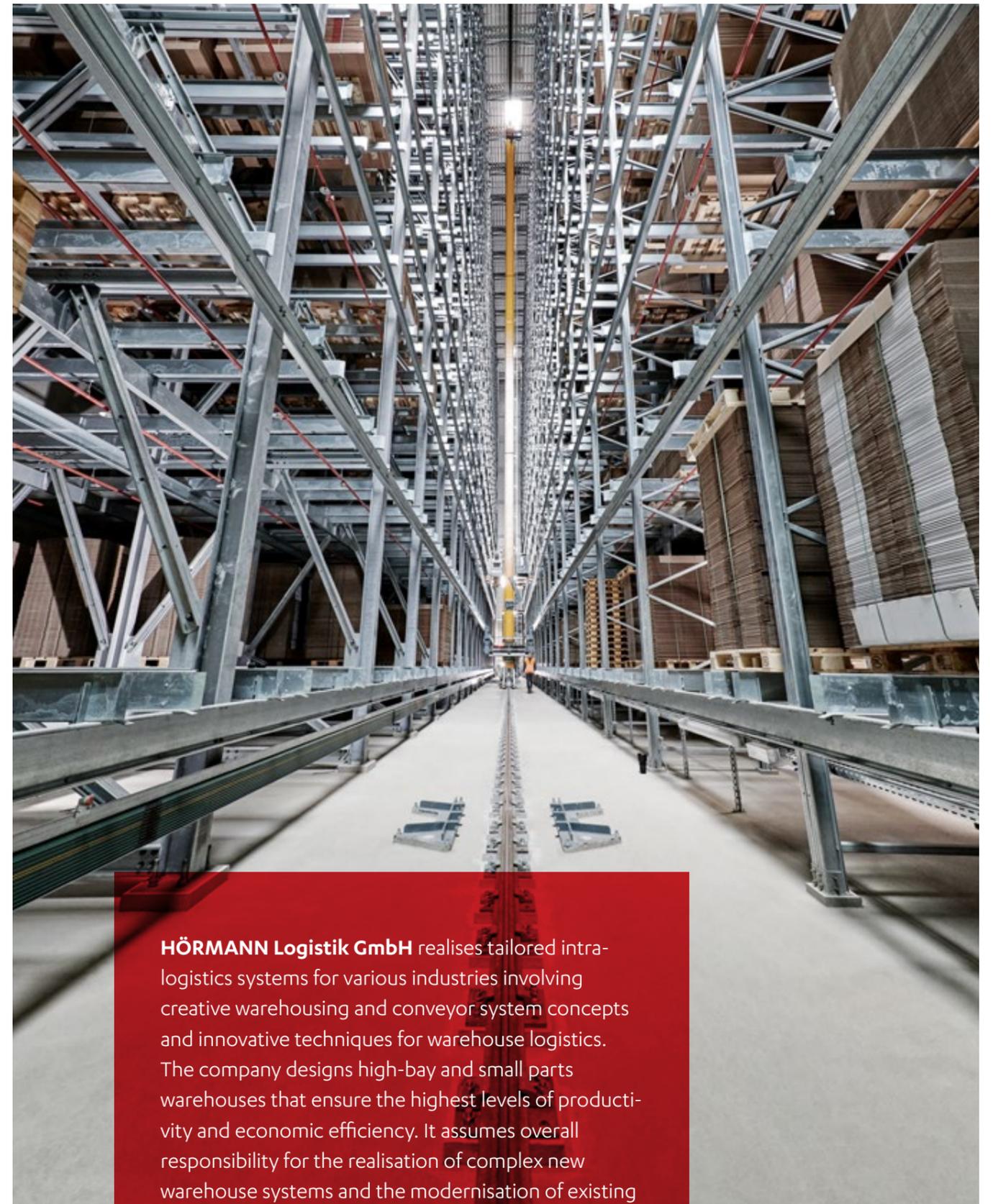
Managing Directors Steffen Dieterich and Oliver Vujcic explain: "A distribution trolley transports the packaging units from the production line to the transfer point for the new conveyor system. Even in the production phase, the system ensures that two identical packaging units are transported consecutively where possible so that they can be moved within the warehouse area, stored and retrieved as a pair. This significantly increases the throughput of the

warehouse. One packaging unit may have up to six sub-pallets. Before being stored in the high-bay warehouse, all packaging units are contour-checked for their length, depth, height, pallet type and weight. The conveyor system then brings the packaging units to the pre-storage zone of the high-bay warehouse, which has a pallet cycle with special chain conveyors and roller lift tables connecting production, warehouse and dispatch.

For order-specific retrieval, the HILIS (HÖRMANN intra Logistics System) warehouse management and control system receives an outgoing goods order from the on-site HOST via an interface. The goods are retrieved by the storage and retrieval machines and transported to the dispatch area by the conveyor system. There are different loading bays for rear-loading and side-loading trucks.

The particular challenge in the detailed planning and realisation of the new channel warehouse for Kunert Wellpappe was the extremely different formats involved and the large size of the packaging units with multiple sub-pallets. As well as transporting these packaging units using a special conveyor system, the solution involved clever technical details allowing the highly flexible, volume-optimised use of the large compartments. The height of the high-bay warehouse is also unusual at around 42 metres. This is due to the space constraints on the works premises and the need to house the maximum number of pallet bays in the available space."

The scope of supply by HÖRMANN Logistik included steel racking, roof and wall panelling including a smoke and heat extraction system, drainage and lightning protection, a pallet conveyor system for transferring packaging units from production and connecting the high-bay warehouse, block storage and dispatch, storage and retrieval machines, fire doors and high-speed doors, shelf sprinkler systems, and the HILIS warehouse management and control system including plant visualisation. The project was commissioned and signed off in 2019.



**HÖRMANN Logistik GmbH** realises tailored intra-logistics systems for various industries involving creative warehousing and conveyor system concepts and innovative techniques for warehouse logistics. The company designs high-bay and small parts warehouses that ensure the highest levels of productivity and economic efficiency. It assumes overall responsibility for the realisation of complex new warehouse systems and the modernisation of existing systems during normal operations.



HÖRMANN Rawema Engineering & Consulting GmbH  
**Smart factory nominated for  
 Saxony Innovation Award**

Digitalisation and direct information and communication channels, both online and in real time, are changing the face of industrial production. The Industry 4.0 and smart factory concepts embody the new and dynamic cooperation between man and machine, both in and between factories, in all its conceivable facets. The business potential this offers is as great as the continuously growing range of standalone and detailed solutions on the market. Accordingly, one of the key challenges for the factory planner HÖRMANN Rawema is the logical selection of digital functions and the corresponding harmonisation of data flows.

In order to differentiate general and broad visions, the company has developed a smart factory demonstrator that allows the latest tools from Industry 4.0 to be tested under industrial conditions so as to demonstrate their effectiveness and applicability. To ensure moderate investment costs and the desired transportability of the demonstrator, a model production system was configured in line with a

high-tech, low-cost strategy allowing Lego blocks (e.g. conveyor belts, handling systems) and industrial components (e.g. laser stations, vibration/temperature sensors) to be combined via SIMATIC S7. An OPC UA application is used for communication and database connection. All transport and handling tasks are fully automated. Additional extensions are planned.

“Our smart factory was named among the ten best nominees for the Saxony Innovation Award 2019,” Managing Director Holger Füssel reports with pride.

Left side: Virtual planning status of a cooler production line

**HÖRMANN Rawema Engineering & Consulting GmbH** is an innovative, manufacturer-neutral engineering company that specialises in technical planning for the industrial sector with a focus on production technology and factory planning. Its engineering services cover the entire factory lifecycle, from project planning for entire factories as the general planner, via engineering individual production areas, processes and systems, through to re-engineering and the resulting relocation projects.

Francis Barchmann and Benjamin Bielefeld from HÖRMANN Rawema at the Innovation Conference 2019



VacuTec Messtechnik GmbH

## Risk minimisation in diagnostic radiology

Diagnostic radiology is one of the main sources of radiation exposure in the population. Accordingly, various European directives require the patient dose to be measured whenever it is used, particularly when this involves children or higher doses. This requirement is met by the "VacuDAP" device, which measures the dose area product (DAP) in accordance with IEC 60 580. "We are one of three manufacturers worldwide with an excellent market position," says Dr. Bernd Wörmann, Managing Director of VacuTec Messtechnik, adding: "In a globalised market, demand for our products is increasing continuously."

A DAP (Dose Area Product) meter measures the product of the dose and the irradiated area. Specific European directives require the DAP value to be recorded and compared with statistically determined diagnostic reference levels for diagnostic radiology. A comparison of the values measured with the reference levels indicates whether the X-ray machines and clinical staff are working with minimal radiation exposure for the patient. VacuTec Messtechnik manufactures a wide range of DAP meter configurations that are suitable for all types of X-ray system.

In interventional radiology in particular, the same area of the patient's skin is irradiated for a protracted period. Unlike medical diagnostic radiology, doctors cannot rule out the possibility of deterministic effects, e. g. as a result of radiation-induced skin damage. The HÖRMANN company VacuTec offers the "VacuDAP duo" measuring device for this application. It can measure the dose at the reference point and the dose area product simultaneously. Transparent measuring chambers in two sizes and a range of cylindrical ionisation chambers mean the device can be used in most common X-ray systems, including C-arm machines.

The Dresden-based company also offers a wireless DAP measuring device for patient dosimetry in diagnostic radiology that allows measurement results to be securely transmitted to an external display device or directly to a PC. "This wireless data transfer is particularly suitable for retrofitting existing X-ray machines. Combined with state-of-the-art wireless flat-panel detector, it represents an ideal solution without the laborious task of installing additional cables. The measuring chamber can be optionally powered using a rechargeable battery. These functions are one of the main unique selling points of our DAP system," says Head of Sales Frank Finster.



VacuDAP compact



**VacuTec Messtechnik GmbH** is a pioneer in the development of detectors for ionising radiation. The company develops, produces and globally markets a broad range of detectors for measuring X-ray radiation in medicine, industrial metrology and environmental monitoring.

HÖRMANN Vehicle Engineering GmbH

## Intercity train for the Chinese metropolitan area Beijing

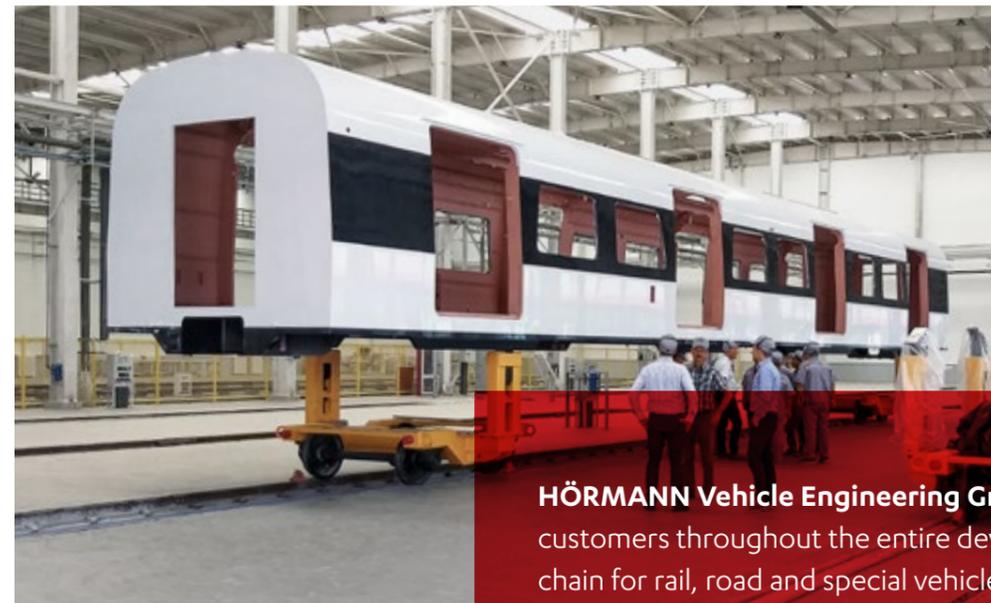
The Chinese government is focusing on public transportation by rail as a means of enabling the growing middle class to travel within and between the country's major cities. The development of the rail industry enjoys a high priority in China, and the country has rapidly developed into a world leader for rail vehicle development in the past decades.

Unlike metro and high-speed rail, however, China still develops relatively few vehicles for connecting the inner cities with the suburbs. The Beijing-based rail vehicle and system supplier RTTE (Beijing Rail Transit Technology and Equipment Group Co., Ltd.), a subsidiary of the world's biggest metro company, therefore commissioned HÖRMANN Vehicle Engineering with the complete development of an innovative eight-section vehicle with a length of 187 metres for connecting central Beijing with smaller cities in the surrounding area. The new vehicle will handle commuter flows into the city centre and make the surrounding cities accessible for recreational travellers.

HÖRMANN Vehicle Engineering developed the complete vehicle. One of the main tasks was the mechanical construction of the vehicle shell including comprehensive strength calculation for the aluminium car body, the interior and the driver's cab, as well as bogie integration. In addition, the company was responsible for designing the electrical system architecture with the integration of all systems, including traction equipment, lighting, brakes, air conditioning, passenger information and safety systems. It also prepared the final wiring diagram. System development was accompanied by a safety-oriented process in accordance with EN 50126 and taking RAM specifications

into account (reliability, availability, maintainability). From the start in early 2018 through to completion in summer 2019, the close cooperation with the RTTE development team played a big part in making the project a success. The company also provided support during the subsequent construction phase for the first vehicle, with engineers from Chemnitz visiting the manufacturer on-site.

The innovative dual-system vehicle can run on direct current in the inner-city rail network and alternating current in the national network. "Meeting the specifications of the very different systems was one of the challenges that we were able to successfully resolve," says Managing Director Frank Salzwedel. In doing so, HÖRMANN Vehicle Engineering ensured compliance with the maximum axle load despite the additional system components, as well as the space limitations imposed by the need to use metro tunnels.



**HÖRMANN Vehicle Engineering GmbH** supports customers throughout the entire development process chain for rail, road and special vehicles. As a global engineering partner, the company offers complete vehicle expertise from the initial idea through to the finished prototype and series production. Innovative trends are set in terms of lightweight construction, the use of new materials and production optimisation.



Complete vehicle expertise from the initial idea through to series production

“Our strength is that we can deal with many tasks in-house and drive forward new projects with our motivated and qualified workforce.”

MICHAEL RADKE, CEO



# Automotive

HÖRMANN Automotive GmbH

## High-performance die-cutting for side members – from bottleneck to pacemaker

Side members are the backbone of a commercial vehicle. The geometrical features of these components are highly individual. “This is the case, because the hole pattern used to connect the various add-on parts varies depending on the customer, the industry, and the equipment used in the respective truck,” explains project manager Alexander Duschka. “It is not rare for us to produce single items, but our daily work can also involve quantities of more than 100,” adds Lothar Becker, General Manager of the Gustavsburg plant.

This poses considerable challenges for the production process, as the wide variety of component parts needs to be realised with a high degree of automation and low cycle times in order for them to be manufactured at competitive prices.

