



2020

GROUP MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2020

Key figures at a glance

Financial position and results of operations

(In EUR million)

	Q2.2020	Q2.2019
Sales	234.2	299.0
Total output	231.5	324.5
Gross profit	116.0	145.1
EBITDA *	6.2	14.4
EBIT **	-0.4	8.7
Net cash from operating activities	-1.4	-14.3
Net cash used in investing activities	-6.5	-10.4

Net assets

(In EUR million)

	30 June 2020	31 Dec. 2019
Total assets	309.7	312.6
Equity	115.8	121.2
Equity ratio % ***	37.4 %	38.8 %
Working capital ****	77.4	79.1
Net cash and cash equivalents *****	53.0	64.8
Employees *****	2,727	2,821

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

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

*** Equity / total assets

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

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

***** Average number excluding trainees

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HÖRMANN Industries GmbH, part of the HÖRMANN Group, is continuing to promote the Group's strategic realignment and is opening up new future prospects for the ongoing development of its four divisions Communication, Engineering, Automotive and Services. The 27 Group companies ensure stability and generate synergy effects.

The HÖRMANN Group represents stability thanks to broad diversification with four strong divisions.

Basic information on the Group

The Group, comprising HÖRMANN Industries GmbH and its direct and indirect subsidiaries, constitutes the industrial subgroup of the HÖRMANN Group. The Group is broken down into four 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. It is also a manufacturer of side members.

The other locations include HÖRMANN Automotive St. Wendel GmbH, a manufacturer of components and modules for the agricultural machinery industry in particular; HÖRMANN Automotive Saarbrücken GmbH, a developer and manufacturer of 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 an EBIT of EUR –1.8 million. In the 2019 financial year, HÖRMANN Automotive Penzberg GmbH accounted for sales of EUR 29.8 million and EBIT of EUR –2.0 million for the period until the date of deconsolidation on 1 April 2019.

ENGINEERING

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

The **Engineering** division operates in the fields of industrial design, vehicle development and facility, building and factory planning, through to providing innovative solutions for intralogistics and complex high-bay warehouse systems. This service range is supplemented by the development and production of detectors for measuring ionising radiation.

AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH provides engineering services within the construction industry, with a particular focus on complex industrial and infrastructure facility engineering and technical building services.

HÖRMANN Rawema Engineering & Consulting GmbH supplements our 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, Kölleda
- ♦ Funkwerk Technologies GmbH, Kölleda
- ♦ FunkTech GmbH, Kölleda
- ♦ Funkwerk Systems GmbH, Kölleda
- ♦ Funkwerk video systeme GmbH, Nuremberg
- ♦ Funkwerk IoT GmbH, Bremen
- ♦ HÖRMANN Kommunikation & Netze GmbH, Kirchseeon
- ♦ HÖRMANN Warnsysteme GmbH, Kirchseeon
- ♦ HÖRMANN – KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria

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

HÖRMANN Kommunikation & Netze GmbH, which was regrouped from the Services division to the Communication division effective 1 January 2020 with prior year figures adjusted on an “as if” basis, is a provider of infrastructure services related to railway traffic and communication technology as well as energy supply.

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

SERVICES

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

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

Economic report

MACROECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

The global spread of the coronavirus and the counter-measures taken to combat this considerably restricted economic activity in the first six months of 2020. In Europe, this came to a head in Q2 2020. Faced with nationwide shutdowns, the volatile industry sector and in particular the services industry were massively impacted by the pandemic. The business climate, consumer confidence, consumer spending and industrial production and all plummeted to record lows in April as a result. The German Federal Statistical Office (Destatis¹) estimates that gross domestic product (GDP) saw a double-digit downturn in the second quarter of 2020, tumbling by 10.1% against the previous quarter adjusted for price, seasonal and calendar effects (following a 2.0% decrease in Q1 2020).

It was not only Germany that reported a historic decline in gross domestic product for the second quarter of 2020, with many other countries also seeing a downturn – including the US, where GDP (converted into euro) shrank by 9.5% quarter on quarter. Looking at Europe, many countries' economies contracted more than Germany's. Of the EU member states for which Q2 2020 data is already available, Spain suffered the sharpest quarter-on-quarter decline (down 18.5%), followed by Portugal (down 14.1%) and France (down 13.8%). The latest figures put the downturn in Italy's GDP at 12.4%. For the EU as a whole, Eurostat announced a provisional decline in eurozone GDP of 11.9% in the second quarter of 2020, following the 3.2% decrease in Q1.

INDUSTRY ENVIRONMENT

The industry environment is discussed in the information on the course of business in the individual divisions starting on page 15.

RESULTS OF OPERATIONS

In the first six months of 2020, the HÖRMANN Industries GmbH subgroup generated sales of EUR 234.2 million. As a result, sales were down EUR 64.8 million or 21.7% on the first half of 2019 (EUR 299.0 million). In the Automotive division, sales declined by EUR 88.6 million year-on-year, from EUR 207.1 million to EUR 118.5 million. Of this amount, EUR 27.3 million was attributable to HÖRMANN Automotive Penzberg GmbH, which was deconsolidated with effect from 1 April 2019, and around EUR 9 million to the planned decline in the order situation in the Heavy Trucks business segment. As a result of the unexpected spread of COVID-19, the large-scale closure of production capacities in the automotive industry, business development in the Automotive sector was severely impaired from mid-March onwards. Production in the Automotive division's plants in Germany was also interrupted, leading to an unplanned loss of sales of around EUR 40 million (cumulative) in the months of March and April 2020 alone.

Thanks to the diversified Group structure and the continued stable business development in the Communication and Engineering divisions in the first half of 2020, the decline in sales at the Group and the effects of the coronavirus crisis were mitigated. With sales of EUR 41.4 million (previous year: EUR 27.0 million), the Engineering division increased its business volume significantly compared with the previous year. The Communication division also reported sales growth, with sales of EUR 64.9 million (previous year: EUR 54.5 million). The Services division, which was also affected by the economic downturn in the automotive industry and the coronavirus crisis, generated sales of EUR 9.8 million (previous year: EUR 11.1 million).

Other operating income of EUR 4.0 million (previous year: EUR 2.6 million) includes EUR 1.2 million in income from the reversal of provisions, EUR 0.6 million in income from investment grants and EUR 0.8 million in payments in kind.

Taking into account a change in inventories of EUR –3.0 million, **total output** amounted to EUR 231.5 million (previous year: EUR 324.5 million).

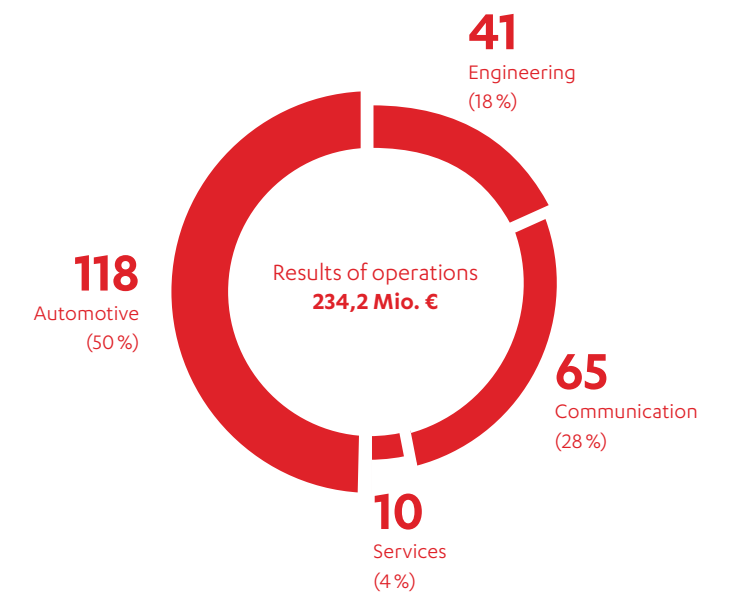
The **cost of materials** in the amount of EUR 119.5 million includes expenses for raw materials, consumables and supplies and purchased goods totalling EUR 96.3 million (previous year: EUR 149.0 million) as well as the cost of purchased services in the amount of EUR 23.2 million (previous year: EUR 33.0 million). The cost of materials corresponded to 51.6% of total output, and was thus significantly lower than in the previous year (56.1%). The lower cost of materials compared to the previous year was due both to the deconsolidation of HÖRMANN Automotive Penzberg GmbH and to the above-average sales growth in the Engineering and Communication division. In addition, temporary workers and external services in the Automotive division were immediately cut back at the beginning of the coronavirus crisis.

At EUR 116.0 million, **gross profit** decreased by EUR 29.1 million compared with the prior-year figure of EUR 145.1 million. The deconsolidation of HÖRMANN Automotive Penzberg GmbH accounted for EUR 11.5 million of this amount. The gross profit margin corresponded to 50.1% of total output (previous year: 44.7%).

