



GROUP MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2022

# Key figures at a glance

## Financial position and results of operations

(In EUR million)

|                                     | H1 2022 | H1 2021 |
|-------------------------------------|---------|---------|
| Sales                               | 298.5   | 296.3   |
| Total output <sup>1</sup>           | 329.0   | 315.6   |
| Gross profit                        | 136.7   | 144.6   |
| EBITDA <sup>2</sup>                 | 6.4     | 19.8    |
| EBIT <sup>3</sup>                   | 0.5     | 13.8    |
| Cash flow from operating activities | -4.8    | 0.7     |
| Cash flow from investing activities | -2.5    | 0.2     |

## Net assets

(In EUR million)

|                                            | 30 June 2022 | 31 Dec. 2021 |
|--------------------------------------------|--------------|--------------|
| Total assets                               | 364.1        | 341.7        |
| Equity                                     | 125.7        | 131.1        |
| Equity ratio <sup>4</sup>                  | 34.5%        | 38.4%        |
| Working capital <sup>5</sup>               | 97.4         | 78.7         |
| Net cash and cash equivalents <sup>6</sup> | 73.5         | 84.3         |
| Employees <sup>7</sup>                     | 2,824        | 2,787        |

<sup>1</sup> Sales plus change in inventories and other own work capitalised

<sup>2</sup> Consolidated net income before depreciation and amortisation, financial result and income taxes

<sup>3</sup> Consolidated net income before financial result and income taxes

<sup>4</sup> Equity/total assets

<sup>5</sup> Inventories plus trade receivables minus trade payables

<sup>6</sup> Bank balances incl. securities classified as current assets minus liabilities to banks

<sup>7</sup> Average number for the year without trainees

## 1 Management Report

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HÖRMANN **Industries GmbH** is pushing ahead with the strategic realignment of the Group and opening up new future prospects for the further development of its four business divisions Automotive, Communication, Intralogistics and Engineering. “We are actively and dynamically shaping the earnings-oriented growth course and sustainably strengthening the Group for a successful future.”

Johann Schmid-Davis, CFO, Dr. Michael Radke, CEO, Dr. Christian Baur, CTO (from left to right)

The broad diversification with four strong business divisions ensures stability and sustainable success of the HÖRMANN Group.

# Basic information on the Group

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

Active subsidiaries also include HÖRMANN Digital GmbH, Kirchseeon, an overarching service provider for the development of software-based product solutions and enhancements, and HÖRMANN Informations-systeme GmbH, Ginsheim-Gustavsburg, a Group-wide service provider for IT infrastructure and software systems for business process digitalisation.

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

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

## AUTOMOTIVE

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

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

The division covers the entire value chain with its engineering, technology development, 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 metal components for the agricultural machinery industry in particular; HÖRMANN Automotive Saarbrücken GmbH, a manufacturer of interior systems such as interior ceilings for buses and complex assemblies and turn-key installation systems through to 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, fuel tanks and hydraulic tanks for commercial vehicles and agricultural and construction machinery; and HÖRMANN Automotive Slovakia s.r.o., which produces labour-intensive metal components and chassis attachments for the commercial vehicle industry. HÖRMANN Automotive Assets GmbH holds assets and operating resources for companies in the Automotive division.

## ENGINEERING

- ♦ HÖRMANN BauPlan GmbH, Chemnitz
- ♦ HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz
- ♦ HÖRMANN Vehicle Engineering GmbH, Chemnitz
- ♦ VacuTec Meßtechnik GmbH, Dresden

In the period under review, the companies HÖRMANN Logistik GmbH, Munich, HÖRMANN Logistik Polska Sp. z o.o., Gdansk, Poland, and Klatt Fördertechnik GmbH, Neumarkt a. Wallersee, Austria, were moved to the newly established Intralogistics division.

The **Engineering** division operates in industrial design and vehicle development. This service range is supplemented by the development and production of detectors for measuring ionising radiation. HÖRMANN Bauplan GmbH provides engineering services within the construction industry, with a particular focus on commercial and residential construction and especially technical building services.

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

HÖRMANN Vehicle Engineering GmbH harnesses its 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.