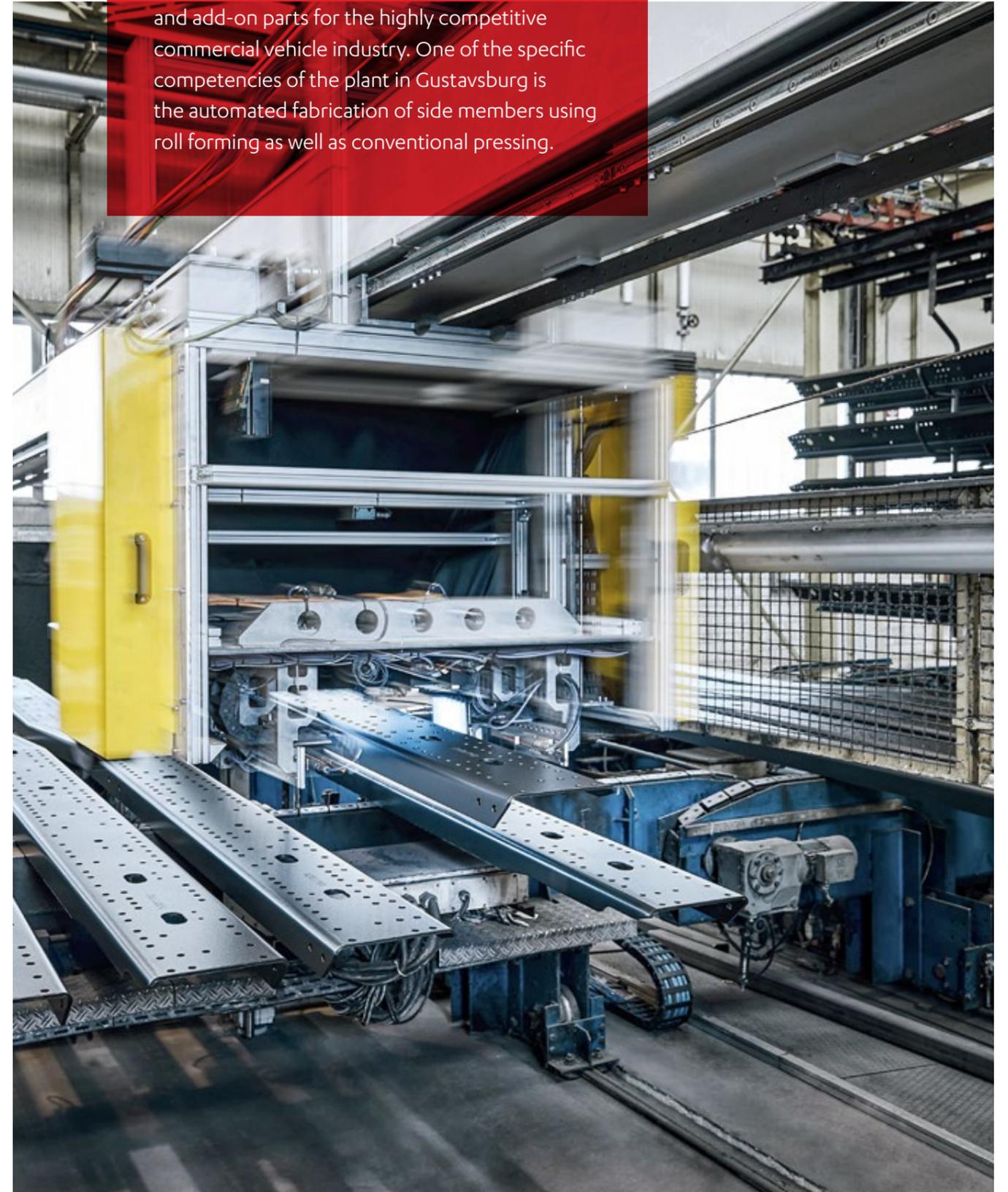
HÖRMANN Automotive has had an interlinked production line for the fabrication of side members since 1999. The individual hole pattern is cut out using hydraulic CNC die-cutters. However, die-cutting had long been the bottleneck in the process chain, with each of the up to 800 holes per member having to be cut out individually.

Two parallel die-cutting systems were integrated when the line was originally created, and this was expanded to include a third system in 2006. Nevertheless, it had never been possible to harness the full potential of the highly productive profiling process in particular, as the die-cutting stage slowed the entire process.

In 2017, an interdisciplinary team at the HÖRMANN Automotive Group took this as the incentive to work on a globally unique technology to resolve the bottleneck. Its visions were developed further in cooperation with a supplier, resulting in a die-cutting system that was commissioned in 2019. This investment laid the foundations for almost doubling the output of the profiling line – and turning the former bottleneck into a pacemaker. Combining the new and old die-cutting systems enables a cycle time of less than one minute for cutting the entire hole pattern.



HÖRMANN Automotive GmbH specialises in the production of high-quality chassis, body and add-on parts for the highly competitive commercial vehicle industry. One of the specific competencies of the plant in Gustavsburg is the automated fabrication of side members using roll forming as well as conventional pressing.



HÖRMANN Automotive GmbH

## Large components for agricultural machinery with high precision and quality

Agricultural machines like combine harvesters require numerous large trim parts. Producing these parts economically, with the necessary high precision and quality and in comparatively small quantities poses a considerable challenge for suppliers. HÖRMANN Automotive's plant in St. Wendel has concentrated on this market segment for a number of years and has developed specific tool expertise and cutting-edge production methods for sheet metal forming and processing.

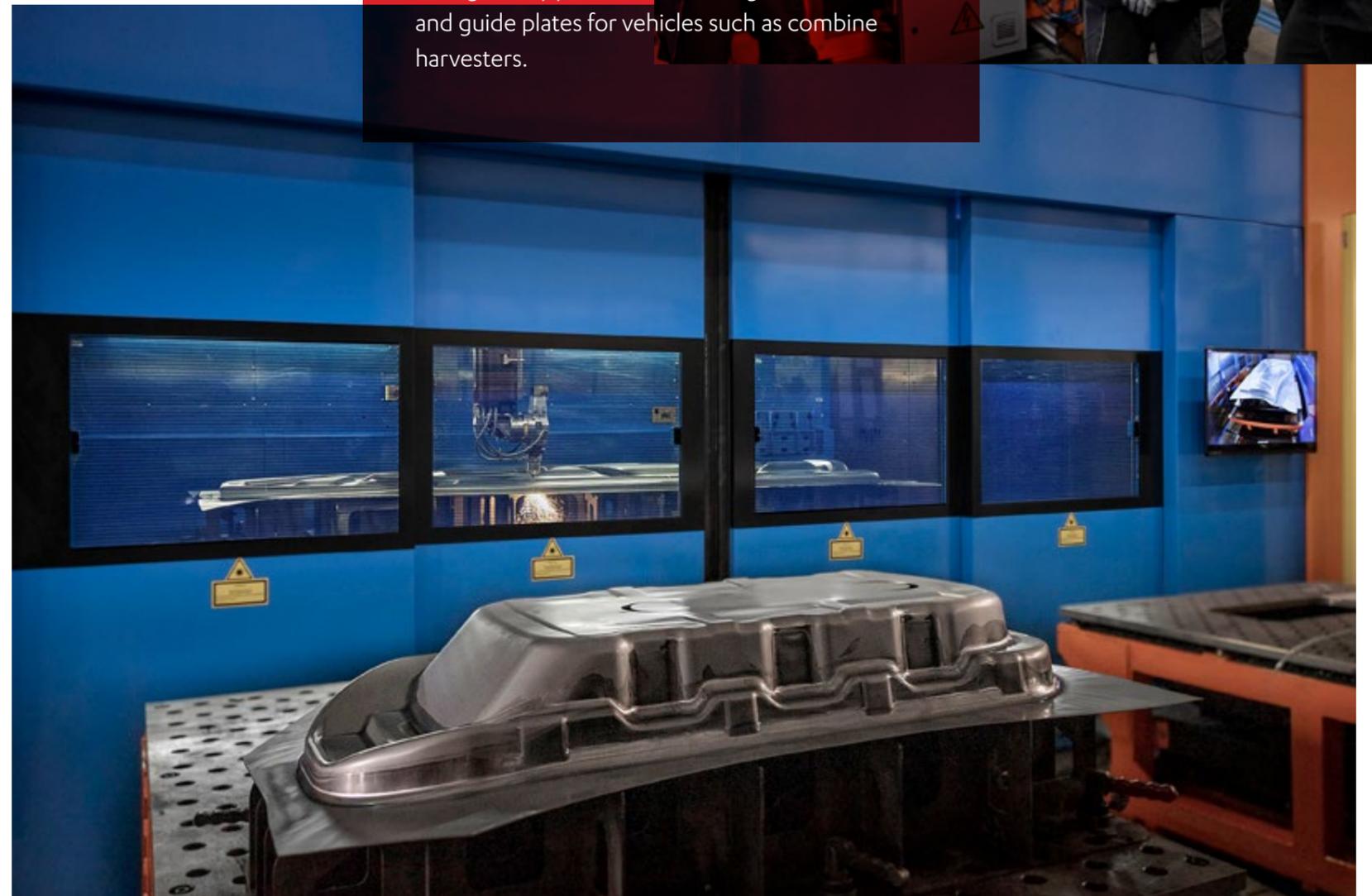
To allow it to better meet the constantly growing requirements in terms of precision and component size, a new five-axis laser system with state-of-the-art laser technology was commissioned in the past year. The system is built around a compact and efficient high-performance solid state laser (ytterbium fibre laser) that produces 4,000 watts of optical energy at a wavelength of 1,080 nanometres in the invisible infrared range. The laser beam generated is focused on the machining position on the workpiece using an adaptive tilting mirror system. In combination with a high-precision, five-axis shuttle and turntable, large sheet metal parts up to a size of 4,000 x 1,800 x 700 millimetres can now be separated at a rapid cutting speed and with a high degree of accuracy and cut for complex three-dimensional geometries.

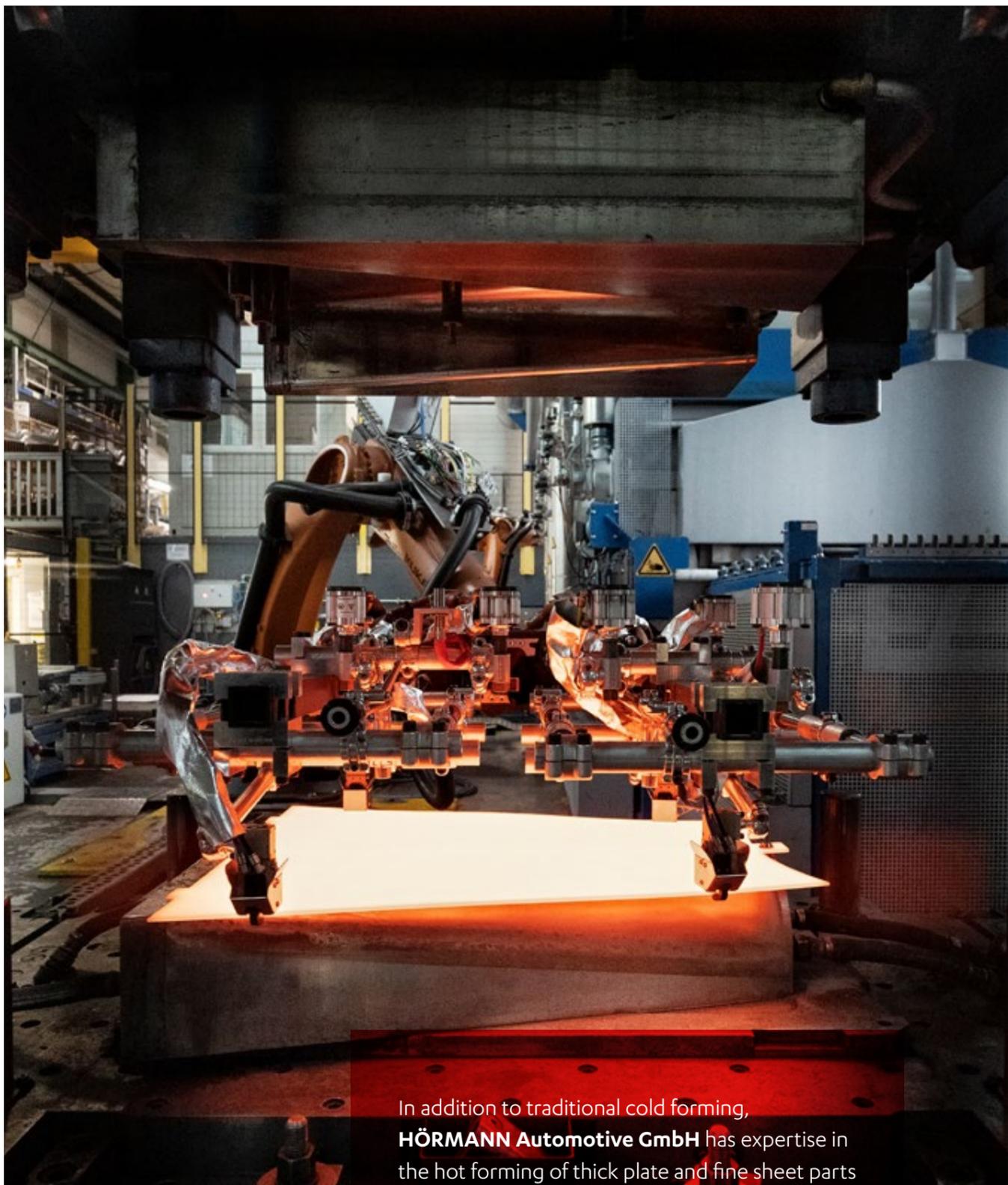
As Jörg Straß from HÖRMANN Automotive in St. Wendel proudly points out, this investment reflects the high expectations in terms of future growth: "With state-of-the-art laser technology and one of Germany's largest 3D laser processing centres, we can offer our high-end customers from

the agricultural and construction machinery industry entirely new options for vehicle construction and the economically efficient production of component parts with a high degree of precision." Managing Director Uwe Jung adds: "With its substantial investments in state-of-the-art machinery and equipment in 2019, the HÖRMANN Group made another important contribution to securing jobs in the Saarland region for the long term."



As a long-standing partner of the agricultural and construction machinery industries, **HÖRMANN Automotive GmbH** develops, produces and delivers for all renowned manufacturers. The plant in St. Wendel specialises in the manufacture of large body parts for side casings, covers and guide plates for vehicles such as combine harvesters.





In addition to traditional cold forming, **HÖRMANN Automotive GmbH** has expertise in the hot forming of thick plate and fine sheet parts and the press hardening of surfaces, allowing high-strength components to be manufactured for applications involving high levels of wear.

HÖRMANN Automotive GmbH

## Expansion of technological expertise for hot forming and press hardening

HÖRMANN Automotive GmbH is a long-standing, recognised expert for the cold forming of fine sheets for body parts (body-in-white) and thick plate chassis components of all kinds. These are used in a wide range of applications in the assembly of light and heavy-duty trucks and agricultural and construction machinery industry. "However, certain component geometries and their properties can only be produced using hot forming, and some components even require wear-resistant surfaces and press hardening," explains Uwe Jung, General Manager of the plants in St. Wendel and Saarbrücken.

Thanks to extensive new investment, the HÖRMANN Automotive plant in St. Wendel has now expanded its technological expertise to include the production methods of hot forming and press hardening. These have been integrated into an automated production cell that can process blanks with a size of 1,900 × 1,600 millimetres with a throughput of 1,200 kg/hour. All of the system components, including the blank lubrication system, the annealing oven and the 800-tonne hydraulic

press, are linked together. All handling is performed by several robots. This unmanned operation ensures a high degree of process reliability, maximum quality and high economic efficiency.

Since 2019, this system has been used to manufacture a wide range of technologically sophisticated components for agricultural machinery, such as forage harvesters for the customer Claas and combine harvesters for the customer CNH. With this future-oriented expansion of its technological expertise, HÖRMANN Automotive is reflecting the growth in demand for the key technologies of hot forming and press hardening, and this investment has further reinforced its solid market position as a key supplier to the European agricultural and construction machinery industry.



HÖRMANN Automotive GmbH

## Expansion of charging infrastructure for e-mobility to include production of charging stations

E-mobility is becoming an increasingly important feature of the automotive market. Against the background of CO<sub>2</sub> targets and the public debate on climate protection, the focus is also on PHEVs (plug-in hybrid electric vehicles) and BEVs (battery electric vehicles), with German OEMs currently expanding their portfolios accordingly. The number of different PHEV and BEV vehicles is increasing every year.

HÖRMANN Automotive is continuously adapting to the market and is gearing its plant in Wackersdorf towards electric mobility. "In addition to the OEMs' products, we are also focusing on the infrastructure without which e-mobility cannot function," notes Marcus Schaffranka, General Manager of the Wackersdorf plant. To this end, HÖRMANN Automotive has established itself as an assembly partner for WIRELANE. The company also won WALLBE as a customer in the first quarter of 2020.

For WIRELANE, single and dual pedestals of between 11 and 22 kilowatts and wall-mounted and pole-mounted variants of between 3.7 and 22 kilowatts are assembled in various components. The service portfolio also includes procurement and supplier management, inbound and outbound supply chain and validation (Module D).

In this way, HÖRMANN Automotive is addressing a market that will see strong growth over the coming years. In 2019, the German federal government set out the key points of a climate protection programme with the following aims: There will be a million charging points by 2030. The state is subsidising the creation of public charging stations until 2025 and has published a "charging station infrastructure" master plan. There will be charging points at all petrol stations in Germany and in customer car parks. As the German federal government expects most charging to take place at home or at work, it is also subsidising the private and commercial charging infrastructure. HÖRMANN Automotive will make an important contribution to this process.



Production of charging station in the Wackersdorf plant



**HÖRMANN Automotive GmbH** is intensively committed to the expansion of electric mobility in close cooperation with vehicle manufacturers. The high level of assembly and logistics expertise at the Wackersdorf plant is making a significant contribution to the expansion of the charging infrastructure in Germany.