Personnel expenses declined by EUR 19.1 million year-on-year to EUR 76.1 million (previous year: EUR 95.2 million). As a result of the sale of HÖRMANN Automotive Penzberg GmbH with effect from 1 April 2019 as described above, personnel expenses of EUR 10.6 million were eliminated in the first quarter of 2020 compared with the same period of the previous year. In addition, additional savings of EUR 8.5 million in personnel expenses were made in comparison to the first half of 2019 as a result of measures taken (e. g. reduced working hours schemes, working off working time accounts and holiday entitlement). Staff costs corresponded to 32.9% of total output (previous year: 29.3%). Excluding trainees, HÖRMANN Industries GmbH employed 2,727 people as at 30 June 2020 (H1 2019: 2,952).

At EUR 6.6 million, **depreciation and amortisation** was up EUR 0.9 million on the prior-year figure (EUR 5.7 million). This included goodwill amortisation of EUR 1.0 million (previous year: EUR 0.8 million) as well as write-downs on current fixed assets of EUR 0.9 million (previous year: EUR 0.0 million).

Breakdown of sales by business division
for the first half of 2020
in EUR million



At EUR 33.2 million, other operating expenses were down EUR 1.7 million on the prior-year figure (EUR 34.9 million). Of this figure, EUR 6.8 million related to the cost of buildings and premises, EUR 8.3 million to administrative expenses and EUR 10.3 million to operating and selling costs. Other operating expenses corresponded to 14.3% of total output (previous year: 10.8%).

The period under review closed with a cumulative **operating result** of EUR 0.1 million (previous year: EUR 9.4 million). After deducting other taxes of EUR 0.4 million, **EBIT** for the first six months of 2020 amounted to EUR -0.4 million (previous year: EUR 8.7 million).

The **financial result** declined by around EUR 0.9 million year-on-year to EUR –2.8 million, largely as a result of the pro rata interest expense for the 2019/2024 bond and the credit facilities drawn as a precautionary measure in the current financial year.

The **income tax expense** for trade tax and corporation tax amounted to EUR 2.6 million in the first six months of 2020 (previous year: EUR 2.7 million). Income from deferred taxes amounted to EUR 1.1 million in the period under review (previous year: EUR 1.2 million).

The first half of 2020 closed with cumulative **consolidated net income** of EUR –4.5 million (previous year: EUR 4.2 million).

¹See Destatis, Press Release No. 291, 5 August 2020

FINANCIAL POSITION

Capital structure

The Group's **equity base** including non-controlling interests amounted to EUR 115.8 million as at 30 June 2020 (31 December 2019: EUR 121.2 million). At 37.4 % as at 30 June 2020, the **equity ratio** was down in comparison to the reporting date 31 December 2019 (38.8 %) on account of the quarterly earnings performance.

The first-time consolidation of Funkwerk AG as at 1 October 2016 resulted in **goodwill** of EUR 5.7 million (31 December 2019: EUR 6.1 million), which was subject to pro rata amortisation of EUR 0.4 million in the year to 30 June 2020. The acquisitions of HÖRMANN Automationservice GmbH (formerly MAT Automationstechnik GmbH), MAT Industrieservice GmbH (merged with HÖRMANN Industrieservice GmbH) and MAT Maschinentechnik GmbH completed at the end of the 2017 financial year resulted in goodwill on first-time consolidation in the amount of EUR 1.1 million (31 December 2019: EUR 1.2 million), which was subject to pro rata amortisation of EUR 0.1 million in the first half of 2020. The first-time consolidation of Klatt Fördertechnik GmbH as at 1 April 2019 resulted in goodwill of EUR 4.6 million, which was subject to pro rata amortisation of EUR 0.3 million in the first half of 2020.

Total assets declined by EUR 2.9 million, falling from EUR 312.6 million to EUR 309.7 million.

Including inventories of EUR 50.1 million and trade receivables of EUR 60.5 million and less trade payables of EUR 33.2 million, **working capital** of EUR 77.4 million was slightly lower than the figure for 31 December 2019 (EUR 79.1 million). At the end of the second quarter of 2020, payments received from customers for projects and orders that had already begun amounted to EUR 82.3 million (31 December 2019: EUR 73.9 million).

Liabilities in connection with **bonds** amounted to EUR 50.0 million as at 30 June 2020 (31 December 2019: EUR 50.0 million). The bond issued in June 2019 with a volume of EUR 50.0 million and a coupon of 4.5 % has a term of five years until June 2024.

Liabilities to banks rose from EUR 0.0 million to EUR 10.0 million as at 30 June 2020. 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. As at 30 June 2020, there was a EURIBOR credit facility in the amount of EUR 10 million that was drawn as a precautionary measure in light of the COVID-19 pandemic.

In addition, at the end of July 2020 HÖRMANN Industries obtained approval for a EUR 40 million KfW entrepreneur loan it had applied for as part of the German Federal government's package of measures to mitigate the economic impact of the COVID-19 pandemic. The loan facility granted under the terms of the KfW Special Programme 2020 for large companies is contractually agreed with the existing bank consortium as the financing partner assuming 80 % of the risk. The loan has a term of five years with 16 quarterly repayment instalments beginning in the second year.

Liquidity

Bank balances including **securities classified as current assets** amounted to EUR 63.0 million at the reporting date (31 December 2019: EUR 64.8 million).

As at 30 June 2020, there were available credit facilities of EUR 32.5 million (31 December 2019: EUR 42.5 million).

At the reporting date, HÖRMANN Industries had **net cash and cash equivalents** of EUR 53.0 million (31 December 2019: EUR 64.8 million). Net cash and cash equivalents is calculated as cash in hand and bank balances plus securities classified as current assets, less liabilities to banks.

Consolidated cash flow statement

The cash flow statement is structured in accordance with GAS 21. **Cash flow from operating activities** amounted to EUR –1.4 million in the first half of 2020 (same period of 2019: EUR –14.3 million). **Cash flow from investing activities** fell from EUR –10.4 million to EUR –6.5 million as a result of lower investments. **Cash flow from financing activities** amounted to EUR 6.0 million (previous year: EUR 42.7 million). The reason behind the year-on-year decrease was the precautionary drawing of lines from the syndicated loan of EUR 10.0 million. In addition, in the previous year this also included EUR 50.0 million in proceeds from bond issuing, offset by repayments of EUR 11.9 million.

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

Net assets

At EUR 7.7 million (previous year: EUR 14.9 million), additions to **tangible fixed assets** and **intangible fixed assets** were higher than depreciation and amortisation (EUR 5.7 million).

Total **inventories** (after deducting payments received on account of orders) fell by EUR 3.5 million to EUR 50.1 million compared with the 2019 reporting date. The increase in payments received to EUR 82.3 million (previous year: EUR 73.9 million) and the decline in work in progress from EUR 84.0 million to EUR 82.1 million compensated for the increases in finished goods and merchandise from EUR 10.3 million to EUR 12.3 million, in advance payments made from EUR 9.8 million to EUR 12.8 million and in raw materials, consumables, and supplies from EUR 23.4 million to EUR 25.2 million. The ratio of days of inventories to sales was 38.5 days (previous year: 31.0 days). Daily turnover is calculated by dividing the inventories as at 30 June 2020 by the average sales per day in the period under review.

Trade receivables dropped from EUR 64.5 million to EUR 60.5 million, mainly as a result of the sales decline in the Automotive division, resulting in turnover of 46.5 days (previous year: 38.2 days). Daily turnover is calculated by dividing the receivables as at 30 June 2020 by the average sales per day in the period under review.

Other assets increased from EUR 16.7 million to EUR 19.4 million. This increase primarily resulted from the acquisition of machinery and equipment previously belonging to HÖRMANN Automotive Penzberg GmbH, which will be assumed by other plants of the Automotive division or sold externally following the Penzberg plant closure.

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. By 30 June 2020, deferred tax assets had increased from EUR 13.3 million to EUR 14.5 million.

Pension provisions continued to be recognised in the amount of the valuation as at 31 December 2019.

Tax provisions amounted to EUR 1.3 million as at 30 June 2020 after EUR 3.7 million in the previous year.

Trade payables declined from EUR 39.0 million to EUR 33.2 million at the reporting date. The utilisation of supplier credits for the cost of materials and other operating expenses increased from an average of 33.3 days to 39.3 days due to the lower volume. The average duration of credit utilisation is calculated by dividing the trade payables as at 30 June 2020 by the sum of the average cost of materials and the average other operating expenses per day in the period under review.

REPORT ON PERFORMANCE INDICATORS

Non-financial performance indicators

Production

Production capacity utilisation within HÖRMANN Industries varied in the first six months of 2020. While the Communication and Engineering divisions operated at full capacity in the first half of the reporting year due to the rise in business volume, utilisation in the Automotive division declined at plants in Germany in the period from mid-May to the end of April on account of the shutdown of the automotive industry and the resulting disruption to production. Despite the massive restrictions and constraints on cross-border travel and transport, production in the Automotive division continued its relocation from the Penzberg plant to the Banovce, Slovakia, plant in the first half of 2020 and so production at the Penzberg site was discontinued on 30 June 2020 as planned. During this, around 6,000 items were relocated in the space of one year without interrupting production, considerably expanding the Banovce, Slovakia, plant fourfold to over 20,000 square metres.

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. A comprehensive cost savings program launched in March 2020 is intended to substantially improve net income in the Automotive division.

Employees

HÖRMANN Industries employed a total of 2,727 persons on average in the first six months of 2020, compared with the average of 2,821 for the whole of the previous year.

It also employed a total of 89 trainees (previous year: 107). Measured against the total workforce, this corresponds to a share of almost 3.2 %. The training on offer covers various industrial and commercial occupations.

In order to secure the further expansion of the Group in terms of staff and to actively counteract a possible shortage of skilled workers, one of the focal points of human resources work is to consistently enhance the attractiveness of HÖRMANN Industries as an employer and to attract competent, motivated young professionals. The Group does this by creating an interesting and pleasant working environment for employees and applicants, with a wide range of creative freedom. It also focuses on a motivational environment, safety at work and social factors such as the balance between family and working life. In addition, the Group offer success-oriented incentive systems, targeted professional training and a broad range of further education and training opportunities to continuously develop the skills and expertise of its employees and prepare staff promptly for future requirements.

Quality assurance

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

Sustainability and social responsibility

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

Financial performance indicators

Financially, HÖRMANN Industries is managed based on the key figures of sales, total output, gross profit, EBIT and EBIT margin. All performance indicator systems and monthly reports of the subsidiaries show these key performance indicators with a plan comparison. Liquidity available is also a key performance indicator. Frequent, Group-wide liquidity planning and management was of central importance in the current 2020 financial year due to the disruptive impact of the COVID-19 pandemic.

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. in the next few years.

COURSE OF BUSINESS IN THE DIVISIONS

The course of business is presented in the form of a multi-year comparison of sales and EBIT. Sales are adjusted for intragroup sales, 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 (ACEA²), the number of commercial vehicles registered in the EU slumped by 33.7 % year on year in the first half of 2020, chiefly a result of the impact of the COVID-19 virus. Every one of the 27 EU markets saw a double-digit percentage decline, including the four major European markets Germany (down 28.6 %), France (down 32.0 %), Italy (down 35.4 %) and Spain (down 44.8 %).

This corresponds to the figures released by Germany’s Association of International Motor Vehicle Manufacturers (VDIK³), which showed a 60,000 year-on-year decrease in the number of new vehicle registrations to 152,242 in Germany. The decline was lowest in the segment of light commercial vehicles up to 3.5 tonnes, falling by 25.1%. New registrations of heavy

commercial vehicles over 16 tonnes fell by 41.4 % to 23,903 vehicles. New registrations of commercial vehicles with an overall vehicle weight between 3.5 and 16 tonnes declined by 31.4 % to 11,249 units. The buses segment was also significantly affected. New registrations were down almost 20%, with the coaches segment the worst hit.

The main customer for the Automotive division in H1 2020 remained TRATON SE, primarily with its subsidiary MAN Truck & Bus AG. According to TRATON SE⁴, MAN Truck & Bus AG generated truck sales of 29,531 vehicles in the reporting period, compared with 50,890 in the first half of 2019 (down 42 %). Alongside TRATON SE, Daimler AG’s Trucks and Buses lines make it a key customer for the Automotive division. According to Daimler AG⁵, truck sales fell by 54 % in Q2 2020 and bus sales were down 63% on the second quarter of 2019.

Multi-year comparison for the Automotive division:

Multi-year comparison for the Automotive division

	H1 2020	H1 2019	H1 2018	H1 2017
Sales (in EUR million)	118.5	207.1	214.6	184.2
Change (absolute) (in EUR million)	–88.6	–7.4	30.4	9.1
Change (relative)	–42.8 %	–3.5 %	16.5 %	5.2 %
EBIT (in EUR million)	–11.3	3.0	4.4	1.3
EBIT margin	–9.5 %	1.4 %	2.1 %	0.7 %
Non-recurring and prior-period effects* (in EUR million)	0.0	–1.2	0.0	1.8
Adjusted EBIT (in EUR million)	–11.3	1.8	4.4	3.1
Adjusted EBIT margin	–9.5 %	0.9 %	2.1 %	1.7 %

* 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.

The Automotive division generated sales of EUR 118.5 million in the first six months of 2020 (previous year EUR 207.1 million). In addition to the deconsolidation of HÖRMANN Automotive GmbH as at 1 April 2019 and the cyclical market downturn that began in autumn 2019 and is expected to continue in the 2020 financial year, the EUR 88.6 million/42.8 % decline was caused chiefly by the massive market collapse in the commercial vehicle industry provoked by the COVID-19 pandemic.

With the unplanned sales slump and gross profit being around EUR 18.7 million lower than expected as a consequence of this, the Automotive division plunged deep into the red in the 2020 financial year. The measures taken immediately after the company became aware of customers’ production interruptions made up for some of this, offsetting the gross profit loss by around EUR 5 million/just under 30 % in comparison to planning. EBIT decreased from EUR 3.0 million in the previous year to EUR –11.3 million in 2020.

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 and public transportation, smart electronic security systems to protect buildings, public spaces, industrial properties and facilities and inland shipping and airports. The Communication division’s portfolio also includes the development, production, installation and maintenance of electronic warning systems for civil protection.

HÖRMANN Kommunikation & Netze GmbH, a provider of infrastructure services related to railway traffic and communication technology as well as energy supply, was regrouped from the Services division to the Communication division effective 1 January 2020 with prior year figures adjusted on an “as if” basis.

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.

² See ACEA, Press Embargo, 23 July 2020
³ See VDIK, Press Release, 3 July 2020

⁴ See TRATON SE, Press Conference Call – Half Year Report, 31 July 2020
⁵ See Daimler AG, interim report Q2-2020

The infrastructure measures decided by many countries as a way of shoring up the economy open up additional market potential for the Communication division. Looking at Germany specifically, the coalition committee approved an expansive economic and crisis response package, as well as a “future package”. In addition to a EUR 50 billion stability package, this also includes a EUR 150 million sub-package intended to improve mobile reception along 39,000 kilometres of railway in Germany.

The division proved to be exceptionally resilient in the face of crisis in the first half of 2020 and continued to perform very well, not only achieving but significantly exceeding all its growth targets. Consolidated sales amounted to EUR 64.9 million (previous year: EUR 54.5 million). The division benefited from the noticeable increase in demand and the favourable product mix.

Thanks to the high number of orders on hand, projects that had been delayed or postponed on account of the massive travel restrictions and the shutdown, especially projects in other European countries, were offset by other orders.

The division’s EBIT increased to EUR 2.1 million in the first half of 2020 to EUR 7.8 million, representing a 36.8 % decline.

Multi-year comparison for the Communication division

	H1 2020	H1 2019	H1 2018	H1 2017
Sales (in EUR million)	64.9	54.5	47.0	38.2
Change (absolute) (in EUR million)	10.4	7.5	8.8	32.5
Change (relative)	19.1 %	16.0 %	23.0 %	572.3 %
EBIT (in Mio. €)	7.8	5.7	2.8	0.6
EBIT margin	12.0 %	10.5 %	6.0 %	1.7 %

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 and services in the Engineering division. A detailed description of these activities can be found in the section basic information on the Group. The division’s business development primarily depends on the economic performance of the construction, logistics and railway vehicle construction industries.

The latest reports show that the COVID-19 pandemic and the repercussions of the crisis have now also reached the German construction industry. According to the Federation of the German Construction Industry (HDB⁶), incoming orders fell substantially in May 2020, down 10.6 % year on year, whereas the total period from January to May 2020 saw only a moderate decrease of 2.1 % in nominal terms. The construction lines were affected to varying degrees. As expected, the sharpest decline (22.4 %) was seen in commercial construction. Commercial building construction was hit particularly hard, with orders dropping off by a third. By contrast, the fall in public construction was only minimal at –0.5 %. Thanks to the high number of orders on hand, sales in construction enjoyed exceptionally good year-on-year nominal growth in the period from January to May 2020, picking up by 7.1 %.

Data from logistics consulting firm Logivest⁷ also show that the German logistics property market remained constant in terms of new construction volume. While other sectors had to contend with severe downturns as a result of COVID-19, Germany’s logistics market has so far been stable, including when it comes to new construction. At around 1.95 million square metres, development is only slightly lower than it was in H1 2019 (2.2 million square metres).