“The realisation of synergy effects between the individual divisions is an ongoing process that we are shaping as an interacting of equals with all of our employees.”

JOHANN SCHMID-DAVIS, CFO

# Services

HÖRMANN Services GmbH

## Automation of assembly systems for electric cars

The Services division operates as a highly specialised industrial service provider with its subsidiaries HÖRMANN Industrieservice GmbH, HÖRMANN Automationservice GmbH and MAT Maschinentchnik GmbH. As a recognised partner to the automotive industry, the mechanical engineering industry and other sectors, it performs a wide range of tasks across the lifecycle of a production facility – from planning and project engineering, via the assembly of machinery and the construction of turnkey systems, through to commissioning and condition-based maintenance.

HÖRMANN Services' expertise covers the entire range of necessary services: mechanical construction including steel construction, pneumatics and hydraulics, the comprehensive planning of power

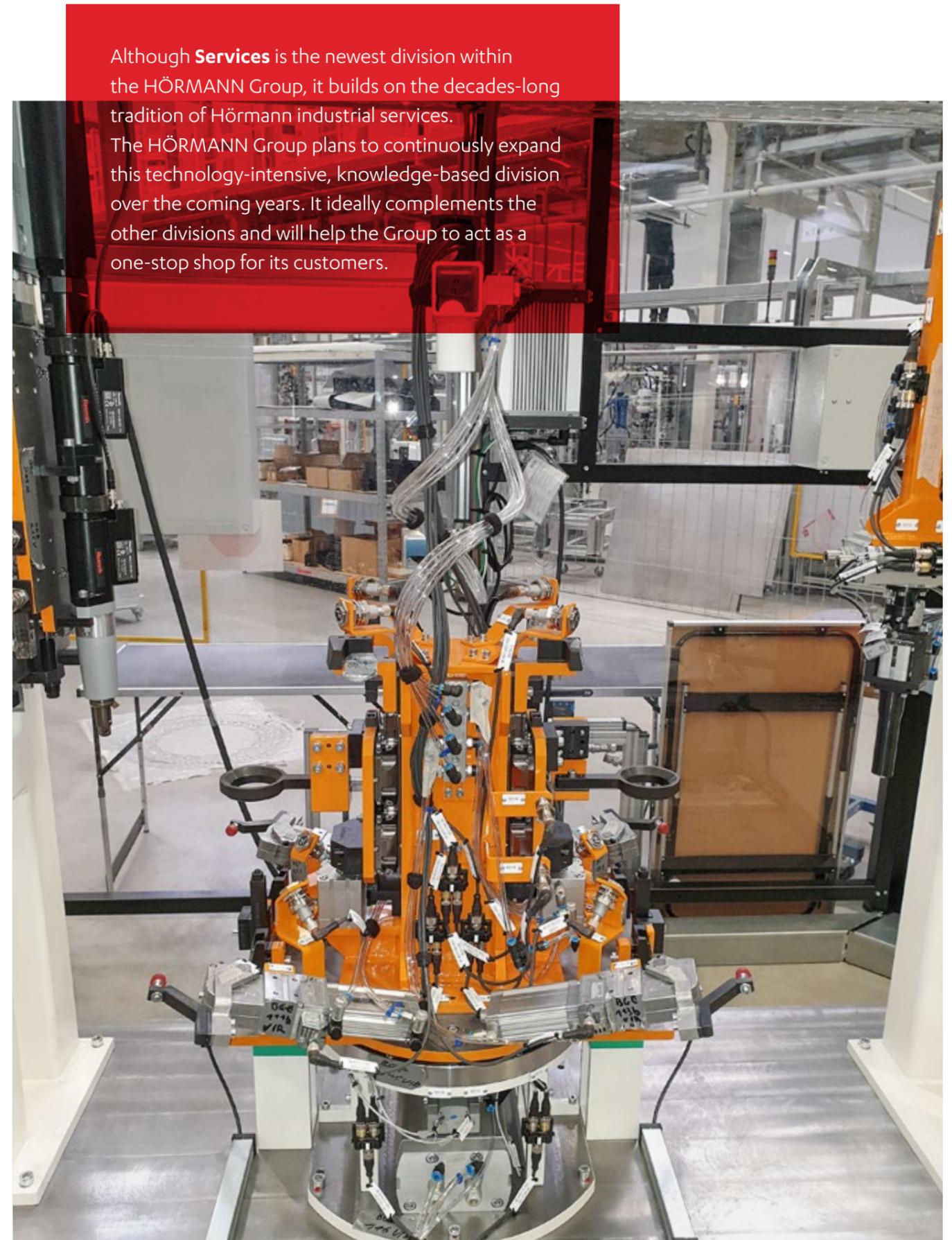
distribution and digital networking, and robot programming including the visualisation and documentation of the technical processes. With its experienced team of trained workers and specialists, HÖRMANN Services also assumes responsibility for installing new production facilities right through to commissioning and support for production start-up.

One particular project in the 2019 financial year was the planning, installation and commissioning of the entire media installation in an assembly plant of an OEM.

The modular electric drive system has been developed by the OEM as a new technology platform aimed at reducing the high costs involved in developing mass-market electric cars. Highly automated, digitally connected production facilities are also necessary in order to ensure the cost-effective production of steering components in large quantities.

HÖRMANN Services provided intensive support for the customer in installing the entire media supply for compressed air, cooling water and lubricants in the form of oil and grease and took responsibility for project planning, procurement and commissioning, including shift support for series start-up. A few facts and figures: 51 robot grippers, 633 cylinders, 550 single valves, 800 metres of media pipelines and cable ducts were installed on an area measuring around 1,600 square metres. The facility was successfully commissioned after twelve months.

"We are proud to be making a contribution to the dynamic shift in production systems in the automotive industry towards electric mobility with our expertise and experience," says Managing Director Gerhard Jacobi.



Although **Services** is the newest division within the HÖRMANN Group, it builds on the decades-long tradition of Hörmann industrial services. The HÖRMANN Group plans to continuously expand this technology-intensive, knowledge-based division over the coming years. It ideally complements the other divisions and will help the Group to act as a one-stop shop for its customers.

HÖRMANN Services GmbH

## Precisely timed reliability for transportation in series production

Up to 10,000 components are required to assemble a modern combustion engine car. These are manufactured on highly automated, precisely timed production lines featuring a large number of machining stations and a wide range of production techniques. In order to ensure the high economic efficiency of these production facilities and the multi-million-euro investments they involve, the reliable transportation of components from station to station with the right timing is particularly important.

NTN Antriebstechnik GmbH in Gardelegen (Saxony-Anhalt), a subsidiary of the Japanese NTN Corporation, is a world-leading producer of drive shafts for the automotive industry and a supplier to prominent German automobile manufacturers. NTN commissioned HÖRMANN Services GmbH with interlinking the individual machining stations in the two new production facilities it was constructing. This project

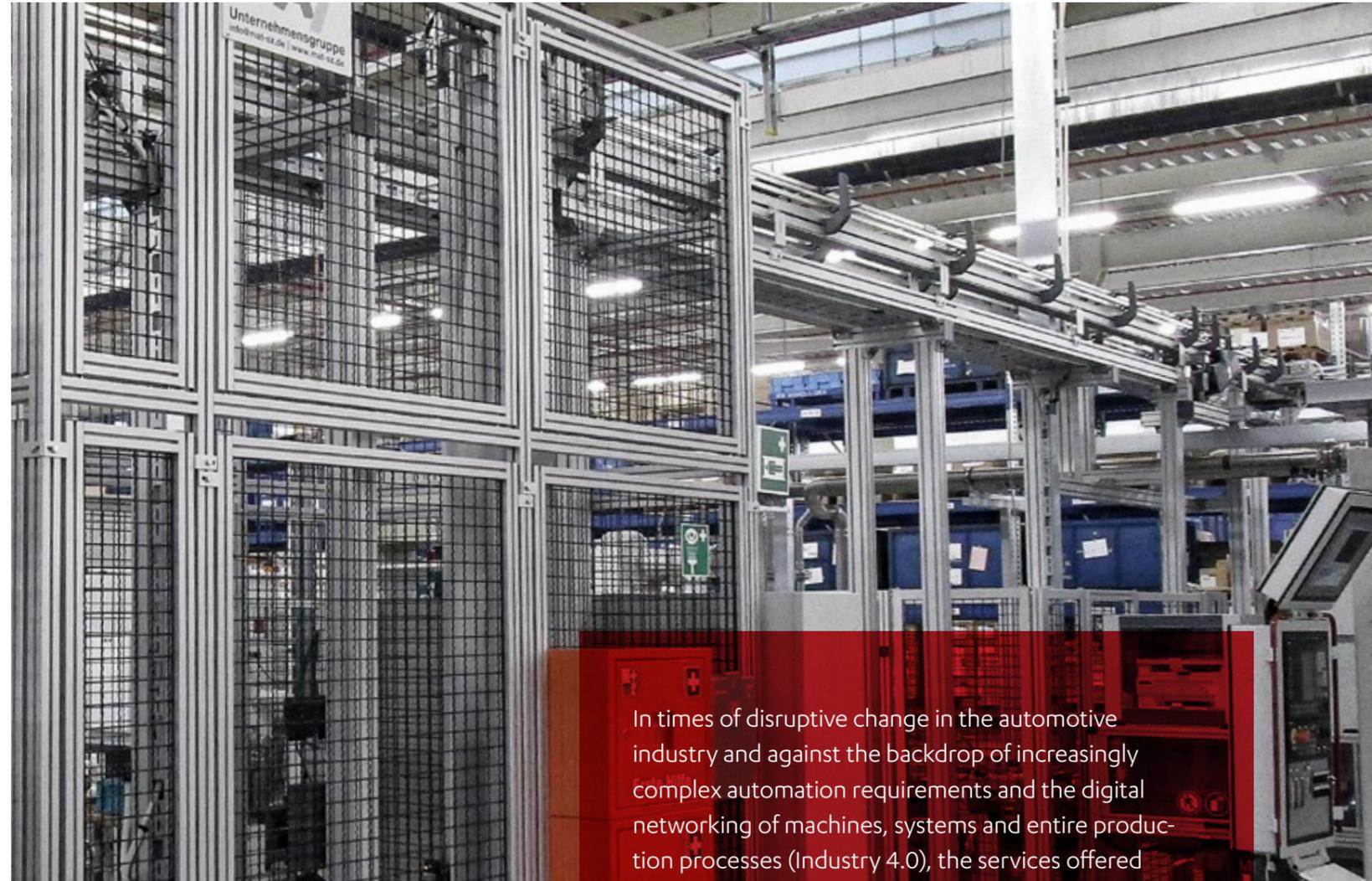
involved some ambitious targets, including a line cycle time of 36 seconds and an output of 800 components per shift.

HÖRMANN Automationservices GmbH designed the facility layout, the mechanical construction for interlinking the stations and the automation concept, including electrical planning. The interlinking system is built around slat band conveyors, the loading portals/stations that transport workpieces with a weight of up to 2.2 kilograms. One particular challenge for project planning was the integration of a tempering furnace for the heat treatment of the workpieces and ensuring clear access in the production facility using a lifting and lowering station.

The installation of the mechanical components, all of the protective systems and the electrical installation were performed by HÖRMANN Industrieservice GmbH, an affiliate of HÖRMANN Automationservices GmbH.

The automation technology and the internally developed software ensure that transportation from station to station is precisely timed and is highly available. Each production line has separate controls and a large number of safety circuits. HÖRMANN Services also performed a number of product-related services, such as inspecting electrical equipment in accordance with the DGUV 3 standard, training the operating and maintenance staff, commissioning the facility and providing support for production start-up, as well as the usual documentation, operating instructions and maintenance schedules. Following several changes to the range of parts, the entire production facility went live successfully in early 2020.

With a view to new challenges, Matthias Piofczyk, Managing Director of HÖRMANN Automationservices GmbH, says: "This project was a perfect illustration of everything HÖRMANN Services can do: automated turnkey production facilities from a single source!"



In times of disruptive change in the automotive industry and against the backdrop of increasingly complex automation requirements and the digital networking of machines, systems and entire production processes (Industry 4.0), the services offered by the **HÖRMANN Services** division are more in demand than ever. The division focuses on high-quality, technologically advanced services across the entire service portfolio, with customer proximity playing a crucial role in this holistic approach.

**Group Management Report**

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# Basic information on the Group

The Group, comprising HÖRMANN Industries GmbH and its direct and indirect subsidiaries, constitutes the industrial subgroup of the HÖRMANN Corporation. The Group is broken down into four strategic business divisions to which the individual companies are allocated. The information on the course of business in the management report is presented in line with the strategic Group structure.

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

In the **Automotive** division, HÖRMANN Industries 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 as well as side members for the European markets.

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 vehicle 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.

With effect from 1 April 2019, the shares in HÖRMANN Automotive Penzberg GmbH, Penzberg, were sold and the company was deconsolidated as a result. In 2018, HÖRMANN Automotive Penzberg GmbH generated sales of EUR 118.6 million and a net loss for the year of EUR -4.6 million. The deconsolidation resulted in income of EUR 1.2 million in the reporting year.

## ENGINEERING

- ♦ AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, Chemnitz
- ♦ HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz
- ♦ HÖRMANN Logistik GmbH, Munich
- ♦ Klatt Fördertechnik GmbH, Neumarkt a. Wallersee, Österreich
- ♦ 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.

AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH is a general contractor that offers all the necessary engineering services within the construction industry, with a particular focus on complex industrial and infrastructure facility engineering.

HÖRMANN Rawema Engineering & Consulting GmbH supplements the services 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 that was realised on 1 April 2019 expanded the general contractor portfolio to include high-tech conveyor systems.

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 video systeme GmbH, Nuremberg
- ♦ Funkwerk IoT GmbH, Bremen
- ♦ 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 (LTE, GSM-R) mobile networks on the railways.

HÖRMANN Warnsysteme GmbH (formerly HÖRMANN GmbH) and HÖRMANN – KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria bundle the Group's 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 through to long-term maintenance.

## SERVICES

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

In the **Services** division, HÖRMANN Group offers its customers a range of technical services in the industrial environment of automation, digitisation, energy and transport. 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. HÖRMANN Kommunikation & Netze GmbH is a provider of infrastructure services related to railway traffic and communication technology as well as energy supply.

The consolidated group is presented in detail in the notes to the consolidated financial statements.

# Economic report

## MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

According to estimates by the International Monetary Fund (IMF<sup>1</sup>) in January 2020, the global economy grew by a total of 2.9% in 2019 and thus less strongly than in the previous year (2018 +3.7%), primarily as a result of trade and geopolitical tensions and the unwillingness of many companies and individual countries to invest. According to the IMF, the global growth drivers remained the emerging and developing economies. In these countries, economic output rose by 3.7% in the past year, while the industrialised nations recorded growth of 1.7%. The economy in the eurozone grew by just 1.2% in 2019. In Germany, economic growth was 0.5%, compared with 1.5% in 2018.

According to the latest calculations by the German Federal Statistical Office (Destatis<sup>2</sup>) in January 2020, slight economic growth in Germany last year resulted from consumption, with both private (+1.6%) and public consumer spending (+2.5%) making a positive contribution to growth. Above-average growth was also recorded in the construction industry (+4.0%), as well as in the service sectors of information and communication (+2.9%) and financial and insurance services (+2.9%). By contrast, economic output in the manufacturing sector excluding construction fell significantly by 3.6%. The automotive industry, which suffered a considerable decline compared with 2018, had a decisive influence on this.

## INDUSTRY ENVIRONMENT

The industry environment is discussed from page 57 onwards in the information on the course of business in the individual divisions.

## RESULTS OF OPERATIONS

In the 2019 financial year, the HÖRMANN Industries subgroup generated sales of EUR 622.2 million. This means that the previous year's sales of EUR 624.1 million were almost matched. Of this figure, EUR 379.5 million was attributable to the Automotive division, EUR 108.4 million to the Communication division, EUR 86.9 million to the Engineering division and EUR 47.2 million to the Services division. A further EUR 0.2 million was generated in other sales.

Other operating income in the amount of EUR 13.0 million (previous year: EUR 18.4 million) included EUR 4.6 million in income from the reversal of provisions, EUR 1.5 million of benefits in kind, EUR 0.1 million in book gains from the disposal of tangible assets, EUR 1.1 million in investment grants and subsidies and EUR 0.5 million from insurance recoveries. It also included EUR 1.4 million of income relating to prior periods.