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

Aided by the long-term order backlog and high numbers of orders of hand in the project business as well as the range of products and services, the Engineering division also performed well in the first half of 2020 despite the macroeconomic conditions. Sales in the Engineering division again increased considerably in the reporting period from EUR 27.0 million in the first half of 2019 to EUR 41.4 million in the reporting period. The good business situation resulted in EBIT of EUR 4.6 million (previous year: EUR 2.1 million). Given this, the division met all of its targets in full.

Multi-year comparison for the Engineering division

	H1 2020	H1 2019	H1 2018	H1 2017
Sales (in EUR million)	41.4	27.0	17.5	16.3
Change (absolute) (in EUR million)	14.4	9.5	1.2	0.7
Change (relative)	53.3 %	54.4 %	7.3 %	4.6 %
EBIT (in EUR million)	4.6	2.1	1.1	1.8
EBIT margin	11.1 %	7.8 %	6.4 %	11.2 %

Services division

The Services division bundles the service offering of HÖRMANN Industries for the manufacturing industry, which the company intends to use to leverage the growth potential from the general trends of automation, digitalisation and electric mobility.

According to the latest calculations by the German Federal Statistical Office (Destatis⁸) in August 2020, the decline in economic output that took hold in the manufacturing industry excluding construction in 2019 picked up the pace significantly in the first half of 2020 due to the economic impact of the COVID-19 pandemic in the period to April 2020. As well as the weak automotive industry, plant and mechanical engineering also had a significant influence on this. The many weeks of interruption to production during the shutdown and the resulting cost-cutting programs of leading automotive and industrial groups weighed heavily on the Services division in the current financial year.

The production index has been rising again since May. Adjusted for seasonal and calendar effects, production in June 2020 was still 12.1 % lower than it was in February 2020, the month before restrictions were imposed. Industrial production (manufacturing industry excluding energy and construction) rose by 11.1 % in June 2020 in comparison to May 2020. In the automotive industry, production continued to rise sharply in June, up 54.7 % on the previous month. Nonetheless, it is still 20 % lower than in February 2020.

In this tough market environment, sales in the Services division decreased from EUR 11.1 million in the first half of 2019 to EUR 9.8 million in the current financial year. At EUR –0.7 million, EBIT remained on par with the previous year (EUR –0.2 million). Cost-cutting measures offset the decline in earnings by just under EUR 1 million.

HÖRMANN Kommunikation & Netze GmbH was allocated to the Communication division with effect from 1 January 2020.

Multi-year comparison for the Services division

	H1 2020	H1 2019	H1 2018	H1 2017
Sales (in EUR million)	9.8	11.1	9.1	2.4
Change (absolute) (in EUR million)	–1.3	2.0	6.7	1.3
Change (relative)	11.7 %	22.0 %	279.2 %	118.2 %
EBIT (in EUR million)	–0.7	–0.2	–0.2	0.1
EBIT margin	–7.1 %	–1.8 %	–2.0 %	2.5 %

* 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.

⁶ See HDB, Press Release, 24 July 2020

⁷ See Logivest, new construction volume H1 2020; 27 July 2020

⁸ See Destatis, Press Release No. 296, 7 August 2020

Report on opportunities, risks and expected developments

OUTLOOK

The global economy is currently suffering to an unprecedented extent from the consequences of the ongoing 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 crisis is not possible at the time of preparing this interim report. All available forecasts of the economic institutes and the German Council of Economic Experts also point to the enormous uncertainties regarding future developments.

The Council of Economic Experts released a special report on the COVID-19 pandemic in March 2020, which describes potential economic performance scenarios. The economic forecast was revised on 23 June 2020.

The Council now believes the German economy is likely to follow the risk scenario described in the special report as a “pronounced V”. However, the actual low point is expected to fall below the low calculated in this scenario. For 2020 as a whole, the German Council of Economic Experts expects real gross domestic product (GDP) to decline by 6.5 % (down 6.9 % adjusted for calendar effects). It is forecasting growth of 4.9 % in 2021 (also 4.9 % growth adjusted for calendar effects). This means that GDP is unlikely to return to 2019, pre-pandemic levels until 2022 at the earliest. The unemployment rate is expected to increase in the months ahead, and only begin to fall again slowly during 2021.

The global spread of COVID-19 has triggered a deep world recession. The poor external economic environment is weighing heavily on German exports this year. For the eurozone, the Council of Economic Experts anticipates a 8.5 % fall in real GDP in 2020 and growth of 6.2 % in 2021.

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

This forecast for economic performance going forward remains subject to a high degree of uncertainty. In particular, how the COVID-19 pandemic progresses will be of great importance. Should it prove impossible to keep the number of new cases at bay, continue to ease restrictions and reduce company and household uncertainty, the period of economic weakness will likely persist for longer. A second lockdown in Germany this year would have severe consequences for ongoing economic performance.

Outlook for Hörmann Industries

In the current financial year, 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.

Given the ongoing high levels of uncertainty at the time of preparing this report regarding the further course of the COVID-19 pandemic and the economic and financial effects of this crisis in the eurozone, HÖRMANN Industries assumes that the COVID-19 pandemic will have a significant impact on the sales and earnings performance of the company in 2020. Nonetheless, the company expects that overall macroeconomic conditions will – in line with the economic forecast from the German Council of Economic Experts – gradually recover in the second half of 2020 following the deep slump in Q2 2020. However, any negative macroeconomic developments beyond this may mean that the actual results for the 2020 financial year differ from the forecast values.

At Group level, HÖRMANN Industries is confirming its sales and earnings outlook set out in the 2019 Group management report and the economic report in the consolidated interim financial statements as at 31 March 2020. This outlook is based on the current economic forecast by the German Council of Economic Experts dated 23 June 2020. It indicates total sales in 2020 at between EUR 480 million and EUR 520 million (previous year: EUR 622.2 million). However, the pronounced market collapse – chiefly in the Automotive division – means that it is no longer possible to achieve HÖRMANN Industries’ target earnings of EBIT at the previous year’s level. The target for the operating business is a balanced to slightly positive result before interest and taxes (operating EBIT). The good degree of utilisation and the sustained positive order situation in the Engineering and Communication divisions means that another successful

financial year and stable, positive earnings are expected in these divisions. The Automotive and Services divisions are expected to report a loss at least equal to the half-year result. HÖRMANN Industries GmbH notes that the actual results may differ from the forecast results.

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 COVID-19 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.

Risks in connection with the COVID-19 pandemic

Since March 2020, the environment of HÖRMANN Industries has been increasingly burdened by the COVID-19 pandemic, which has had a considerable impact on the entire global economy. These novel, currently completely incalculable situations such as the current global virus pandemic represent a risk that has a strong impact on all areas of HÖRMANN Industries and therefore cannot be secured. The further course of the COVID-19 pandemic and the specific consequences for the real economy and the financial system – and thus possibly also for HÖRMANN Industries – 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 COVID-19 pandemic has been contained in the next few months, a second wave may occur in the autumn/winter or next year, with renewed significant impairments to the business activities of HÖRMANN Industries.

The extent of the impact of the COVID-19 pandemic on the economy as a whole and on HÖRMANN Industries still cannot 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 order postponements by its customers. 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 change significantly again. In order to deal with the continuously changing situation in the best possible way, the Group is in constant communication with its 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. In addition, measures were launched to adjust staff capacities in the Automotive division.

As a result of the broad globalisation of the world economy, the ever stronger growth in worldwide tourism 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, including with the support of 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 (Groupement Funkwerk Contel plettac). As a result of domestic political developments in Algeria, an investigation into alleged suspicions of corruption and illegal overcharging against several companies and individuals was initiated in 2010. The affected parties included this consortium, the Algerian partner and FVS, 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 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 subgroups 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 law

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 COVID-19 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. To mitigate this risk and as a precautionary measure, the management took advantage of a EUR 40 million KfW entrepreneur loan as part of the German Federal government's package of measures to mitigate the economic impact of the COVID-19 pandemic.

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 key supplier of metal chassis products and high-end body-in-white components for the European commercial vehicle and agricultural/construction machinery industries. It intends to press ahead with increasing the competitiveness and customer diversification of the division.

Based on current development and forecasts of the industry association VDA, HÖRMANN Industries expects the European market excluding Russia to see a downturn in sales figures for commercial vehicles in the second half of 2020 compared with 2019. Nonetheless, 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, increasingly stringent requirements in terms of exhaust quality and the ongoing trend towards relocating production to eastern Europe. High demand for light commercial vehicles, particularly vans for delivering parcels, is also propelled by the continued rapid growth of online shipping logistics.

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

The existing expertise in the area of forming technology, a broad portfolio of systems and machinery with sufficient capacity, the strategy of significantly expanding automation at the plants in Germany while outsourcing labour-intensive production to cheaper foreign plants and the planned stronger positioning as a systems supplier provide 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 further strengthen its export business by entering into new partnerships, including abroad.

In addition to software business, particular opportunities are provided by filter technology for GSMR train 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, infrastructure service provider HÖRMANN Kommunikation & Netze 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 technological requirements arising from electric mobility 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. The Group is laying the foundations for further organic and inorganic growth with the integration and reorientation of the service companies, and it intends to systematically press ahead with its growth strategy over the coming years. To this end, the skills and capacities for factory automation and digitisation will be further strengthened and expanded.

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.

In the current financial year, 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.

Given the ongoing uncertainty at the time of preparing this report regarding the further course of the COVID-19 pandemic and the economic and financial effects of this crisis in the eurozone, HÖRMANN Industries assumes that the COVID-19 pandemic will have a significant impact on the sales and earnings performance of the company in 2020. At present, the company still assumes that the economic situation will begin to recover in the second half of 2020, after a deep slump in the second quarter of 2020, following the lifting of restrictions and the positive effects of numerous government support measures. However, any negative macroeconomic developments beyond this may mean that the actual results for the 2020 financial year differ from the forecast values.

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 COVID-19 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. Considering the effects of the current COVID-19 pandemic, this business plan cannot be achieved. Please see the comments in the outlook.

HÖRMANN Industries GmbH developed according to plan until mid-March 2020. From mid-March 2020, the business activities of HÖRMANN Industries – especially in the Automotive division – were significantly impaired by the spread of the novel coronavirus COVID-19, the associated restrictions on public life and the large-scale closure of production capacities in the automotive industry. The effects of the production interruptions at automotive and commercial vehicle manufacturers were already felt in the first six months of 2020 with a loss of sales of around EUR 51 million against planning. Reacting to this, cost-reducing and liquidity-conserving measures were taken immediately after the production interruptions became known, and all German automotive

plants applied for reduced working hours. Despite these countermeasures and good business development in the Engineering and Communication divisions, it was not possible to fully offset the loss of gross profit of around EUR 18.7 million. Accordingly, the forecasts for the first half of 2020 of sales of EUR 285 million and EBIT of EUR 8.2 million were not achieved either in terms of sales (EUR 234.2 million) or EBIT (EUR –0.4 million).

All in all, the management considers the position of the Group in the 2020 financial year to be stable at the time at which this half-year report was prepared; however, a more detailed outlook is not possible as a result of the economic slowdown expected.

The currently unforeseeable consequences of the COVID-19 pandemic on the economy and the financial system mean that it is not possible to make a reliable or substantial forecast for the 2020 financial year at the time of preparing the management report. This is particularly true given that main customers in the commercial vehicle industry are choosing not to release sales forecasts. 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 facing the Group.

The management assumes that HÖRMANN Industries will return to positive business development in the medium term once the COVID-19 pandemic and the recession have subsided.

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 initial 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 for train radios 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 2019. 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, August 2020

HÖRMANN Industries GmbH

The Management



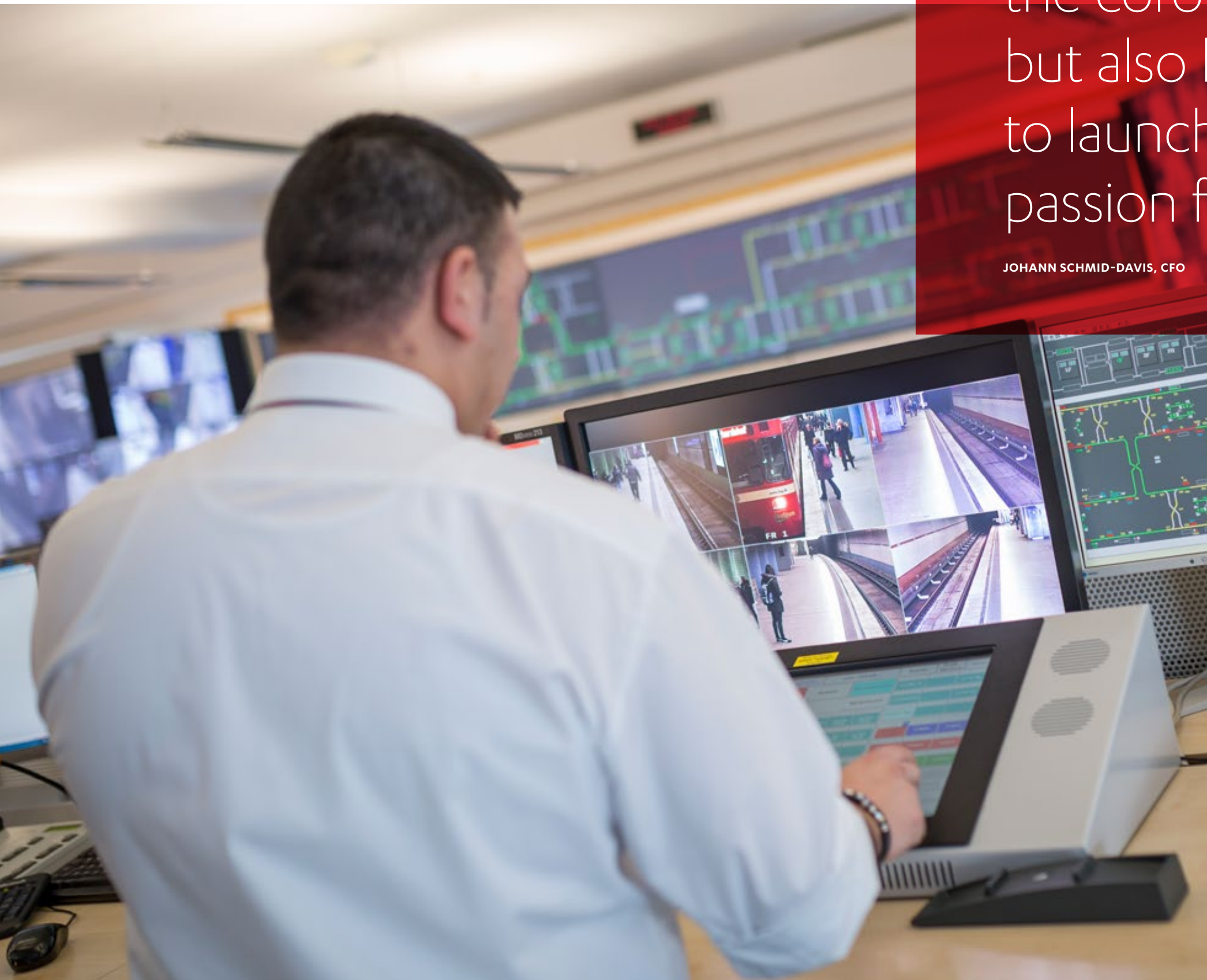
Dr.-Ing. Michael Radke



Johann Schmid-Davis

» We are committed to stability and continuity even in challenging times such as during the coronavirus pandemic – but also have the foresight to launch new projects with our passion for innovation. «

JOHANN SCHMID-DAVIS, CFO



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Consolidated Balance Sheet

OF HÖRMANN INDUSTRIES GMBH, KIRCHSEEON, AS AT 30 JUNE 2020

ASSETS (EUR thousand)	30.06.20	31.12.2019
A. FIXED ASSETS	89,013	88,168
I. Intangible assets	14,275	15,438
1. Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	1,501	1,704
2. Goodwill	12,698	13,672
3. Advance payments for intangible assets	76	63
II. Tangible assets	53,165	51,714
1. Land, land rights and buildings	12,157	12,480
2. Technical equipment and machinery	24,376	25,470
3. Furniture, fixtures and other equipment	7,791	7,755
4. Advance payments and assets under construction	8,841	6,009
III. Long-term financial assets	21,573	21,016
1. Equity investments	305	62
2. Long-term securities	266	203
3. Other loans	21,001	20,751
B. CURRENT ASSETS	202,726	208,907
I. Inventories	50,055	53,586
1. Raw materials, consumables, and supplies	25,174	23,385
2. Work in progress	82,083	84,003
3. Finished goods and merchandise	12,301	10,333
4. Advance payments	12,784	9,746
5. Payments received on account of orders	-82,287	-73,882
II. Receivables and other assets	89,685	90,500
1. Trade receivables	60,471	64,480
2. Receivables from affiliated companies	9,783	9,295
3. Other assets, of which in respect of shareholders: EUR 2,570 thousand (previous year: EUR 1,320 thousand)	19,431	16,725
III. Securities	182	182
IV. Cash-in-hand and bank balances	62,804	64,639
C. DEFERRED INCOME	2,561	1,963
D. DEFERRED TAX ASSETS	14,467	13,325
E. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES	943	253
Total Assets	309,710	312,616