Total output declined from EUR 675.1 million in 2018 by EUR 33.9 million (5.0%) to EUR 641.2 million, primarily as a result of the deconsolidation of HÖRMANN Automotive Penzberg GmbH as at 1 April 2019 and a smaller build-up in finished goods inventories and work in progress compared with the previous year.

The cost of materials in the amount of EUR 352.0 thousand (previous year: EUR 352.8 million) contained expenses for raw materials, consumables and supplies and purchased goods totalling EUR 282.4 million (previous year: EUR 287.5 million) as well as the cost of purchased services in the amount of EUR 69.6 million (previous year: EUR 65.4 million). The cost of materials corresponded to 54.9% of total output (previous year: 52.3%). The higher cost of materials is mainly related to the Automotive division. Due to the high order situation in the first nine months of 2019 and the ongoing relocation of the Penzberg production site to the plant in Slovakia, an increased amount of temporary workers and external services had to be paid for.

At EUR 289.2 million, gross profit decreased by EUR 33.1 million or 10.3% compared with the prior-year figure of EUR 322.3 million. This corresponded to 45.1% of total output (previous year: 47.7%).

Personnel expenses declined by EUR 25.3 million year-on-year to EUR 174.5 million (previous year: EUR 199.8 million). This was primarily due to the deconsolidation of HÖRMANN Automotive Penzberg GmbH with effect from 1 April 2019 (year-on-year effect: around EUR -28.0 million). By contrast, staff costs increased by around EUR 2.0 million at the Slovakian Automotive plant in Bánovce, and those of the Communication division also increased by around the same amount. Approximately EUR 1.2 million was

attributable to Klatt Fördertechnik GmbH, which was consolidated for the first time. Operating personnel expenses corresponded to 27.2% of total output after 29.6% in 2018. Excluding management and trainees, HÖRMANN Industries employed an average of 2,821 people across the year as a whole (previous year: 3,175). This reduction in number of employees is also mainly due to the deconsolidation of HÖRMANN Automotive Penzberg GmbH.

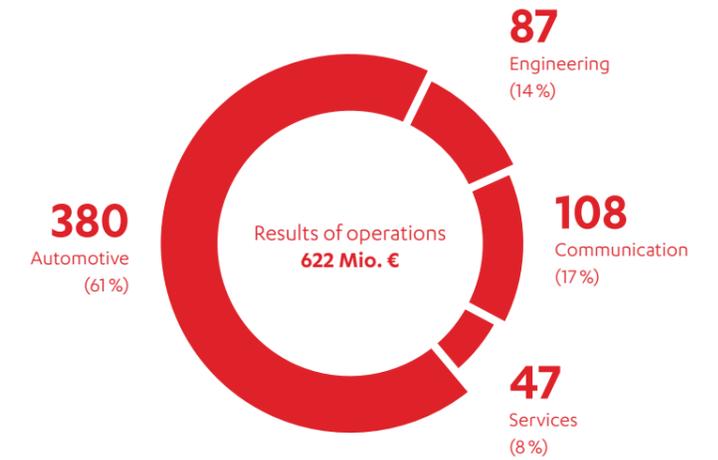
Depreciation and amortisation of EUR 11.8 million was EUR 4.9 million lower than in the previous year (EUR 16.7 million) due to an extraordinary write-down of EUR 3.7 million on assets of HÖRMANN Automotive Penzberg GmbH. This item includes goodwill amortisation of EUR 2.4 million (previous year: EUR 2.4 million), EUR 0.7 million of which was recognised as unscheduled amortisation in the Services division.

At EUR 78.1 million, other operating expenses were down EUR 1.3 million on the prior-year figure (previous year: EUR 79.4 million). Of this figure, EUR 14.0 million related to the cost of buildings and premises, EUR 21.0 million to administrative expenses and EUR 26.0 million to operating and selling costs. Other operating expenses corresponded to 12.2% of total output (previous year: 11.8%).

The 2019 financial year closed with an operating result of EUR 24.8 million (previous year: EUR 26.4 million). After deducting other taxes of EUR 1.0 million, EBIT for 2019 including non-recurring effects amounted to EUR 23.7 million (previous year: EUR 25.1 million).

The financial result deteriorated by around EUR 7.6 million compared with the previous year to EUR -10.3 million. This was due to increased interest expenses of EUR 2.0 million for the new financing structure and higher interest expenses for pension obligations, as well as write-downs on financial assets amounting to EUR -5.8 million. The write-down was necessary for the shares (15.36%) in euromicron AG acquired by Funkwerk AG in August of the reporting year. euromicron AG, specialising in solutions for implementing digital transformation, was particularly active in the field of digitalised building services and critical infrastructure – a segment in which Funkwerk has a good market position. At the time of the investment (which occurred during a capital increase), there was a good basis for opening up new market potential by expanding cooperation, strengthening the respective technological solution expertise of the partners and

Breakdown of sales by business division for 2019  
in EUR million



developing new business models. Following the unexpected insolvency of euromicron AG in December 2019, it became necessary to write down the investment in full, which impacted net financial income in 2019 by EUR 5.8 million. On the other hand, the insolvency had no effect on the operating business of the Funkwerk Group.

In 2019, the income tax expense for trade tax and corporation tax amounted to EUR 4.5 million (previous year: EUR 5.6 million). Income from deferred taxes amounted to EUR 0.9 million in the reporting year (previous year expense of EUR 2.2 million).

The 2019 financial year closed with consolidated net income of EUR 9.9 million (previous year: EUR 14.6 million).

HÖRMANN Industries developed positively in the year under review despite the economic slowdown that set in from the second half of the year onwards and the associated decline in orders in the automotive and services sectors, and achieved its operating targets. The decline in operating earnings in the Automotive and Services divisions was compensated for thanks to the ongoing good conditions in the Engineering and Communication divisions, and the budgeted figure (sales EUR 580 million/EBIT 25.0 million) was exceeded at EUR 622.2 million, or almost matched in terms of earnings (EBIT) of EUR 23.7 million. This development once again underlines the

<sup>1</sup> See International Monetary Fund (IMF), World Economic Outlook (WEO), Update, 20 January 2020

<sup>2</sup> See DESTATIS, Press Release No. 18, German Federal Statistical Office, 15 January 2020

effect of the diversification strategy and the stronger focus on the non-automotive areas of HÖRMANN Industries. On the whole, the management assesses the Group's business development and results of operations in the 2019 reporting year as positive.

## FINANCIAL POSITION

### Capital structure

The Group's equity base including non-controlling interests improved from EUR 112.8 million at the end of the previous year to EUR 121.2 million as at 31 December 2019 thanks to the positive results of operations. The equity ratio increased from 38.3 % (31 December 2018) to 38.8 % at the reporting date.

The first-time consolidation of Funkwerk AG as at 1 October 2016 resulted in goodwill of EUR 6.1 million (previous year: EUR 7.0 million), which was subject to pro rata amortisation of EUR 0.9 million until the end of the financial year. The acquisitions of MAT Automationstechnik GmbH, MAT Industrieservice GmbH and MAT Maschinenteknik GmbH at the end of 2017 financial year resulted in goodwill on first-time consolidation in the amount of EUR 1.2 million (previous year: EUR 2.2 million), which was subject to amortisation of EUR 1.0 million in the past financial year, EUR 0.7 million of which was an extraordinary write-down as part of the merger of MAT Industrieservice GmbH with HÖRMANN Industrieservice GmbH. The first-time consolidation of Klatt Fördertechnik GmbH as at 1 April 2019 resulted in goodwill of EUR 5.2 million, which was subject to amortisation of EUR 0.4 million in the past financial year.

Total assets rose by EUR 17.9 million to EUR 312.6 million as a result of the increase in fixed and current assets of EUR 294.7 million compared with the previous year and the EUR 50.0 million bond issued in June 2019.

Including inventories of EUR 53.6 million and trade receivables of EUR 64.5 million and less trade payables of EUR 39.0 million, working capital increased from EUR 77.4 million as at 31 December 2018 to EUR 79.1 million as at the end of the reporting period. This was largely due to the year-on-year increase in trade receivables from EUR 63.6 million to EUR 64.5 million and the EUR 2.2 million reduction in trade payables to EUR 39.0 million.

Liabilities in connection with bonds at HÖRMANN Industries GmbH level amounted to EUR 50.0 million as at 31 December 2019 (previous year: EUR 30.0 million). The issue of a new bond in June 2019 with a volume of EUR 50.0 million, a coupon of 4.5% and a term of five years to June 2024 has already served to fully repay the previous bond (issued in November 2016 with a volume of EUR 30.0 million, a coupon of 4.5% and an original term of five years to November 2021) via an exchange offer and early redemption in November 2019.

Liabilities to banks were repaid in full in the amount of EUR 0.3 million in the 2019 financial year. Under the new five-year syndicated loan agreement with a two-year extension option concluded at HÖRMANN Industries GmbH level 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 2019.

Information on the term and collateralisation of the other liabilities can be found in the notes to the consolidated financial statements. Conditions have improved compared with the previous year as a result of credit standing and are in line with market developments.

### Liquidity

Bank balances including securities classified as current assets amounted to EUR 64.8 million at the reporting date (previous year: EUR 77.6 million). EUR 0.2 million of the bank balances are restricted as collateral.

There were no drawdowns on overdrafts or global syndicated loans at the end of 2019, meaning that the credit facilities granted under the global syndicated loan and the additional bilateral overdraft facilities totalling EUR 42.5 million (previous year: EUR 33.0 million) are available in full.

As at 31 December 2019, HÖRMANN Industries had net cash and cash equivalents of EUR 64.8 million (previous year: EUR 77.3 million). After deducting liabilities in connection with the bond, the Group had liquidity of EUR 14.8 million (previous year: EUR 47.3 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 GAS 21. Cash flow from operating activities decreased by EUR 3.2 million in the 2019 financial year, from EUR 16.2 million in the previous year to EUR 13.0 million. Cash flow from investing activities rose by EUR 30.2 million from EUR -10.8 million to EUR -41.0 million due to expenditure on fixed assets, acquisition activities and the issue of a long-term loan collateralised by property (see also explanation under net assets). Cash flow from financing activities amounted to EUR 15.8 million (previous year: net cash used in financing activities of EUR -3.5 million). The main reasons were the issue of the new bond in the amount of EUR 50.0 million, which was offset by the partial repayment of the old bond in the amount of EUR 30.0 million as well as payments for dividends and distributions for other shareholders in the amount of EUR 2.0 million.

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

### NET ASSETS

At EUR 14.9 million (previous year: EUR 11.7 million), additions to tangible fixed assets and intangible fixed assets were higher than depreciation and amortisation (EUR 11.8 million). Financial assets increased by EUR 20.2 million to EUR 21.0 million as at 31 December of the reporting year. This was primarily due to the extension of a long-term loan to an external company collateralised by a land charge in the amount of EUR 20.0 million. The loan is being used to finance the social plan for the deconsolidated HÖRMANN Automotive Penzberg GmbH. It forms a major component of the closure concept and the agreement with the works council in Penzberg.

Total inventories fell slightly from EUR 55.0 million to EUR 53.6 million at the reporting date. The higher level of payments received on account of orders (EUR 73.9 million, previous year: EUR 70.7 million) compensated for the increase in work in progress and advance payments made. The ratio of days of inventories to sales was 31.0 days (previous year: 31.7 days). Daily turnover is calculated by dividing the inventories

as at 31 December 2019 by the average sales per day in the year under review. Orders on hand at the end of the reporting period amounted to EUR 275.5 million. Of this figure, EUR 79.5 million was attributable to the Engineering division, EUR 85.0 million to the Communication division, EUR 43.6 million to the Services division and EUR 67.4 million to the Automotive division. The project-oriented divisions of Engineering, Communication and Services 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 only included in orders on hand for binding call orders of an average of eight weeks.

Trade receivables increased from EUR 63.6 million to EUR 64.5 million at the reporting date, corresponding to turnover of 38.2 days (previous year: 36.7 days). Daily turnover is calculated by dividing the receivables as at 31 December 2019 by the average sales per day in the year under review.

Other assets increased from EUR 13.7 million to EUR 16.7 million.

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. In 2019, deferred tax assets increased by EUR 0.9 million to EUR 13.3 million.

At EUR 18.8 million as at 31 December 2019, pension provisions were down EUR 8.7 million on the previous year (EUR 27.5 million). The reduction of EUR 8.0 million primarily results from the deconsolidation of HÖRMANN Automotive Penzberg GmbH and its pension scheme.

Tax provisions amounted to EUR 3.7 million as at 31 December 2019 after EUR 1.9 million in the previous year.

Trade payables declined slightly from EUR 41.2 million to EUR 39.0 million at the reporting date. The utilisation of supplier credits for the cost of materials and other operating expenses decreased from an average of 34.5 days to 33.3 days. The average duration of credit utilisation is calculated by dividing the trade payables as at 31 December 2019 by the sum of the average cost of materials and the average of other operating expenses per day in the year under review.

## REPORT ON PERFORMANCE INDICATORS

### Non-financial performance indicators

#### Production

In 2019, production capacity within HÖRMANN Industries was almost fully utilised due to the significant increase in business volume in the Communication division and the high demand in the Automotive division in the first nine months of the reporting year. In connection with the relocation of parts of the production of the Automotive division to the plant in Bánovce, Slovakia, the plant was expanded fourfold to over 20,000 square metres while production continued. The focus in 2019 continued to be on the ongoing improvement of manufacturing efficiency and productivity, the further automation of processes and the modernisation of equipment.

#### Supply

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 set up to leverage additional cost-cutting potential by bundling a wide range of product groups and services with an impact on earnings.

#### Employees

HÖRMANN Industries employed a total of 2,821 persons in 2019, compared with 3,175 in the previous year.

It also employed on average a total of 107 trainees in 2019 (previous year: 121). Measured against the total workforce, this corresponds to a share of almost 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 the human resources work is to consistently enhance the attractiveness of HÖRMANN Industries as an employer and to attract competent, motivated young professionals. The HÖRMANN Group does this by

creating an interesting and pleasant working environment for employees and applicants, with a wide range of creative freedom. The company also focusses on a motivational environment, safety at work and social factors such as the balance between family and working life. In addition, HÖRMANN Industries offers 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 its staff promptly for future requirements.

#### Quality assurance

To ensure the high quality level and the reliability of its 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 the Group's long-term corporate development is the assumption of ecological and social responsibility. HÖRMANN Industries 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 the economic goals. The company also assumes responsibility to society and its employees in many different ways. In addition to supporting universities and schools, HÖRMANN Group awards scholarships and sponsors selected cultural institutions and social projects.

### Financial performance indicators

Financially, HÖRMANN Industries 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 central performance indicator.

	2019	2018	2017
Sales (EUR million)	622.2	624.1	521.9
Total output (EUR million)	641.2	675.1	549.3
Gross profit (EUR million)	289.2	322.3	269.5
Gross profit margin in % of total output	45.1%	47.7%	49.1%
EBIT (EUR million)	<b>23.7</b>	<b>25.1</b>	<b>14.9</b>
EBIT margin in % of total output	3.7%	3.7%	2.7%
Available liquidity (EUR million) (Net liquidity plus free credit volume)	107.3	110.3	108.2

In its strategic medium-term planning, HÖRMANN Industries 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.

### BUSINESS DEVELOPMENT 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, meaning they include only sales with third parties and 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 is a supplier of the European commercial vehicle industry. According to the European Automobile Manufacturers' Association (ACEA<sup>3</sup>), the number of commercial vehicles registered in the EU increased for the seventh consecutive year by 2.5% to 2.5 million units in 2019. However, there was a noticeable slowdown from September onwards, with monthly declines in

commercial vehicle registrations between September and November of 10.0%, 7.3% and 8.9% respectively compared with the same months last year. Supported by a 5.7% increase in registrations in December, 2019 as a whole was again stabilised so that all the main EU markets (Germany, France, UK, Italy and Spain) still showed positive growth according to the ACEA.

This corresponds to the figures released by Germany's Association of International Motor Vehicle Manufacturers (VDIK<sup>4</sup>), which showed the commercial vehicle market continuing the positive trend from 2018 in the year under review and reaching another high level in the process. With an increase of 6.0% over the previous year, over 400,000 commercial vehicles were registered in Germany for the first time. Once again, the growth driver was the high-volume light commercial vehicle division, which grew by 7.0% to 305,000 units in 2019. Sales of heavy commercial vehicles over 16 tonnes increased by 2.0% to almost 68,000 vehicles. New registrations of commercial vehicles with an overall vehicle weight between 3.5 and 16 tonnes rose by 10.0% to more than 30,000 units.