Consolidated Balance Sheet

OF HÖRMANN INDUSTRIES GMBH, KIRCHSEEON, AS AT 30 JUNE 2020

EQUITY AND LIABILITIES (EUR thousand)	30.06.20	31.12.2019
A. EQUITY	115,802	121,179
I. Subscribed capital	200	200
II. Capital reserves	43,422	43,422
III. Consolidated net retained profits	58,843	65,775
IV. Non-controlling interests	13,337	11,782
B. PROVISIONS	87,064	87,437
1. Provisions for pensions and similar obligations	19,376	18,811
2. Tax provisions	1,325	3,683
3. Other provisions	66,363	64,943
C. LIABILITIES	106,629	103,986
1. Bonds	50,000	50,000
2. Liabilities to banks	10,004	6
3. Trade payables	33,161	38,968
4. Liabilities to affiliated companies	931	1,689
5. Other liabilities of which in respect of taxes: EUR 4,678 thousand (previous year: EUR 4,713 thousand) of which in respect of social security EUR 3,989 thousand (previous year EUR 3,694 thousand)	12,533	13,324
D. DEFERRED INCOME	215	14
Total Equity and Liabilities	309,710	312,616

Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020
(EUR thousand)

	1 Jan.– 30 June 2020	1 Jan.– 30 June 2019
1. Sales	234,225	299,044
2. Increase in finished goods and work in progress	-2,952	25,346
3. Other own work capitalized	193	123
4. Other operating income	4,037	2,571
5. Cost of materials	119,497	182,001
a) Expenses for raw materials, supplies and purchased goods	96,318	148,973
b) Cost of purchased services	23,179	33,028
GROSS PROFIT	116,006	145,083
6. Personnel expenses	76,135	95,159
a) Wages and salaries	63,956	80,120
b) Social security, post-employment and other employee benefit costs	12,179	15,039
7. Depreciation, amortisation and write-downs	6,590	5,653
a) of intangible fixed assets and depreciation and write-downs of tangible fixed assets	5,682	5,653
b) of current assets to the extent that they exceed the expenses that are usual for the corporation	908	0
8. Other operating expenses	33,197	34,902
	84	9,369
9. Other interest and similar income	192	132
10. Interest and similar expenses	2,976	2,041
11. Taxes on income	2,552	3,862
12. Deferred taxes	-1,143	-1,198
13. RESULT AFTER TAXES	-4,111	4,795
14. Other taxes	435	632
15. CONSOLIDATED NET LOSS FOR THE YEAR (PY: NET PROFIT FOR THE YEAR)	-4,546	4,163
16. Non-controlling interests	-1,555	-755
17. CONSOLIDATED LOSS (PY: PROFIT)	-6,101	3,408
18. Retained profits brought forward	65,775	58,674
19. Distribution to non-controlling interests	-831	-46
20. Consolidated net retained profits	58,843	62,036

Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020
(in EUR thousand)

	1 Jan.– 30 June 2020	1 Jan.– 30 June 2019
Net income for the period (consolidated net income/loss for the year including minority interest)	-4,546	4,163
+/- (+) Depreciation, amortisation and write-downs of fixed assets/(-) reversals of write-downs of fixed assets	5,682	5,653
+/- (+) Increase/(-) decrease in provisions	824	8,114
+/- Other non-cash income/expenses	-827	-4,383
+/- (+) Decrease/(-) increase in inventories, trade receivables and other assets not related to investing or financing activities	3,057	-33,817
+/- (-) Decrease/(+) increase in trade payables and other liabilities not related to investing or financing activities	-7,154	4,070
+/- (-) Gain/(+) loss on the disposal of fixed assets	10	-32
+/- Interest expenses/Interest income	2,784	1,909
+/- Income tax expenses/income	1,409	2,664
+/- Income tax payments	-2,599	-2,640
= CASH FLOW FROM OPERATING ACTIVITIES	-1,358	-14,299
+ Receipts from the disposal of intangible and tangible fixed assets	2	6
- Payments for intangible fixed assets	-341	-467
+ Receipts from the disposal of tangible fixed assets	1,730	2,204
- Payments for the acquisition of tangible fixed assets	-7,372	-6,674
+ Proceeds from the disposal of long-term financial assets	1	201
- Payment for the acquisition of long-term financial assets	-556	0
- Payments for additions from the consolidated group	0	-5,690
+ Interest received	86	44
= CASH FLOW FROM INVESTING ACTIVITIES	-6,450	-10,376
+ Receipt from bond issue	0	50,000
- Payment for bond redemption	0	-11,858
- Dividends paid to other shareholders	-1,061	-276
+ Proceeds from taking up (financial) loans	9,998	2,349
- Interest paid	-2,964	-169
+ Change in liabilities to banks due to consolidated group	0	2,675
= CASH FLOW FROM FINANCING ACTIVITIES	5,973	42,720
Decrease (PY: increase) in cash flow	-1,835	18,045
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	64,639	77,426
Change in cash and cash equivalents due to consolidated group	0	1,199
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	62,804	96,670

Consolidated Statement of Changes in Fixed Assets

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019
(in EUR thousand)

	COST					DEPRECIATION, AMORTISATION AND WRITE-DOWNS					CARRYING AMOUNTS	
	Balance on 1 Jan 2020	Additions	Disposals	Reclassifi- cations	Balance on 30 Jun 2020	Balance on 1 Jan 2020	Additions	Disposals	Reclassifi- cations	Balance on 30 Jun 2020	Carrying amount 30.06. 2020	Carrying amount 31.12. 2019
A. FIXED ASSETS												
I. Intangible assets												
1. Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	3,382	378	-305	-50	3,404	1,678	579	-303	-50	1,903	1,501	1,704
2. Goodwill	36,248	0	0	0	36,248	22,576	974	0	0	23,550	12,698	13,672
3. Advance payments	63	0	0	14	76	0	0	0	0	0	76	63
Total intangible fixed assets	39,692	378	-305	-36	39,728	24,253	1,553	-303	-50	25,453	14,275	15,438
II. Tangible assets												
1. Land, land rights and buildings	14,487	41	0	157	14,684	2,007	379	0	142	2,528	12,157	12,480
2. Technical equipment and machinery	30,573	794	-127	663	31,904	5,104	2,498	-45	-29	7,528	24,376	25,470
3. Furniture, fixtures and other equipment	12,753	1,255	-1,885	100	12,222	4,997	1,252	-1,882	63	4,431	7,791	7,755
4. Advance payments and assets under construction	6,009	5,245	-1,601	-758	8,895	0	0	54	0	54	8,841	6,009
Total tangible fixed assets	63,822	7,335	-3,613	162	67,706	12,108	4,129	-1,873	175	14,540	53,165	51,714
III. Long-term financial assets												
1. Equity investments	5,887	244	-1	118	6,248	5,825	0	0	118	5,943	305	62
2. Long-term securities	788	63	0	0	851	585	0	0	0	585	266	203
3. Other loans	20,751	250	0	0	21,001	0	0	0	0	0	21,001	20,751
Total financial assets	27,426	556	-1	118	28,100	6,410	0	0	118	6,528	21,573	21,016
Total fixed assets	130,940	8,269	-3,919	244	135,533	42,771	5,682	-2,176	244	46,520	89,013	88,168

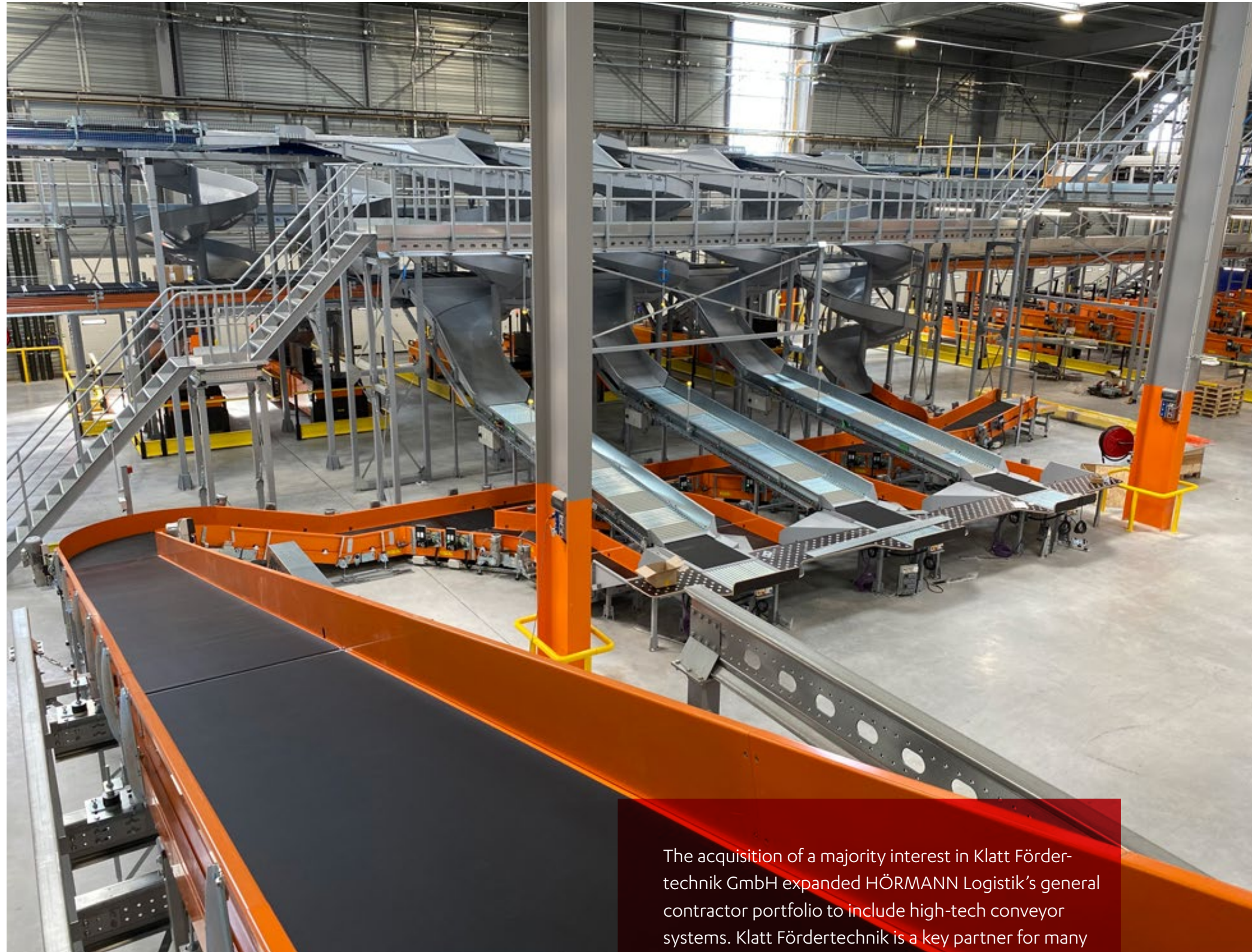
Consolidated Statement of Equity Changes