#### Multi-year comparison for the Automotive division:

	2019	2018	2017	2016
<b>Sales</b> (in EUR million)	<b>379.5</b>	<b>423.9</b>	<b>375.4</b>	<b>343.4</b>
Change (absolute) (in EUR million)	-44.4	48.5	32.0	-1.5
Change (relative)	-10.5%	12.9%	9.3%	-0.4%
<b>EBIT</b> (in EUR million)	<b>3.2</b>	<b>3.8</b>	<b>1.7</b>	<b>6.0</b>
EBIT margin	0.8%	0.9%	0.5%	1.7%
Non-recurring and prior-period effects* (in EUR million)	0.2	6.3	5.4	4.0
<b>Adjusted EBIT</b> (in EUR million)	<b>3.4</b>	<b>10.1</b>	<b>7.1</b>	<b>10.0</b>
Adjusted EBIT margin	0.9%	2.4%	1.9%	2.9%

\* 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 HÖRMANN Automotive Penzberg GmbH resulted in non-recurring income of EUR 1.2 million in the first half of 2019.

<sup>3</sup> See ACEA, Press Embargo, 23 January 2020

<sup>4</sup> See VDIK, Press Release, 10 January 2020

The Automotive division generated sales of EUR 379.5 million in 2019 (previous year EUR 423.9 million). In addition to the deconsolidation of HÖRMANN Automotive Penzberg GmbH as at 1 April 2019, the reason for the decrease of EUR 44.4 million was the noticeable decline in the order situation of European truck manufacturers from autumn 2019 onwards.

Adjusted EBIT (before non-recurring and prior-period effects of EUR -0.2 million) amounted to EUR 3.4 million (previous year: EUR 10.1 million). In addition to the declining order situation as at autumn 2019, this decrease was primarily due to higher personnel expenses at the Penzberg plant and the deconsolidation of the company with effect from 1 April 2019, as well as higher costs caused by the very high degree of production utilisation in the first half of 2019 and the plant and production relocation from Penzberg to Bánovce, Slovakia.

The focus of the 2019 financial year was on the relocation of labour-intensive product components from HÖRMANN Automotive Penzberg GmbH to the plant in Bánovce, Slovakia. Over 1,000 product items with a total sales volume of around EUR 40 million had been relocated without interrupting production by the end of the year. To this end, production capacity at the plant in Slovakia plant was expanded fourfold to around 20,000 square metres.

The division was also able to acquire the first e-mobility order for the assembly plant in Wackersdorf. Against the background of CO<sub>2</sub> targets and the public debate on climate protection, the focus is also on electric and hybrid vehicles, with German OEMs currently expanding their portfolios accordingly. The range of vehicles is increasing very dynamically every year. In addition to the OEMs' products, infrastructure will also grow more strongly. Without infrastructure, e-mobility cannot function. HÖRMANN Automotive has successfully established itself as an assembly partner and supplier of charging stations.

The main customer for the Automotive division in 2019 remained TRATON SE, primarily with its subsidiary MAN Truck & Bus AG. According to TRATON SE<sup>5</sup>, MAN Truck & Bus AG sold 105,000 vehicles in the reporting year, compared with 103,000 in 2018. Adjusted for the TGE Transporter product range, which is not relevant to the Automotive division, truck sales in the year under review fell by 5% compared with 2018, which is in line with the business development of the Automotive division.

#### Communication division

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

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 are making rail transport more important. At the same time, the environment and technological requirements are changing, influenced by digitalisation and automation.

In Germany, sales in the railway industry dropped slightly in 2019, but remained at a high level. For the first half of 2019, the German Railway Industry Association (VDB<sup>6</sup>) calculated a decline in the industry volume by 3.7% to EUR 5.2 billion compared with the same period in 2018. According to the VDB, the main reason for the weaker development was unequal competitive conditions on the world market. Export sales were particularly gloomy, falling by 5%. In Germany, the rail industry generated around 3% lower sales volumes than in the same period of the previous year. Rolling stock remained the strongest contributor to sales, accounting for around two thirds of total sales. An 8% decline in this area was offset by significant growth in the infrastructure sector, which was up 6%. Incoming orders in the domestic rail

industry rose by a pleasing 25% by mid-2019. These high levels of incoming orders led to a significant increase in sales in the second half of 2019.

Industry estimates indicate that suppliers of electronic security technology in Germany will again record significant sales growth in 2019. According to a survey conducted by the German Federal Security Technology Association (BHE<sup>7</sup>), sales are anticipated to have increased by around 6% in the year under review. The video surveillance technology segment was again able to achieve particularly strong growth (+7.0%). According to the association, the announcement by Deutsche Bahn and the Federal Government to expand video security at railway stations had a particular impact here. Sales are also expected to increase in the other security technology areas such as intruder and fire alarm systems, voice alarm and access control systems and smoke and heat extraction systems.

In 2019, the Communication division developed positively, with growth targets of EUR 104.0 million being fully achieved, and even exceeded. Consolidated sales amounted to EUR 108.4 million (previous year: EUR 96.1 million). The company benefited from the noticeable increase in demand and the favourable product mix.

EBIT enjoyed even more dynamic growth of EUR 5.3 million (or 43.8%) to EUR 17.4 million, thereby significantly exceeding the prior-year figure of EUR 12.1 million and the planned EBIT for 2019 of EUR 12.0 million. In addition to growth in underlying business and high capacity utilisation, the margin primarily improved thanks to continuous improvements to cost structures, quality and processes. International project orders also contributed to income. For example, the warning systems product area implemented a siren warning system for disaster control in Brazil. In the passenger information product area, more than 200 display systems and over 150 information terminals were installed and put into operation in stations throughout Luxembourg, so that passengers in Luxembourg are now informed visually and by voice using technology from Funkwerk Systems GmbH.

#### Multi-year comparison for the Communication division

	2019	2018	2017	2016
<b>Sales</b> (in EUR million)	<b>108.4</b>	<b>96.1</b>	<b>92.0</b>	<b>69.8</b>
Change (absolute) (in EUR million)	12.3	4.1	22.2	41.3
Change (relative)	12.8%	4.5%	31.8%	144.9%
<b>EBIT</b> (in EUR million)	<b>17.4</b>	<b>12.1</b>	<b>7.6</b>	<b>6.9</b>
EBIT margin	16.1%	12.6%	8.3%	9.9%

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

#### Engineering division

HÖRMANN Industries and its subsidiaries offer a broad range of products in the Engineering division. A detailed description of these activities can be found in the section 'Basic information on the Group' (page 50). The division's business development primarily depends on the economic performance of the construction, logistics and railway vehicle construction industries.

In 2019, the construction industry was one of the drivers of Germany's economic growth. According to the Federation of the German Construction Industry (HDB<sup>8</sup>) and the Central Association of the German Construction Industry (ZDB), sales in the main construction industry rose by 8.5% to EUR 137.2 billion. In residential construction, favourable framework conditions such as high levels of employment, real income growth and inexpensive financing conditions ensured sales of almost EUR 51 billion. Commercial construction (around EUR 49 billion) and public construction (approximately EUR 38 billion) also recorded solid sales.

The logistics industry also developed positively for HÖRMANN Industries in the past year. According to the German Logistics Association (BVL<sup>9</sup>), sales generated across all industries increased by around 1.8% to EUR 279 billion in 2019. This estimate is supported by the logistics consulting firm Logivest<sup>10</sup>, which recorded the annual new construction volume in the German logistics property market. The volume of new construction fell by around 20% to 4.2 million square metres compared with the record year 2018.

<sup>5</sup> See TRATON SE, CN, 23 March 2020

<sup>6</sup> See German Railway Industry Association (VDB), Press Release No. 11/2019 dated 15 October 2019

<sup>7</sup> See German Federal Security Technology Association, BHE Aktuell April 2019

<sup>8</sup> See HDB, Press Release, 20 December 2020

<sup>9</sup> See BVL, Press Release, 07 January 2020

<sup>10</sup> See Logivest, Seismograph Q4 2019

However, the threshold of 4 million square meters of newly built logistics space in 2019 was exceeded for the second time since records began and remained at a very high level.

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.

The strongest company in the Engineering division in terms of sales, HÖRMANN Logistik GmbH, continued to develop positively. With incoming orders of around EUR 45 million in 2019, orders on hand increased to approximately EUR 51 million as at 31 December 2019. Of particular note is the order for an automatic channel storage system for large pallets for a well-known corrugated board manufacturer. In the area of vehicle development, HÖRMANN Vehicle Engineering GmbH gained the Swiss Federal Railways as a new customer. The company will develop a carrying wagon concept whose innovative design and production concept will achieve a weight reduction compared with the previous wagons. In addition to optimising individual areas, this involves leveraging synergies within the Group using production methods from the commercial vehicle division.

AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, the Group's general contractor specialist for building construction and technical building services, again benefited from the sustained high level of industrial construction activity in 2019.

Factory planner HÖRMANN Rawema Engineering & Consulting GmbH successfully implemented larger projects in close cooperation with AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH and HÖRMANN Automotive GmbH as well as technical challenges in the construction of new plants for forming technology.

As in previous years, Vacutec Messtechnik GmbH based in Dresden, which specialises in radiation measuring, once again underpinned positive business development in 2019.

As expected, sales in the Engineering division rose sharply again in the reporting period from EUR 65.6 million to EUR 86.9 million due to the multi-year project orders invoiced in 2019 and Klatt Fördertechnik GmbH, which was consolidated for the first time on 1 April 2019. The good business situation resulted in EBIT of EUR 9.5 million (previous year: EUR 8.6 million). All the subsidiaries in the Engineering division made positive contributions to this encouraging earnings performance.

#### Multi-year comparison for the Engineering division

	2019	2018	2017	2016
<b>Sales</b> (in EUR million)	<b>86.9</b>	<b>65.6</b>	<b>33.3</b>	<b>51.8</b>
Change (absolute)(in EUR million)	21.3	32.3	-18.5	-10.1
Change (relative)	32.5%	97.0%	-35.7%	-16.4%
<b>EBIT</b> (in EUR million)	<b>9.5</b>	<b>8.6</b>	<b>5.1</b>	<b>3.9</b>
EBIT margin	10.9%	13.1%	15.3%	7.5%

#### Services division

The Services division bundles the industrial and public infrastructure service offering of HÖRMANN Industries, which the company intends to use to leverage the growth potential resulting from the implementation of automation, communication technologies and electric mobility.

According to the latest calculations by the German Federal Statistical Office (Destatis<sup>11</sup>) in January 2020, economic output in the manufacturing industry excluding construction fell significantly by 3.6% in 2019. The weak automotive industry had a significant influence on this. These calculations are confirmed by the 'Maintenance' sector indicator of the Institute for Industrial Management (FIR) at RWTH Aachen University<sup>12</sup>. According to this, the industrial maintenance indicator fell to 26 points in the third quarter of 2019 (previous year: 34 points), indicating a direct correlation with the decline in demand for industrial services in the German manufacturing industry. The resulting cost-cutting programs of leading automotive and industrial groups weighed heavily on the Services division in the past financial year.

In this difficult industrial market environment, the Services division increased sales from EUR 38.5 million in 2018 to EUR 47.2 million in 2019, with the increase attributable almost exclusively to infrastructure services. EBIT fell year-on-year from EUR 1.2 million in 2018 to EUR -2.9 million in 2019 due to the increasingly weak order situation in the automotive and mechanical engineering industries, high project follow-up costs and the restructuring of industrial service units initiated in the second half of the year.

By contrast, the infrastructure service business developed positively. Here, we succeeded in acquiring noteworthy orders for Deutsche Bahn AG's track extension and for station equipment in the area of local transportation. Pleasingly, synergy potential with the Communication division was thus increased.

For this reason, it was decided that HÖRMANN Kommunikation & Netze GmbH would be allocated to the Communication division with effect from 1 January 2020.

HÖRMANN Kommunikation & Netze GmbH and HÖRMANN Industrieservice GmbH, which were still allocated to other divisions in 2016, are shown on a pro forma basis in the multi-year comparison below.

#### Multi-year comparison for the Services division

	2019	2018	2017	2016
<b>Sales</b> (in EUR million)	<b>47.2</b>	<b>38.5</b>	<b>21.2</b>	<b>23.8</b>
Change (absolute) (in EUR million)	8.7	17.3	-2.6	23.8
Change (relative)	22.6%	81.6%	-10.9%	-
<b>EBIT</b> (in EUR million)	<b>-2.9</b>	<b>1.2</b>	<b>0.5</b>	<b>0.2</b>
EBIT margin	-6.1%	3.1%	2.4%	0.8%
Non-recurring and prior-period effects* (in EUR million)	2.4	0.0	0.0	0.0
<b>Adjusted EBIT</b> (in EUR million)	<b>-0.5</b>	<b>1.2</b>	<b>0.5</b>	<b>0.2</b>
EBIT margin	-1.1%	3.1%	2.4%	0.8%

\* 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.

<sup>11</sup> See DESTATIS, Press Release No. 18, German Federal Statistical Office, 15 January 2020

<sup>12</sup> See FIR, RWTH Aachen, 'Maintenance' sector indicator, 9 January 2020

# Report on opportunities, risks and expected developments

## OUTLOOK

### Economic environment

The global economy is currently suffering to an unprecedented extent from the consequences of the spread of the Covid-19 coronavirus. Forecasts by experts are subject to a high degree of uncertainty regarding the duration and severity of the pandemic. A reliable forecast of the economic consequences and the associated economic and financial implications is not possible at the time of preparing this management report. All available forecasts of the economic institutes and the German Council of Economic Experts also point to the enormous uncertainties regarding future developments.

In its special report published on 30 March 2020, the latest forecast by the German Council of Economic Experts<sup>13</sup> assessing the overall economic development assumes that the coronavirus pandemic will lead to a recession in Germany, and that the German economy will contract in 2020. The base scenario, which according to current information is the most probable scenario in the opinion of the German Council of Economic Experts, assumes a sharp slump in the second quarter (similar to a V-curve), but a return to normal in the summer with significant growth in the third and fourth quarters of this year. In the base scenario, the German Council of Economic Experts expects an average GDP contraction of -2.8% in 2020. In 2021, GDP could then rise by 3.7% as a result of catch-up effects.

In view of the extraordinarily dynamic development of the coronavirus pandemic and the currently unforeseeable consequences for the economy and the financial system in the large economies of Italy, Spain and France, a reliable statement on the economic development in the eurozone for 2020 is not considered possible at present and is therefore based solely on the forecasts for Germany.

It should be noted that the downside risks in this forecast are considerable. According to the German Council of Economic Experts, in an alternative risk scenario presented ('long U-scenario'), if the restrictive measures are extended or if further large-scale

production shutdowns occur, it is quite conceivable that an average decline in GDP in a range of -4.5% to -5.4% will occur in 2020. Repercussions on the economy via the financial markets and the European banking system, deteriorating financing conditions and, as a result, a high degree of reluctance to invest on the part of industry and a high level of consumer reluctance to buy may delay the economic recovery into 2021 and lead to relatively low growth of only 1.0% in 2021. According to the scenario calculation of the German Council of Economic Experts, GDP at the end of 2021 would thus still be significantly below the level that would have arisen without the coronavirus crisis.

### Industry-specific conditions for HÖRMANN Industries

Industry-specific developments also have a significant impact on the operating performance of the HÖRMANN divisions. However, the assumptions and forecasts made were taken from sources that were published before the massive spread of the coronavirus and are now only of limited informative value. These original assumptions are presented in the following.

### Outlook for the Automotive division

Germany's Association of International Motor Vehicle Manufacturers (VDIK<sup>14</sup>) calculated in its forecast dated 10 January 2020 that the market for commercial vehicles would decline for the year 2020 as a whole. With 375,000 registered units, the VDIK expected a drop of around 8.5% compared with 2019, even before the coronavirus pandemic.

Major manufactures and key HÖRMANN customers such as Traton SE or Daimler Trucks<sup>15</sup> have also reacted to the cooling of the European market – which was already noticeable in the second half of 2019 – by reducing order intake by more than 15% and introducing structural measures to reduce capacity. At present, it can also be assumed that the interruptions to production lasting several weeks of all automotive and commercial vehicle manufacturers will place an additional considerable burden on the

industry's sales in 2020. TRATON SE<sup>16</sup>, the HÖRMANN Automotive division's largest customer, recently announced that the outlook from the 2020 Annual Report from the beginning of February 2020 would no longer be valid once the production stops occurred, but that an updated outlook would not be possible due to the current fast-paced changes. Both the cyclical downturn anticipated in the planning as well as the current effects of the coronavirus pandemic on the demand for commercial vehicles, which cannot be estimated at present, will affect the Automotive division of HÖRMANN Industries in 2020. A qualified outlook for the business development of the Automotive division in 2020 is not possible at the present time.