**BALANCE ON
30 JUNE 2020**
(in EUR thousand)

BALANCE ON 30 JUNE 2020 (in EUR thousand)	EQUITY OF PARENT COMPANY					NON-CON- TROLLING INTERESTS	CONSOLI- DATED EQUITY
	Reserves				Total	Profit/loss attributable to non- controlling interests	
	I. Subscribed capital	II. Capital reserves	III. Revenue reserves Other revenue reserves	IV. Consoli- dated net retained profits			
Balance on 1 Jan. 2019	200	43,717	0	58,674	102,592	10,215	112,806
Consolidated net income	0	0	0	7,101	7,101	2,754	9,855
Distributions	0	0	0	0	0	-1,958	-1,958
Shares purchased from third parties	0	0	-295	0	-295	771	476
Other changes	0	-295	295	0	0	0	0
Balance on 31 Dec. 2019	200	43,422	0	65,775	109,397	11,782	121,179
Balance on 1 Jan. 2020	200	43,422	0	65,775	109,397	11,782	121,179
Consolidated net income	0	0	0	-6,932	-6,932	2,386	-4,546
Distributions	0	0	0	0	0	-831	-831
Balance on 30 June 2020	200	43,422	0	58,843	102,465	13,337	115,802



The Engineering division offers our customers general planning, all the way from an idea to strategic development to a completed product.



The acquisition of a majority interest in Klatt Förder-technik GmbH expanded HÖRMANN Logistik's general contractor portfolio to include high-tech conveyor systems. Klatt Fördertechnik is a key partner for many European companies and industries, in particular for container conveyor systems, baggage conveyor systems, pallet conveyor systems, mail and packaging conveyor systems and special conveyor systems.

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

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

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

The presentation of the consolidated interim financial statements is the same as at 30 June 2019.

DIRECT AND INDIRECT SHAREHOLDINGS OF HÖRMANN INDUSTRIES GMBH as of 30 June 2019	Interest (in %)
Bereich Automotive	
Hörmann Automotive GmbH, Kirchseeon ³	100.00 %
Hörmann Automotive Saarbrücken GmbH, Saarbrücken ³	100.00 %
Hörmann Automotive Eislingen GmbH, Ebersbach a.d. Fils ³	100.00 %
Hörmann Automotive St. Wendel GmbH, St. Wendel ³	100.00 %
Hörmann Automotive Wackersdorf GmbH, Wackersdorf ³	100.00 %
Hörmann Automotive Bielefeld GmbH, Kirchseeon	100.00 %
Hörmann Automotive Gustavsborg GmbH, Ginsheim-Gustavsborg	100.00 %
Hörmann Automotive Slovakia s.r.o., Banovce, Slovakia	100.00 %
Versorgungswerk Hörmann Automotive Gustavsborg e.V., Ginsheim-Gustavsborg	100.00 %
Bereich Engineering	
AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, Chemnitz ³	100.00 %
AIC Süd GmbH, Kirchseeon	100.00 %
Hörmann Rawema Engineering & Consulting GmbH, Chemnitz ³	100.00 %
Hörmann Logistik GmbH, Munich ³	95.00 %
AIC Zeitarbeit GmbH, Chemnitz	60.00 %
VacuTec Meßtechnik GmbH, Dresden ³	90.00 %
Hörmann Vehicle Engineering GmbH, Chemnitz	100.00 %
Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria ⁴	51.00 %
Bereich Communication	
Funkwerk AG, Köllda	78.00 %
Funkwerk Systems GmbH, Köllda	100.00 %
Funkwerk StatKom GmbH, Köllda	100.00 %
Funkwerk Systems Austria GmbH, Wien, Austria	100.00 %
Funkwerk Technologies GmbH, Köllda	100.00 %
Funkwerk video systeme GmbH, Nuremberg	100.00 %
FunkTech GmbH, Köllda ³	100.00 %
Funkwerk IoT GmbH, Köllda	100.00 %
Hörmann Warnsysteme GmbH, Kirchseeon ³	74.99 %
Hörmann KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria	100.00 %
Hörmann Kommunikation & Netze GmbH, Kirchseeon ³	100.00 %

DIRECT AND INDIRECT SHAREHOLDINGS OF HÖRMANN INDUSTRIES GMBH as of 30 June 2019	Interest (in %)
Bereich Services	
Hörmann Services GmbH, Kirchseeon	100.00 %
Hörmann Industrieservice GmbH, Lehre	100.00 %
MAT Maschinentechnik GmbH, Salzgitter	67.00 %
Hörmann Automationssservice GmbH, Salzgitter	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.

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.
- There were no material changes to the consolidated group in the first half of the year.
- The changes in the consolidated group do not affect comparability with the previous year 2020.
- b.) No companies were included according to the provisions on equity consolidation in accordance with sections 311 et seq. HGB as at 30 June 2020.
- 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, Köllda, holds a 15.36 % interest in euromicron AG, Frankfurt am Main. At the request of euromicron AG (insolvent), the Local Court of Frankfurt am Main – register court – decided to release euromicron AG (insolvent) from the requirement to have the annual financial statements and the management report audited by an external auditor in accordance with section 270 (3) of the German Stock Corporation Act (Aktiengesetz – AktG) and from the requirement to have the consolidated annual financial statements and Group management report audited by an external auditor within the meaning of section 316 (2) HGB for the short financial year 2019.

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

The consolidated financial statements were prepared as at 30 June 2020. The half-year reporting period of all companies included in the consolidated financial statements ends on this date, with the exception of Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, whose financial year runs from 1 April to 31 March of the following year. 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 30 June 2020, HÖRMANN Industries GmbH, Kirchseeon, has voluntarily prepared consolidated interim financial statements comprising a consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the consolidated financial statements and a Group management report.

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

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

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

Goodwill offset against revenue reserves in previous years is no longer recognised as an expense in the consolidated income statement on deconsolidation. Any negative goodwill remaining is reported as a separate item after equity. 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 30.54 % and at the level of Funkwerk AG, Köllda, using a tax rate of 29.37 %, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.82 % and, for simplified calculation as at 30 June 2020, an average trade tax rate of 14.72 % for HÖRMANN Industries and 13.55 % for Funkwerk AG. The resulting tax expenses are offset against tax income.

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

5. Negative goodwill

The “Goodwill” item includes the goodwill from the first-time consolidation of Funkwerk AG, Köllda, as at 1 October 2016. Its value was EUR 5,686 thousand as at 30 June 2020 (previous year: EUR 6,140 thousand). It is being written down over a ten-year period. Goodwill was written down pro rata temporis by EUR 454 thousand in the first half of the 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 283 thousand as at 30 June 2020 (previous year: EUR 306 thousand). This resulted in a pro rata write-down of EUR 23 thousand in the first half of the year.

As at 30 June 2020, the first-time consolidation of HÖRMANN Automationservice GmbH (formerly MAT Automationstechnik GmbH), Salzgitter, resulted in a qualifying goodwill of EUR 64 thousand (previous year: EUR 74 thousand). This was written down in the amount of EUR 10 thousand p. a. in the first half of 2020. It is being written down over a ten-year period.