### Outlook for the Communication division

In its current forecast in the publication 'Die Bahn-industrie in Deutschland – Ausgabe 2019' (The German Rail Industry – 2019 Issue)<sup>17</sup> dated January 2019, the VDB expected that the railway industry would benefit from some globally significant trends in the coming years. This will also have consequences for the rail industry in Western Europe, which is expected to achieve annual market growth of around 2.3% and hence a forecast market volume of EUR 42.9 billion by 2023 on the back of factors such as increasingly stringent climate and environmental protection requirements, the advance of digitisation ('Rail 4.0') and the continued growth in conurbations.

In addition, the Federal Government and Deutsche Bahn AG signed the Performance and Financing Agreement III (LuFV III) at the beginning of 2020. According to this agreement, the Federal Government will invest EUR 62 billion in the modernisation of the rail network over the next ten years. Deutsche Bahn intends to contribute an additional EUR 24 billion. In total, Deutsche Bahn will have about EUR 12.2 billion at its disposal for 2020 alone, EUR 1.5 billion more than last year. Furthermore, the Group presented its 'Digital Rail for Germany' programme in mid-January 2018. Among other things, this involves replacing physical signal boxes with digital signalling. Between now and 2030, experts expect Deutsche Bahn alone to invest up to EUR 30 billion in this upgrade in order to increase rail traffic capacity by up to 20%<sup>18</sup>.

In addition, the market for digital security, surveillance, communication and network technology is characterised by stable demand, which is expected to continue in the coming years.

The relatively profitable Communication division assumes that, as it is largely unaffected by the coronavirus pandemic, it will be able to make up the sales shortfall in the further course of the year and will benefit from government economic stimulus and investment promotion programmes for infrastructure in the second half of the year.

### Outlook for the Engineering division

In their December 2019 forecasts, the Federal of the German Construction Industry (HDB<sup>19</sup>) and the Central Association of the German Construction Industry (ZDB) also forecast a positive trend for the construction industry in the current financial year. Sales in the main construction industry are expected to increase by 5.5% to EUR 145 billion. All three sectors, residential (+7.0%), commercial (+5.5%) and public construction (+4.0%) will again contribute to growth. In its current forecast dated 12 March 2020, the Kiel Institute for the World Economy (IfW Kiel<sup>20</sup>) also assumes that the construction industry will hardly be affected by the coronavirus, as it continues to benefit from brisk demand for housing and no major restrictions on production are to be expected.

The logistics industry is also optimistic with regard to development in 2020. In its forecast dated 7 January 2020, the German Logistics Association (BVL) anticipated sales to increase by 2.2% to a new record of EUR 285 billion in the current year. However, Logivest<sup>21</sup> is already making reference to the challenges in the industry, including the uncertainties in economic development.

However, the changes in living conditions associated with the coronavirus pandemic are likely to cause the Internet mail order business to expand further and lead to increased demand for packaging materials, which in turn will benefit HÖRMANN Logistik GmbH in the construction of additional high-bay warehouses.

VacuTec Messtechnik GmbH based in Dresden is even benefiting to a large extent from the coronavirus crisis and the resulting sharp rise in demand for radiation dose detectors for X-ray equipment. With an increase in incoming orders, production is currently running at full capacity. In connection with the strong distribution network for global exports and the coronavirus pandemic, which is likely to continue worldwide for some time to come, the company assumes that demand will remain very high for the rest of the year.

<sup>13</sup> See German Council of Economic Experts, Special Report, 22 March 2020

<sup>14</sup> See VDIK, Press Release, 10 January 2020

<sup>15</sup> See DAIMLER AG, Press Release, 3 January 2020

<sup>16</sup> See TRATON SE, Press Release, 15 January 2020

<sup>17</sup> See VDB, Facts and Figures for the Railway Market, January 2019

<sup>18</sup> See Deutsche Bahn AG, Press Release dpa, 29 January 2020

<sup>19</sup> See HDB, Press Release, 20 December 2020

<sup>20</sup> Ifo, Schnelldienst 4/2020, 15 April 2020

<sup>21</sup> See Logivest, Seismograph Q4 2019

In view of the longer-term projects and the primarily knowledge-based business system, which can also create added value in virtual working environments in the home office, the Engineering division assumes that it will be able to make up for the sales shortfalls resulting from the coronavirus pandemic in the further course of the year.

#### **Outlook for the Services division**

The Institute for Industrial Management at RWTH Aachen University (FIR<sup>22</sup>) records the sentiment in terms of economic development in the maintenance industry in Germany in its quarterly indicator, 'Maintenance'. After a slowdown in the course of 2019, industrial maintenance service providers assessed the economic climate somewhat more positively in the fourth quarter of 2019. The index value reached the previous year's level despite the tense situation in the industry.

The plant closures by German automotive manufacturers and the massive drop in production by German machine tool manufacturers are currently showing a significant decline in demand for industrial services. However, the Services division anticipates that demand for industrial services will pick up again significantly as the year progresses, as the maintenance and repair backlog that has arisen is cleared and many investment projects currently on hold for the conversion to electromobility in the automotive industry are completed.

#### **Outlook for HÖRMANN Industries Group**

Economic and industry-specific developments have a decisive influence on the operational and financial development of HÖRMANN Industries. 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.

At the time of preparing this Annual Report in March and April 2020, the business activities of HÖRMANN Industries were significantly impaired by the spread of the novel coronavirus, the associated restrictions on public life and the large-scale closure of production capacities in the automotive industry. As a result, production in the HÖRMANN Automotive and HÖRMANN Services plants in Germany was also temporarily interrupted. The Automotive plants in Gustavsburg and Wackersdorf were particularly

affected by this, but the plants in St. Wendel, Saarbücken, Ebersbach and the Services locations in Salzgitter and Wolfsburg also felt the effects.

Against this background and in view of the great uncertainty prevailing at the time of preparing this report with regard to the further course of the pandemic and the subsequent economic and financial effects of this crisis in the eurozone, HÖRMANN Industries assumes that the economic consequences of the spread of the coronavirus will have a significant impact on the sales and earnings performance of the company in 2020. The estimates presented in this chapter regarding the expected business performance of HÖRMANN Industries in 2020 only take this into account as an estimate from the current perspective. In accordance with the base scenario of the German Council of Economic Experts, the company is assuming that the situation will gradually normalise by mid-year and that the economy will recover significantly in the second half of the year. However, any negative developments beyond this, such as the risk scenarios presented by the German Council of Economic Experts, may mean that the de facto results for the 2020 financial year differ from the forecast values.

At Group level, after assessing the declining order situation of high-volume customers in the commercial vehicle industry and taking into account the impact of the current coronavirus crisis, HÖRMANN Industries expects total sales in 2020 of between EUR 480 million and EUR 520 million (previous year: EUR 622.2 million). A positive operating EBIT is still being targeted for the operating business, but this will be significantly below the previous year's figure (EBIT of EUR 23.7 million) due to the overall economic recession and the expected declining market development, particularly in the Automotive division. Further forecasts are not made against the background of a lack of reliability.

All in all, the four divisions of HÖRMANN Industries 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, are subject to fluctuations that could impair the business activities and results of operations of HÖRMANN Industries.

HÖRMANN Industries 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, particularly in the commercial vehicle industry and thus in the HÖRMANN Automotive division, that substantially impacted HÖRMANN Industries business activities. A renewed crisis scenario such as the current coronavirus pandemic, the debt situation of many industrialised nations, political instability or instability of the financial system and the associated economic downturn could have a significant impact on the business activities of HÖRMANN Industries.

HÖRMANN Industries' 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 to gain market share.

HÖRMANN Industries' 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 Industries 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.

HÖRMANN Industries' 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' 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 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 generated over 40 % of its sales with Volkswagen AG and its subsidiaries in the 2019 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.

Some of HÖRMANN Industries' 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 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 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.

### **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.

<sup>22</sup>See FIR, RWTH Aachen, 'Maintenance' sector indicator, 9 January 2020

### Risks in connection with the coronavirus pandemic

Since March 2020, the environment of HÖRMANN Industries has been increasingly burdened by the coronavirus 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 and therefore cannot be secured. The further course of the coronavirus pandemic and the specific consequences for the real economy and the financial system – and thus possibly also for HÖRMANN Industries – cannot be predicted. Furthermore, there is no historical experience of comparable events from which probable scenarios can be derived.

It cannot be ruled out that, even after the current coronavirus pandemic has been contained in the next few months, a second wave may occur in the winter or next year, with renewed significant impairments to the business activities of HÖRMANN Industries.

The extent of the impact of the coronavirus pandemic on the economy as a whole and on HÖRMANN Industries cannot yet be estimated. The Group is feeling the first effects in the interruption of production by automotive and commercial vehicle manufacturers lasting several weeks and in project and schedule postponements by its business partners. In addition, travel restrictions have been defined for the Group itself, which are currently severely restricting 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 not change significantly. In order to deal with the continuously changing situation in the best possible way, HÖRMANN Industries is in constant communication with our customers and suppliers. 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, and all German automotive plants immediately applied for reduced working hours.

As a result of the broad globalisation of the world economy, the ever stronger growth in worldwide tourism and global warming, 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' 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 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 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. 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 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.

### 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. The company tries to counteract these influences by regularly 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.

### IT risks

The HÖRMANN Industries 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, network attacks and data loss or manipulation could jeopardise their ability to deliver and give rise to claims for damages. Accordingly, the company works to permanently optimise its IT environment in close cooperation with external experts.

### Project organisation and management risks

HÖRMANN Industries 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. 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) has an investment in a consortium under Algerian law (Groupe-Funkwerk Contel pletta). 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, 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. 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 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 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 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 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 is responding to this demographic challenge with a variety of activities in staff marketing and development.

### Procurement and production risks

HÖRMANN Industries' 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' 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.

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 primarily operates production sites in Germany. 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. Unplanned price rises also have negative consequences for the results of operations. To prevent this, HÖRMANN Industries 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 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 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 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. Similar liability risks also exist for services and deliveries in the project business of the Communication, Engineering and Services divisions. If the Group's companies are unable to ensure on-time delivery or services in line with customer requirements and HÖRMANN Industries jeopardises production at the customer or the completion of sub-groups as a result, this could lead to increased costs and recourse claims against HÖRMANN Industries or the loss of orders, which would have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries.

#### **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' business activities or considerably impact its net assets, financial position or results of operations.

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

HÖRMANN Industries 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 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 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 backpayment 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 and its commercial and tax law structures. HÖRMANN Industries 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 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.

#### **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 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 has implemented a comprehensive compliance system.

#### **Risks in connection with financial obligations**

HÖRMANN Industries 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.

#### **Litigation risks**

HÖRMANN Industries 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.

#### **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. 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.

#### **Risks in connection with violations of environmental protection**

HÖRMANN Industries 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.

#### **Risks in connection with violations of industrial property rights**

Competitors could copy HÖRMANN Industries products and techniques or could unknowingly infringe upon patents of HÖRMANN Industries. Furthermore, the possibility of HÖRMANN Industries 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.

#### **Risks from a lack of credit**

HÖRMANN Industries 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, this could have a significant impact on the business activities of HÖRMANN Industries.

#### **Risks in connection with issuing bonds**

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 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 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

In the largest division, **Automotive**, HÖRMANN Industries is continuing to pursue a strategy of being a 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 the forecasts of its customers and the industry association VDA, HÖRMANN Industries expects the European market excluding Russia to see a downturn in sales figures for commercial vehicles in 2020 compared with 2019. Industry analysts still expect demand for commercial vehicles to rise in the medium term. The main drivers for this forecast are the successive obsolescence of existing vehicle fleets, sharply increasing requirements in terms of exhaust quality and the high level of demand for light commercial vehicles, particularly vans for delivering parcels.

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 with a corresponding positive impact on sales forecasts. HÖRMANN Industries expects the outsourcing of in-house production activities by international commercial vehicle manufacturers to result in additional customers and orders. The continued growth in vehicle derivatives and the development of new vehicle concepts for alternative powertrains, 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 less expensive foreign plants and the planned stronger positioning as a systems supplier provide strong foundations for obtaining additional customers and orders and a return to the growth course after the effects of the coronavirus crisis have subsided.

### Communication division

The **Communication** division intends to grow while maintaining its strong results of operations and is seeking to further expand its competitive position. 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 growing 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 IoT applications, which add intelligent functions to products and allow customers to manage their resources far more efficiently. Examples include 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 strengthen its export business by entering into new partnerships, including abroad.

In addition to software business, particular opportunities are provided by filter technology for GSM-R radio systems. This new development has allowed the division to further expand its market position and demonstrate its technological lead.

To complete the range of services offered, the infrastructure service provider HÖRMANN Kommunikation & Netz GmbH, Kirchseeon, was transferred from the Services segment to the Communication segment with effect from 1 January 2020, in order to pursue a joint growth strategy and exploit 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 the dynamic industrial development at present. 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 requirements arising from new mobility concepts in order to take advantage of the resulting opportunities. To this end, the Group is planning to strengthen the division's product and customer diversification by extending its range of services, pressing ahead with internationalisation and expanding its engineering capacities.

The expertise within HÖRMANN Vehicle Engineering GmbH offer a range of growth potential. One objective is to work in closer cooperation with the Automotive division in order to intensify networking with OEMs from the commercial vehicle industry and increasingly perform research and development activities for them. The close networking of design expertise, manufacturing technology knowledge and production experience can open up a wide range of new options. In particular, the dynamic development of electric mobility at present, especially in the segment of light commercial vehicles up to 3.5 tonnes, offers additional potential for developing new areas of activity.

However, all the other areas of the Engineering division will also have wide-ranging opportunities for business expansion if HÖRMANN Industries 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

The establishment of the HÖRMANN Industries **Services** division in 2017 reflected 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 regrouped into the Communication division at the start of 2020.

The massive 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. HÖRMANN Industries is laying the foundations for further organic and inorganic growth with the integration and reorientation of the service companies, and the Group 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.

## OVERALL ASSESSMENT OF THE FUTURE DEVELOPMENT OF HÖRMANN INDUSTRIES

Opportunities for the further development of HÖRMANN Industries 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 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 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. 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 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, particularly across division boundaries and in close cooperation with the newly founded HÖRMANN Digital GmbH. 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 retaining employees.

On the basis of the planning drawn up at the end of the 2019 financial year for the 2020 financial year, the management assumed – prior to the start of the coronavirus pandemic – that HÖRMANN Industries would be able to maintain the sales level within a corridor of EUR 575 million to EUR 600 million in 2020 and, despite the high level of investment in the optimisation and expansion of production capacities, achieve a positive result at the level of the previous year. The net assets, financial position and results of operations were expected to remain at a very stable level. With the effects of the current coronavirus crisis, this business plan cannot be achieved. At this point, reference is made to the statements in the outlook.

Due to the current, very dynamic development in connection with the spread of the coronavirus and the currently unforeseeable consequences for the economy and the financial system, it is not possible to make a reliable forecast for the 2020 financial year at the time of preparing the management report. On the basis of HÖRMANN Industries' stable net assets, financial position and results of operations at the beginning of the year and in view of the broad diversification of business activities, the management is nevertheless confident that HÖRMANN Industries will also successfully overcome the challenges that lie ahead.

The management assumes that HÖRMANN Industries will return to the business plans of previous years in the medium term once the coronavirus pandemic and the subsequent recession have subsided, provided that economic conditions stabilise.

## 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 was again developed further in 2019 and contributed to the successful market presence of HÖRMANN Industries with its consulting expertise. The targeted expansion of HÖRMANN Vehicle Engineering GmbH enabled substantial growth in the division's vehicle development expertise, thereby increasing the synergy potential with the Automotive division. Using the latest design, calculation and simulation methods, the strategic development of the Automotive division from a build-to-print manufacturer to a solution provider and system supplier initiated in 2018 was thus further advanced. Within the framework of joint research projects, HÖRMANN Vehicle Engineering is also involved in the development of road vehicles with innovative fuel cell drives. Furthermore, the Rawema factory planning division is researching new methods in connection with the digitalisation of factories and the 3D printing of components.

The primary objective of the extensive research and development (R & D) activities in the **Communication** division is 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 as well as the ongoing

further development of the extensive product-oriented software systems. We are also constantly working on improving our production processes.

To be able to better cover new digital business models and the continuously increasing demand for software products in the individual areas of the Group in the future, HÖRMANN Holding GmbH & Co. KG founded HÖRMANN Digital GmbH. In the future, this competence centre will develop new software-based products and solutions for new digital business models – especially for the Engineering, Communication and Services divisions – by a team of specialists.

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 2020

HÖRMANN Industries GmbH

The Management



Dr.-Ing. Michael Radke



Johann Schmid-Davis

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# Consolidated Balance Sheet

ASSETS (EUR thousand)	31 Dec. 2019	31 Dec. 2018
<b>A. FIXED ASSETS</b>	<b>88,168</b>	<b>64,998</b>
<b>I. Intangible assets</b>	<b>15,438</b>	<b>13,012</b>
1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	1,704	2,119
2. Goodwill	13,672	10,893
3. Advance payments	63	0
<b>II. Tangible assets</b>	<b>51,714</b>	<b>51,194</b>
1. Land, leasehold rights and buildings	12,480	12,375
2. Technical equipment and machinery	25,470	23,426
3. Other equipment, factory and office equipment	7,755	8,921
4. Advance payments and assets under construction	6,009	6,473
<b>III. Long-term financial assets</b>	<b>21,016</b>	<b>793</b>
1. Equity investments	62	52
2. Securities held as fixed assets	203	195
3. Other loans	20,751	546
<b>B. SHORT-TERM ASSETS</b>	<b>208,907</b>	<b>215,816</b>
<b>I. Inventories</b>	<b>53,586</b>	<b>55,010</b>
1. Raw materials, consumables and supplies	23,385	26,770
2. Work in progress	84,003	82,297
3. Finished goods and merchandise	10,333	10,269
4. Advance payments	9,746	6,399
5. Payments received on account of orders	-73,882	-70,725
<b>II. Receivables and other assets</b>	<b>90,500</b>	<b>83,198</b>
1. Trade receivables	64,480	63,557
2. Receivables from affiliated companies	9,295	5,938
3. Other assets thereof to shareholders: EUR 1,320 thousand (previous year EUR 650 thousand)	16,725	13,703
<b>III. Securities</b>	<b>182</b>	<b>182</b>
<b>IV. Cash-in-hand and bank balances</b>	<b>64,639</b>	<b>77,426</b>
<b>C. PREPAID EXPENSES</b>	<b>1,963</b>	<b>1,256</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>13,325</b>	<b>12,433</b>
<b>E. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES</b>	<b>253</b>	<b>237</b>
<b>Total assets</b>	<b>312,616</b>	<b>294,740</b>

# Consolidated Balance Sheet

EQUITY AND LIABILITIES (EUR thousand)	31 Dec. 2019	31 Dec. 2018
<b>A. EQUITY</b>	<b>121,179</b>	<b>112,806</b>
<b>I. Subscribed capital</b>	<b>200</b>	<b>200</b>
<b>II. Capital reserve</b>	<b>43,422</b>	<b>43,717</b>
<b>III. Consolidated balance sheet profit</b>	<b>65,775</b>	<b>58,674</b>
<b>IV. Non-controlling interests</b>	<b>11,782</b>	<b>10,215</b>
<b>B. PROVISIONS</b>	<b>87,437</b>	<b>98,738</b>
1. Pension provisions and similar obligations	18,811	27,539
2. Tax provisions	3,683	1,851
3. Other provisions	64,943	69,348
<b>C. LIABILITIES</b>	<b>103,986</b>	<b>83,151</b>
1. Bonds	50,000	30,000
2. Liabilities to banks	6	272
3. Trade payables	38,968	41,166
4. Liabilities to affiliated companies	1,689	1,058
5. Other liabilities thereof from taxes: EUR 4,713 thousand (previous year EUR 3,746 thousand) thereof for social security EUR 3,694 thousand (previous year EUR 3,704 thousand)	13,324	10,654
<b>D. DEFERRED INCOME</b>	<b>14</b>	<b>45</b>
<b>Total equity and liabilities</b>	<b>312,616</b>	<b>294,740</b>

# Consolidated Income Statement

(EUR thousand)	1 Jan. – 31 Dec. 2019		1 Jan. – 31 Dec. 2018	
	EUR T	EUR T	EUR T	EUR T
1. Sales revenues		622,184		624,148
2. Increase in finished goods and work in progress		5,687		32,171
3. Other internally produced and capitalised assets		334		344
4. Other operating income thereof from currency translation: EUR 131 thousand (previous year EUR 161 thousand)		12,995		18,439
5. Cost of materials		352,018		352,846
a) Expenses for raw materials, consumables and supplies and purchased goods	282,391		287,458	
b) Cost of purchased services	69,627		65,388	
<b>Gross profit</b>		<b>289,182</b>		<b>322,256</b>
6. Personnel expenses		174,525		199,756
a) Wages and salaries	146,470		168,402	
b) Social contributions and expenses for pensions and social welfare thereof pensions: EUR 267 thousand (previous year EUR 232 thousand)	28,055		31,354	
7. Depreciation and amortization on tangible and intangible assets		11,813		16,695
8. Other operating expenses thereof from currency translation: EUR 124 thousand (previous year EUR 165 thousand)		78,081		79,377
		<b>24,763</b>		<b>26,428</b>
9. Income from equity investments and associated companies		0		8
10. Income from other securities and loans from financial assets		1		0
11. Other interest and similar income thereof from discounting of provisions EUR 9 thousand (previous year EUR 0) thereof from associated companies: EUR 171 thousand (previous year EUR 172 thousand)		533		311
12. Depreciation of financial assets and securities held as current assets		5,825		27
13. Interest and similar expenses thereof from compounding of provisions EUR 733 thousand (previous year EUR 786) thereof from associated companies: EUR 117 thousand (previous year EUR 161 thousand)		5,003		2,995
14. Taxes on income		4,487		5,615
15. Deferred taxes (- income)		-892		2,179
<b>16. Earnings after taxes</b>		<b>10,874</b>		<b>15,931</b>
17. Other taxes		1,019		1,292
<b>18. Consolidated net income</b>		<b>9,855</b>		<b>14,639</b>
19. Non-controlling interests		-2,754		-2,024
20. Consolidated net profit		7,101		12,615
21. Profit brought forward from the prior year		58,674		46,060
<b>22. Consolidated balance sheet profit</b>		<b>65,775</b>		<b>58,674</b>

# Consolidated Cash Flow Statement

(EUR thousand)	1 Jan. – 31 Dec. 2019	1 Jan. – 31 Dec. 2018
+ Consolidated income (Consolidated net income/loss including income/loss attributable to non-controlling interests)	9,855	14,639
+/- (+) Depreciation/(-) write-ups on fixed assets	11,813	12,995
+/- (+) Depreciation/(-) write-ups of extraordinary amount on fixed assets	0	3,700
+/- (+) Increase/(-) Decrease in provisions	6,135	5,701
+/- Other non-cash expenses/income	-4,454	-7,998
+/- (+) Decrease (-) Increase in inventories, trade receivables and other assets that are not attributable to investing or financing activities	-26,993	-17,995
+ (-) Decrease (+) Increase in liabilities from trade payables and other liabilities that are not attributable to investing or financing activities	7,332	-2,182
+/- (-) Gain/(+) Loss from disposal of fixed assets	-144	389
+/- Interest expenses/income	4,470	2,684
- Other investment income	0	-8
+/- Expenses and income of extraordinary amount and importance	7,647	1,851
+/- Income tax expenses/income	3,595	7,794
+/- Proceeds in conjunction with expenses of extraordinary amount and importance	0	5,076
+ Payments in conjunction with expenses of extraordinary amount and importance	-1,567	-3,033
- Income tax payments	-4,740	-7,386
<b>= Cash flow from operating activities</b>	<b>12,950</b>	<b>16,227</b>
+ Proceeds from the disposal of intangible and fixed assets	7	27
- Payments for intangible assets	-1,084	-861
+ Proceeds from sales of property, plant and equipment	895	707
- Payments for property, plant and equipment	-13,360	-10,656
- Payments for investments in non-current financial assets	-26,084	-129
- Payments for additions to the consolidated group	-1,615	0
+ Interests received	265	112
<b>= Cash flow from investing activities</b>	<b>-40,976</b>	<b>-10,800</b>
+ Proceeds from the bond issue	50,000	0
- Payment from the bond redemption	-30,000	0
- Dividends paid to other shareholders	-1,843	-1,365
- Payments for redemption of (financial) loans	-266	-205
- Interests paid	-2,140	-1,899
<b>= Cash flow from financing activities</b>	<b>15,751</b>	<b>-3,469</b>
<b>Increase/decrease of cash flow</b>	<b>-12,275</b>	<b>1,958</b>
<b>Liquid funds at the start of the period</b>	<b>77,426</b>	<b>75,468</b>
Change in cash and cash equivalents due to changes in consolidated group	-512	0
<b>Liquid funds at the end of the period</b>	<b>64,639</b>	<b>77,426</b>

# Consolidated Statement of Changes in Fixed Assets

(EUR thousand)

A. FIXED ASSETS	ACQUISITION OR CONSTRUCTION COSTS							DEPRECIATION						BOOK VALUES	
	As of 1 Jan. 2019	Addition	Consolidation- related changes	Disposal	Transfers	Exchange rate differences	As of 31 Dec. 2019	As of 1 Jan. 2019	Addition	Disposal	Consolidation- related changes	Transfers	As of 31 Dec. 2019	Book value 31 Dec. 2019	Book value 31 Dec. 2018
<b>I. Intangible Assets</b>															
1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	3,908	977	-1,094	-454	45	0	3,382	1,789	1,185	-447	-850	0	1,678	1,704	2,119
2. Goodwill	31,033	505	4,710	0	0	0	36,248	20,140	2,436	0	0	0	22,576	13,672	10,893
3. Advance payments	0	0	0	0	63	0	63	0	0	0	0	0	0	63	0
<b>Total intangible assets</b>	<b>34,941</b>	<b>1,492</b>	<b>3,615</b>	<b>-454</b>	<b>97</b>	<b>0</b>	<b>39,692</b>	<b>21,929</b>	<b>3,621</b>	<b>-447</b>	<b>-850</b>	<b>0</b>	<b>24,253</b>	<b>15,438</b>	<b>13,012</b>
<b>II. Tangible assets</b>															
1. Land, leasehold rights and buildings	13,731	404	-53	-51	456	0	14,487	1,357	728	-50	-18	-9	2,007	12,480	12,375
2. Technical equipment and machinery	41,392	3,694	-18,258	-833	4,579	0	30,573	17,968	4,692	-685	-16,863	-9	5,104	25,470	23,426
3. Other equipment, factory and office equipment	15,811	3,030	-5,697	-438	46	0	12,753	6,890	2,772	-427	-4,234	-3	4,997	7,755	8,921
4. Advance payments and assets under construction	6,473	6,325	-922	-686	-5,181	0	6,009	0	0	0	0	0	0	6,009	6,473
<b>Total tangible assets</b>	<b>77,406</b>	<b>13,453</b>	<b>-24,930</b>	<b>-2,008</b>	<b>-100</b>	<b>0</b>	<b>63,822</b>	<b>26,213</b>	<b>8,192</b>	<b>-1,162</b>	<b>-21,116</b>	<b>-21</b>	<b>12,108</b>	<b>51,714</b>	<b>51,194</b>
<b>III. Long-term financial assets</b>															
1. Equity investments	52	5,834	0	0	0	0	5,887	0	5,825	0	0	0	5,825	62	52
2. Securities held as fixed assets	781	0	8	0	0	0	788	585	0	0	0	0	585	203	195
3. Other loans	546	20,250	0	0	-44	0	20,751	0	0	0	0	0	0	20,751	546
<b>Total long-term financial assets</b>	<b>1,378</b>	<b>26,084</b>	<b>8</b>	<b>0</b>	<b>-44</b>	<b>0</b>	<b>27,426</b>	<b>585</b>	<b>5,825</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,410</b>	<b>21,016</b>	<b>793</b>
<b>Total Fixed Assets</b>	<b>113,727</b>	<b>41,030</b>	<b>-21,308</b>	<b>-2,462</b>	<b>-47</b>	<b>0</b>	<b>130,940</b>	<b>48,728</b>	<b>17,638</b>	<b>-1,609</b>	<b>-21,965</b>	<b>-21</b>	<b>42,771</b>	<b>88,168</b>	<b>64,998</b>

# Consolidated Statement of Equity Changes

(EUR thousand)

	EQUITY OF THE PARENT COMPANY				Total	NON-CONTROLLING INTERESTS  Total capital attributable to non-controlling interests	EQUITY
	Reserves			IV. Consolidated balance sheet profit			
	I. Subscribed capital	II. Capital reserve	III. Retained earnings Other retained earnings				
<b>Balance at 1 Jan. 2018</b>	200	43,717		46,060	89,977	9,667	99,644
Consolidated profit				12,615	12,615	2,024	14,639
Distributions						-1,476	-1,476
<b>Balance at 31 Dec. 2018</b>	200	43,717		58,674	102,592	10,215	112,806
<b>Balance at 1 Jan. 2019</b>	200	43,717		58,674	102,592	10,215	112,806
Consolidated profit				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				
<b>Balance at 31 Dec. 2019</b>	200	43,422		65,775	109,397	11,782	121,179



“Our greatest responsibility is to maintain the HÖRMANN Group as a family company for the next generation.”

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 2019 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)).

In order to improve the insight into the earnings situation, the consolidated income statement has been expanded to include the subtotal gross profit. In addition, in deviation from Section 274 (2) sentence 3 HGB, the income from the change in balance sheet deferred taxes is shown separately under the item “deferred taxes” due to its material significance.

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 the following table.

DIRECT AND INDIRECT SHAREHOLDINGS OF HÖRMANN INDUSTRIES GMBH as at 31 December 2019	Equity portion HBI (EUR thousand)	Total Equity HBI (EUR thousand)	Overall annual results HBI (EUR thousand)	Interest (in %)
<b>Automotive division</b>				
HÖRMANN Automotive GmbH, Kirchseeon <sup>1</sup>	10,390.6	10,390.6	0.0	100.00 %
HÖRMANN Automotive Saarbrücken GmbH, Saarbrücken <sup>1</sup>	3,570.6	3,570.6	0.0	100.00 %
HÖRMANN Automotive Eislingen GmbH, Ebersbach a.d. Fils <sup>1</sup>	378.0	378.0	0.0	100.00 %
HÖRMANN Automotive St. Wendel GmbH, St. Wendel <sup>1</sup>	4,190.8	4,190.8	0.0	100.00 %
HÖRMANN Automotive Wackersdorf GmbH, Wackersdorf <sup>1</sup>	1,960.9	1,960.9	0.0	100.00 %
HÖRMANN Automotive Bielefeld GmbH, Kirchseeon	-4,935.2	-4,935.2	-561.0	100.00 %
HÖRMANN Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg	23,546.3	23,546.3	2,570.6	100.00 %
HÖRMANN Automotive Slovakia s.r.o., Banovce, Slovakia	500.6	500.6	-99.8	100.00 %
Versorgungswerk HÖRMANN Automotive Gustavsburg e.V., Ginsheim-Gustavsburg	-1,509.5	-1,509.5	-542.8	100.00 %
<b>Engineering division</b>				
AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, Chemnitz <sup>1</sup>	1,382.3	1,382.3	0.0	100.00 %
AIC Süd GmbH, Kirchseeon	111.5	111.5	-1.2	100.00 %
HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz <sup>1</sup>	518.4	518.4	0.0	100.00 %
HÖRMANN Logistik GmbH, Munich <sup>1</sup>	5,431.5	6,035.0	0.0	90.00 %
Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria	883.7	1,732.7	1,455.7	51.00 %

DIRECT AND INDIRECT SHAREHOLDINGS OF HÖRMANN INDUSTRIES GMBH as at 31 December 2019	Equity portion HBI (EUR thousand)	Total Equity HBI (EUR thousand)	Overall annual results HBI (EUR thousand)	Interest (in %)
AIC Zeitarbeit GmbH, Chemnitz	1.6	2.6	-1.6	60.00 %
VacuTec Meßtechnik GmbH, Dresden <sup>1</sup>	6,766.3	7,518.1	0.0	90.00 %
HÖRMANN Vehicle Engineering GmbH, Chemnitz	1,491.0	1,491.0	50.0	100.00 %
<b>Communication division</b>				
<b>Communication system segment</b>				
Funkwerk AG, Kölleda	15,305.6	19,623.6	2,940.5	78.00 %
Funkwerk Systems GmbH, Kölleda	15,933.1	15,933.1	-3,300.0	100.00 %
Funkwerk StatKom GmbH, Kölleda	207.1	207.1	-7.8	100.00 %
Funkwerk Systems Austria GmbH, Vienna, Austria	355.7	355.7	11.7	100.00 %
Funkwerk Technologies GmbH, Kölleda	14,790.2	14,790.2	14,225.4	100.00 %
Funkwerk video systeme GmbH, Nuremberg	-43,939.2	-43,939.2	56.8	100.00 %
FunkTech GmbH, Kölleda <sup>1</sup>	513.0	513.0	0.0	100.00 %
Funkwerk IoT GmbH, Kölleda	-645.1	-645.1	-392.5	100.00 %
<b>Communication services segment</b>				
HÖRMANN Warnsysteme GmbH (formerly HÖRMANN GmbH), Kirchseeon <sup>1</sup>	2,360.5	3,147.7	0.0	74.99 %
HÖRMANN KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria	629.5	629.5	146.8	100.00 %
<b>Services division</b>				
HÖRMANN Services GmbH, Kirchseeon <sup>1</sup>	193.3	193.3	0.0	100.00 %
HÖRMANN Kommunikation & Netze GmbH, Kirchseeon <sup>1</sup>	3,673.4	3,673.4	0.0	100.00 %
HÖRMANN Industrieservice GmbH, Lehre	-3,008.5	-3,008.5	-3,102.8	100.00 %
MAT Maschinenteknik GmbH, Salzgitter	619.8	925.1	494.3	67.00 %
HÖRMANN Automationservice GmbH, Salzgitter	1.7	1.7	-175.0	100.00 %

The exemption provision of section 313 (2) no. 4 sentence 3 of the HGB was applied to investments which were not included in consolidation on account of their immateriality to the financial position and financial performance of the Group.