As at 30 June 2020, the first-time consolidation of MAT Industrieservice GmbH, Salzgitter, which was merged with HÖRMANN Industrieservice GmbH, Lehre, resulted in qualifying goodwill of EUR 584 thousand (previous year: EUR 668 thousand). This was written down in the amount of EUR 84 thousand p.a. in the first half of the year. It is being written down over a ten-year period.

As at 30 June 2020, the first-time consolidation of MAT Maschinentechnik GmbH, Salzgitter, resulted in qualifying goodwill of EUR 411 thousand (previous year: EUR 438 thousand). This was written down in the amount of EUR 27 thousand p.a. in the first half of 2020. It is being written down over a ten-year period.

As at 30 June 2020, Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, generated qualifying goodwill of EUR 4,563 thousand (previous year: EUR 4,861 thousand). This was written down in the amount of EUR 298 thousand p. a. in the first half of 2020. It is being written down over a ten-year period.

6. Currency translation principles

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

7. Accounting policies

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

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

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

Purchased **goodwill** is capitalised at acquisition cost and amortised pro rata temporis on a straight-line basis over a ten-year period. 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 executory contracts, 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 in the parent company HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and are thus included in the consolidated financial statements to be prepared for the largest number of companies. These are essentially receivables from the Group cash pool and a loan.

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 30 June 2020. Where possible, deferred tax assets and liabilities are offset in accordance with the option provided by section 274 HGB in conjunction with section 306 HGB.

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

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

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

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

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

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

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

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

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

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

Liabilities and other liabilities are carried at their settlement amount.

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

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

8. Changes from accounting methods applied in the previous year

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

B. NOTES TO THE BALANCE SHEET

1. Fixed assets

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

The historical cost of EUR 244 thousand and historical write-downs of EUR 244 thousand were adjusted in the financial year on account of systemic deferrals in previous years.

The statement of changes in consolidated fixed assets in the first half of 2020 is shown on page 38/39.

2. Inventories

Payments received on account of orders of EUR 82,287 thousand (previous year: EUR 73,882 thousand) were deducted from inventories on the face of the balance sheet.

3. Receivables and other assets

Trade receivables of EUR 68 thousand (previous year: EUR 45 thousand) have a remaining term of more than one year.

Other assets of EUR 2,098 thousand (previous year: EUR 769 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include trade receivables of EUR 118 thousand (previous year: EUR 92 thousand) and loan and interest receivables of EUR 550 thousand (previous year: EUR 300 thousand) and EUR 9,115 thousand (previous year: EUR 8,903 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 current financial year is shown in the consolidated statement of changes in equity.

Retained profits brought forward were EUR 65,775 thousand in 2019 (previous year: EUR 58,674 thousand).

6. Provisions

During the year, the provision for pension obligations is derived in the form of an estimate based on the actuarial reports available as at the reporting date 31 December 2019.

Pension provisions as at 31 December 2019 were measured on the basis of 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 calculate the average interest rate for the discounting of pension obligations. Comparing against the calculation using the average market interest rate for the last seven financial years results in a difference pursuant to section 253 (6) HGB of EUR 4,282 thousand (previous year: EUR 4,145 thousand) as at 31 December 2019.

The settlement of pension provisions is around EUR 32,908 thousand (previous year: EUR 42,096 thousand). This is offset against assets of approximately 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 726 thousand were reported on the assets side of the balance sheet as the “Excess of plan assets over pension liabilities”.

The amortized cost of the offset assets amounted to EUR 1,964 thousand as at 31 December 2019, while their recognised fair value was EUR 2,235 thousand. The fair value recognition is due to the fact that the insurance policies concluded serve exclusively to cover the pension liabilities and so are to be measured at fair value and offset against the related liabilities (section 246 (2) sentence 2 HGB, section 253 (1) sentence 4 HGB).

Only insignificant amounts are offset in the income statement in this regard.

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 retirement provisions is approximately 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 amounted to EUR 1,806 thousand as at 31 December 2019. The fair value of these assets is equal to their market value as at 31 December 2019. Plan assets in excess of the settlement amount of EUR 217 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

Their remaining terms are shown in the consolidated maturity structure of liabilities.

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.

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 30.78 %, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.82 % and, for simplified calculation as at 30 June 2020, an average trade tax rate of 14.72 %. 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 146.09. They are measured using the mark-to-market method. Their carrying amount is EUR 36 thousand and is included in prepaid expenses.

CONSOLIDATED MATURITY STRUCTURE
OF LIABILITIES AS AT 30 JUNE 2020
(in T€)

	Remaining term				
	up to one year	more than one year	of which more than five years	Total 30 Jun 2020	of which secured ¹
1. Bonds	0	50,000	0	50,000	0
Previous year	0	50,000	0	50,000	0
2. Liabilities to banks	10,004	0	0	10,004	0
Previous year	6	0	0	6	0
3. Trade payables	33,161	0	0	33,161	0
Previous year	38,968	0	0	38,968	0
4. Liabilities to affiliated companies	931	0	0	931	0
Previous year	1,689	0	0	1,689	0
5. Other liabilities	12,533	0	0	12,533	0
Previous year	13,324	0	0	13,324	0
of which in respect of taxes	4,678	0	0	4,678	0
Previous year	4,713	0	0	4,713	0
of which in respect of social security	3,989	0	0	3,989	0
Previous year	3,694	0	0	3,694	0
Financial year	56,629	50,000	0	106,629	0

¹ Information on the nature and form of security can be found in note B 7 of the notes to the consolidated financial statements

C. CONSOLIDATED INCOME STATEMENT DISCLOSURES

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

No expenses and income of an extraordinary amount were incurred in the first half of the financial year.

2. Sales

Breakdown of revenues by region	1. Half of 2020 (In EUR million)	1. Half of 2019 (In EUR million)
Sales, domestic	154	188
Sales, international	80	111
Total	234	299

Divisions	1. Half of 2020 (In EUR million)	1. Half of 2019 (In EUR million)
Automotive	118	207
Engineering	41	27
Services	10	18
Communication	65	47
Total	234	299

3. Other operating income

Other operating income includes prior-period income of EUR 1,388 thousand (previous year: EUR 533 thousand), EUR 1,197 thousand (previous year: EUR 475 thousand) of which relates to the reversal of provisions, EUR 109 thousand (previous year: EUR 14 thousand) to the reversal of write-downs and EUR 82 thousand (previous year: EUR 43 thousand) to other prior-period income. Other operating income also includes income from currency translation of EUR 48 thousand (previous year: EUR 10 thousand).

4. Unscheduled write-downs

Write-downs on current assets of EUR 908 thousand (previous year: EUR 0 thousand) relate to assets held for sale based on a lower fair value.

5. Other operating expenses

Other operating expenses include prior-period expenses of EUR 83 thousand (previous year: EUR 124 thousand). Currency translation resulted in expenses of EUR 112 thousand (previous year: EUR 58 thousand).

6. Taxes on income

Taxes on income include prior-period tax expenses of EUR 24 thousand (previous year: EUR 19 thousand) and prior-period tax income of EUR 138 thousand (previous year: EUR 2 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 2.9 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 1,283 thousand of this guarantee facility had been utilised as at 30 June 2020. To the best of our knowledge, both HÖRMANN Holding GmbH & Co. KG, Kirchseeon and HÖRMANN Automotive GmbH, Kirchseeon conduct their business properly and in a manner that ensures that they are able to meet all their obligations on their own and that therefore recourse to HÖRMANN Industries GmbH, Kirchseeon is not expected for the contingent liabilities we have entered into.

b.) Other financial obligations

Obligations under rental and lease agreements and other longer-term contracts amount to around EUR 69 million. Other financial obligations of EUR 13 million have a remaining term of up to one year, EUR 37 million have a remaining term of between one and five years and EUR 19 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

This disclosure will be included in the 2020 consolidated financial statements.

4. Management

- ♦ Dr.-Ing. Michael Radke, Ingenieur
- ♦ Johann Schmid-Davis, Betriebswirt

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

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

5. Employees

There were 2,727 employees on average in the first half of 2020 (2019 whole year: 2,821). The average number of trainees was 89 (2019 whole year: 107).

Average number of employees by group:

Group	30 June 2020
Production	1,948
Sales/Project Management	263
Development	306
Administration	210
Total	2,727

6. Group affiliation

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

E. CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

Definition of cash and cash equivalents

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

Kirchseeon, 7 August 2020

HÖRMANN Industries GmbH



Dr.-Ing. Michael Radke



Johann Schmid-Davis

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements 2018 as well as the interim consolidated financial statements 2019 give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Kirchseeon, August 2020

HÖRMANN Industries GmbH



Dr.-Ing. Michael Radke



Johann Schmid-Davis



» As a family company, we are committed to our values, and we act responsibly to sustainably safeguard the Group's future. «

MICHAEL RADKE, CEO



Impressum

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