<sup>1</sup> Annual result after profit-transfer

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

On 11 April 2019, 100 % of the shares in HÖRMANN Automotive Penzberg GmbH, Penzberg, were sold by the subsidiary HÖRMANN Automotive GmbH, Kirchseeon. HÖRMANN Automotive Penzberg GmbH, Penzberg, and its pension scheme, HÖRMANN Automotive Penzberg e.V., Penzberg, were therefore deconsolidated with effect from 1 April 2019.

HÖRMANN Industries GmbH, Kirchseeon, acquired a 51 % interest in Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, via its subsidiary HÖRMANN Logistik GmbH, Munich, with effect from 5 April 2019.

With effect from 10 April 2019, HÖRMANN Industries GmbH, Kirchseeon, acquired the remaining shares of 4.88% in AIC Ingenieurgesellschaft für Bauplanung Chemnitz mbH, Chemnitz, making it sole shareholder.

By resolution dated 1 July 2019, MAT Industrieservice GmbH, Salzgitter, was merged into HÖRMANN Industrieservice GmbH, Lehre, with retrospective effect from 1 January 2019.

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 2019.

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
Versorgungswerk HÖRMANN Gruppe e.V., Traunstein	100.00

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, Kölleda, holds a 15.36 % interest in euromicron AG, Frankfurt am Main. According to the interim report on the third quarter of 2019 published on the website of euromicron AG, Frankfurt am Main, the company's equity is EUR 67,197 thousand with a consolidated loss for the period of EUR 7,846 thousand. Insolvency proceedings for the assets of euromicron AG, Frankfurt am Main, were opened on 23 December 2019.

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

The consolidated financial statements were prepared as at 31 December 2019. The financial year reporting periods of all companies included in the consolidated financial statements end on this date, with the exception of Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, whose financial year runs 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 2019, 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 the Group management report.

HÖRMANN Warnsysteme GmbH (formerly HÖRMANN 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. The book value of the contributions exceeded the value of the shares granted as consideration by EUR 5.1 million. 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 is 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 "Difference from capital consolidation" after equity. Until 31 December 2009 this was reported as a separate item directly in consolidated 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, Kölleda, using a tax rate of 29.82 %, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.82 % 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, Kölleda, as at 1 October 2016. Its value was EUR 6,140 thousand as at 31 December 2019 (previous year: EUR 7,050 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 306 thousand as at 31 December 2019 (previous year: EUR 350 thousand). This resulted in a pro rata write-down of EUR 44 thousand in the year under review.

As at 31 December 2019, the first-time consolidation of HÖRMANN Automationservice GmbH (formerly MAT Automationstechnik GmbH), Salzgitter, resulted in a qualifying goodwill of EUR 74 thousand (previous year: EUR 165 thousand). This was written down in the 2019 financial year as planned by EUR 18 thousand p. a. and an extraordinary write-down of EUR 73 thousand. It is being written down over a ten-year period.

As at 31 December 2019, the first-time consolidation of MAT Industrieservice GmbH, Salzgitter, which was merged with HÖRMANN Industrieservice GmbH, Lehre, resulted in qualifying goodwill of EUR 668 thousand (previous year: EUR 1,503 thousand). This was written down in the 2019 financial year by EUR 167 thousand p.a. and an extraordinary write-down of EUR 668 thousand. It is being written down over a ten-year period.

As at 31 December 2019, the first-time consolidation of MAT Maschinentechnik GmbH, Salzgitter, resulted in qualifying goodwill of EUR 438 thousand (previous year: EUR 494 thousand). This was written down in the amount of EUR 56 thousand p.a. in the 2019 financial year. It is being written down over a ten-year period.

As at 31 December 2019, Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, generated qualifying goodwill of EUR 4,861 thousand (previous year: EUR 0.0 thousand). This was written down in the amount of EUR 353 thousand p.a. in the 2019 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 mean spot exchange rate on the balance sheet date. If they have a remaining term of more than one year, currency translation is performed in accordance with the imparity principle, so that exchange losses existing on the balance sheet date are recognized as expenses, 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 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 400.00 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. For expected losses from pending transactions, provisions for expected losses are recognised.

**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 at the level of the parent company Hörmann Holding GmbH & Co. KG, Kirchseeon, and which are therefore included in the consolidated financial statements to be prepared for the largest group. These are mainly 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 2019. 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 published by Deutsche Bundesbank for the past 10 financial years 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 more than one year are discounted in line with their remaining term using the average market interest rate of the past seven financial years in accordance with the German Rückstellungsabzinsungsverordnung.

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

**Liabilities and other liabilities** are carried at their settlement amount.

**Liabilities to affiliated companies** include liabilities to companies that satisfy the conditions for consolidation at the level of the parent company Hörmann Holding GmbH & Co. KG, Kirchseeon, and are therefore included in the consolidated financial statements of the largest group. These are both liabilities from loans and trade accounts payable.

**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 million in total in the past financial year (previous year: EUR 9 million).

The historical acquisition cost of EUR 92 thousand and historical write-downs of EUR 22 thousand were adjusted in the financial year on account of systemic deferrals in previous years.

The statement of changes in fixed assets during the financial year is shown on pages 80/81.

#### **2. Inventories**

Payments received on account of orders of EUR 73,882 thousand (previous year: EUR 70,725 thousand) were deducted from inventories on the face of the balance sheet.

#### **3. Receivables and other assets**

Trade receivables of EUR 45 thousand (previous year: EUR 51 thousand) have a remaining term of more than one year.

Other assets of EUR 769 thousand (previous year: EUR 0 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include trade receivables of EUR 92 thousand (previous year: EUR 39 thousand) and loan and interest receivables of EUR 300 thousand (previous year: EUR 5,899 thousand) and EUR 8,903 thousand (previous year: EUR 0 thousand) from cash pooling.

Other assets do not include any significant anticipatory receivables that have not yet legally arisen as at the balance sheet date.

#### **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.

The profit carried forward from the previous year 2019 amounts to EUR 58,674 thousand (previous year: EUR 46,060 thousand).

#### **6. Provisions**

**Pension provisions** were measured based on the following premises:

- ♦ Interest rate (10-year average): 2.71% to 2.73%
- ♦ Interest rate (7-year average): 1.96% to 1.97%
- ♦ 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 determine the average interest rate for discounting pension obligations. Compared with the calculation using the average market interest rate of the past seven financial years, there is a difference of EUR 4,282 thousand (previous year: EUR 4,145 thousand) in accordance with section 253 (6) HGB.

The settlement of pension provisions is EUR 32,908 thousand (previous year: EUR 42,096 thousand). This is offset against assets of EUR 2,235 thousand (previous year: EUR 2,251 thousand) that are exclusively reserved for pension obligations. Plan assets in excess of the settlement amount of EUR 19 thousand were reported on the assets side of the balance sheet as the 'Excess of plan assets over pension liabilities'.

The amortised acquisition cost of the offset assets is EUR 1,964 thousand, while their recognised fair value is EUR 2,235 thousand. The recognition of the fair value results from the fact that the reinsurance policies serve exclusively to meet pension obligations and must therefore be measured at fair value and offset against the associated 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.

One fifteenth of the addition to the direct pension provision of EUR 1,540 thousand required as at 1 January 2010 as a result of the amended provisions of the German Commercial Code (EUR 107 thousand) was made in the reporting year in accordance with Article 67(1) Sentence 1 of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code). EUR 1,040 thousand of the difference was already recognised by 31 December 2019. The direct pension provisions not reported in the balance sheet amount to EUR 500 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 6,418 thousand as at 31 December 2019 (Article 28(2) EGHGB).

The settlement of **partial early retirement provisions** is EUR 1,317 thousand (previous year: EUR 4,050 thousand). This is offset against assets of EUR 1,806 thousand (previous year: EUR 2,158 thousand) that are exclusively reserved for partial early retirement obligations.

The acquisition cost of the offset assets is EUR 1,806 thousand. The recognised fair value of the offset assets amounts to EUR 1,806 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 234 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 consolidated income statement in this regard.

## 7. Liabilities

The remaining terms are shown in the consolidated maturity structure of liabilities in the table below. A land charge of EUR 1,522 thousand was entered for short-term loans borrowed from banks by HÖRMANN Industries GmbH, Kirchseeon, for investments in land and buildings. This investment loan was repaid in full in the 2019 financial year (previous year: EUR 214 thousand).

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

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

### CONSOLIDATED MATURITY STRUCTURE OF LIABILITIES (EUR thousand)

	REMAINING TERM				Total 31 Dec. 2019	thereof secured
	up to one year	more than one year	thereof more than five years			
1. Bonds	0	50,000	0	50,000	0	
previous year	0	30,000	0	30,000	0	
2. Liabilities to banks	6	0	0	6	0	
previous year	272	0	0	272	214	
3. Trade payables	38,968	0	0	38,968	0	
previous year	41,166	0	0	41,166	0	
4. Liabilities to affiliated companies	1,689	0	0	1,689	0	
previous year	1,058	0	0	1,058	0	
5. Other liabilities	13,324	0	0	13,324	0	
previous year	10,654	0	0	10,654	0	
thereof from taxes	4,713	0	0	4,713	0	
previous year	3,746	0	0	3,746	0	
thereof for social security	3,694	0	0	3,694	0	
previous year	3,704	0	0	3,704	0	
<b>Total</b>	<b>53,986</b>	<b>50,000</b>	<b>0</b>	<b>103,986</b>	<b>0</b>	

## 8. General disclosures

### Deferred taxes

**Deferred tax assets** result from temporary differences between the financial accounts and the tax accounts for receivables, pension provisions, provisions for partial early retirement 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 15.82 % 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 139 thousand. They are measured using the mark-to-market method. Their carrying amount is EUR 48 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 and income of an extraordinary amount were incurred in the past financial year:

Background	Amount (in EUR thousand)	Income statement item
Restructuring	188	Personnel expenses
Restructuring	691	Cost of purchased services
Restructuring	702	Other operating expenses
Extraordinary write-downs	5,825	Write-downs of financial assets and securities classified as current assets
Extraordinary write-downs	741	Amortisation of intangible fixed assets and depreciation of tangible fixed assets
Refinancing	1,567	Other operating expenses
Specific valuation allowance	1,813	Other operating expenses
<b>Total</b>	<b>11,527</b>	<b>Total expenses</b>
Deconsolidation	1,174	Other operating income
<b>Total</b>	<b>1,174</b>	<b>Total income</b>

### 2. Sales

Breakdown of revenues by region	2019 (In EUR million)	2018 (In EUR million)
Sales, domestic	409	410
Sales, international	213	214
<b>Total</b>	<b>622</b>	<b>624</b>

Divisions	2019 (In EUR million)	2018 (In EUR million)
Automotive	379	424
Engineering	86	66
Services	47	38
Communication	108	96
Holdings	2	0
<b>Total</b>	<b>622</b>	<b>624</b>

### 3. Other operating income

Other operating income includes prior-period income of EUR 6,024 thousand (previous year: EUR 9,705 thousand), EUR 4,569 thousand (previous year: EUR 8,823 thousand) of which relates to the reversal of provisions, EUR 88 thousand (previous year: EUR 200 thousand) to the reversal of write-downs, EUR 1,124 thousand (previous year: EUR 366 thousand) to disposals of assets and EUR 337 thousand (previous year: EUR 316 thousand) to other prior-period income. Other operating income also includes income from currency translation of EUR 131 thousand (previous year: EUR 161 thousand).

### 4. Unscheduled write-downs

Write-downs in the reporting year include EUR 741 thousand (previous year: EUR 0 thousand) of unscheduled goodwill amortisation.

Write-downs of financial assets includes unscheduled write-downs in the amount of EUR 5,825 thousand. In each case, these are extraordinary expenses within the meaning of Section 314 (1) No. 23 HGB.

### 5. Other operating expenses

Other operating expenses include prior-period expenses of EUR 732 thousand (previous year: EUR 611 thousand). These include maintenance expenses of EUR 0 thousand (previous year: EUR 485 thousand), expenses from social security audits of EUR 3 thousand (previous year: EUR 5 thousand), supplier invoices from the previous year of EUR 63 thousand (previous year: EUR 24 thousand) and other expenses of EUR 171 thousand (previous year: EUR 97 thousand).

### 6. Taxes on income

Taxes on income include prior-period tax expenses of EUR 70 thousand (previous year: EUR 436 thousand) and prior-period tax income of EUR 11 thousand (previous year: EUR 62 thousand).

### 7. Significant events after the balance sheet date

As for many other companies in the industry, the effects of the Covid-19 pandemic will have a negative impact on the financial position and financial performance of the HÖRMANN Group that cannot be quantified at this time. The HÖRMANN Group has reacted to the crisis with extensive measures.

In addition to establishing contingency plans, these primarily include measures to secure liquidity and to immediately reduce costs.

## D. OTHER DISCLOSURES

### 1. Contingent liabilities and other financial obligations

#### a.) Contingent liabilities

There are contingent liabilities of EUR 3.0 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 to HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and HÖRMANN Industries GmbH, Kirchseeon up to an amount of EUR 10,000 thousand until further notice. EUR 1,322 thousand of this guarantee facility had been utilised as at 31 December 2019. To the best of the company's 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 the company has entered into.

#### b.) Other financial obligations

Obligations under rental and lease agreements and other longer-term contracts amount to around EUR 72 million. Other financial obligations of EUR 14 million have a remaining term of up to one year, EUR 41 million have a remaining term of between one and five years and EUR 17 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

	2019 (in EUR thousand)
Audits of financial statements	526
Other assurance or valuation services	40
Tax advisory services	315
Other services	7
<b>Total</b>	<b>888</b>

### 4. Management

- ♦ 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

In the 2019 financial year, there were 2,820 employees on average (previous year: 3,175). In addition, the average number of trainees was 107 (previous year: 121).

Average number of employees by group:

Group	2019
Production	2.035
Sales/Project Management	264
Development	299
Administration	222
<b>Total</b>	<b>2.820</b>

### 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 (formerly HÖRMANN GmbH), Kirchseeon, HÖRMANN Logistik GmbH, Munich, AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, Chemnitz, VacuTec Meßtechnik GmbH, Dresden, HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz, HÖRMANN Kommunikation & Netze 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 incoming payments in connection with insured losses and outgoing payments in connection with restructuring activities and insured losses 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 Holding 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. Reference is made to the comments in the Group management report, Section Financial position.

Kirchseeon, 1 April 2020

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 2019, 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 2019 to 31. December 2019 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 2019 to 31. December 2019.

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 2019 and of its financial performance for the financial year from 01. January 2019 to 31. December 2019 and
- ♦ the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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, 24 April 2020

BDO AG  
Wirtschaftsprüfungsgesellschaft



signed by Buchwald  
Wirtschaftsprüfer  
(German Public Auditor)



signed by Jahn  
Wirtschaftsprüfer  
(German Public Auditor)



“You can always  
rely on one thing:  
We are known for a  
hands-on mentality  
in which we approach  
challenges.”

MICHAEL RADKE, CEO

## Imprint

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