## INTRALOGISTICS

- ♦ HÖRMANN Intralogistics GmbH, Munich
- ♦ HÖRMANN Logistik GmbH, Munich
- ♦ HÖRMANN Logistik Polska Sp. z o.o., Gdansk, Poland
- ♦ HÖRMANN Logistik Systeme GmbH, Graz, Austria
- ♦ Klatt Fördertechnik GmbH, Neumarkt a. Wallersee, Austria
- ♦ HÖRMANN Services GmbH, Kirchseeon
- ♦ HÖRMANN Industrieservice GmbH, Lehre/Wolfsburg
- ♦ HÖRMANN Automationservice GmbH, Kirchseeon
- ♦ MAT Maschinentechnik GmbH, Salzgitter

The very dynamic market development and the significant increase in market demand for sophisticated system solutions for intralogistics, for automation solutions for production, warehousing and distribution logistics, and for services show strong growth potential. To expand this growth area in a targeted manner, the new strategic division Intralogistics was established in the first half of 2022, along with the intermediate holding company HÖRMANN Intralogistics GmbH, Kirchseeon, to which the companies HÖRMANN Logistik GmbH, Munich, HÖRMANN Logistik Polska Sp. z o.o., Gdansk, Poland, and Klatt Fördertechnik GmbH, Neumarkt a. Wallersee, Austria, were contributed. These entities were previously allocated to the Engineering division. HÖRMANN Logistik Systeme GmbH, Graz, Austria, was established and consolidated for the first time in the period under review. With investments in extended product solutions and sales-focused internationalisation, the new strategic division Intralogistics is to become a pillar of profitable growth for the Group.

To complete the value chain, the Services division with the subsidiaries HÖRMANN Industrieservice GmbH, Lehre/Wolfsburg, HÖRMANN Automatisierungsservice GmbH, Kirchseeon, and MAT Maschinentechnik GmbH, Salzgitter, was integrated in the new Intralogistics division, also in the first half of 2022.

The Group operates in the Intralogistics division with HÖRMANN Logistik GmbH, HÖRMANN Logistik Polska Sp. z o.o. and HÖRMANN Logistik Systeme GmbH as general contractors in the planning and implementation of turnkey material flow systems. With intelligent workflow concepts and complex storage strategies, the most economical intralogistics solutions for individual requirements are implemented, thereby enabling international customers from a wide range of industries to generate significant productivity and efficiency improvements. With Klatt Fördertechnik GmbH, the portfolio has been expanded to include the products and conveyor systems developed, planned and manufactured by the company. Klatt Fördertechnik GmbH has developed into a European provider of conveyor systems for industry, airports, mail sorting centres, waste disposal and hospitals.

Through the integration of the Services division, the range of solutions is to be expanded with extensive aftersales service and vertical integration is to be increased with in-house assembly services and commissioning.

The service units HÖRMANN Services GmbH, HÖRMANN Industrieservice GmbH, HÖRMANN Automationservice GmbH and MAT Maschinentechnik GmbH contribute a service portfolio in electrical, mechanical, control, robot, welding and conveyor technology, pneumatic and hydraulic systems, shift-accompanying maintenance of process technology, and the assembly, commissioning and relocation of complete production plants.

## COMMUNICATION

- ♦ Funkwerk AG, Köllda
- ♦ Funkwerk Technologies GmbH, Köllda
- ♦ FunkTech GmbH, Köllda
- ♦ Funkwerk Systems GmbH, Köllda
- ♦ Funkwerk Systems Austria GmbH, Vienna, Austria
- ♦ Funkwerk video systeme GmbH, Nuremberg
- ♦ Funkwerk IoT GmbH, Bremen
- ♦ Funkwerk vipro.sys GmbH, Leipzig
- ♦ 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. Funkwerk offers tailored solutions for voice and data communication using analogue and digital mobile networks (LTE, GSM-R) in rail transport.

HÖRMANN Kommunikation & Netze GmbH is a provider of installation, assembly and accompanying services for the public infrastructure relating to railway traffic and communication technology as well as energy supply.

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

# Economic report

## GENERAL ECONOMIC AND INDUSTRY CONDITIONS

According to the German Federal Statistical Office (Destatis), gross domestic product (GDP) adjusted for inflation, seasonal and calendar effects increased by 0.8% in the first quarter of 2022 as against the fourth quarter of 2021.<sup>1</sup> Compared to the first quarter of 2021 – when the German economy was impacted by the effects of the second wave of the coronavirus – the increase after adjustment for inflation and calendar effects came to 3.7%.<sup>2</sup> Following the recovery last summer and the decline at the end of 2021, higher investments in particular led to this slight increase in economic output in the first three months.

In the second quarter of 2022, however, GDP stagnated as against the first quarter of 2022 (+0.0% after adjustment for inflation, seasonal and calendar effects). The economy was primarily supported by private consumer spending and government spending, while the trade balance curbed economic growth. The difficult global economic conditions, with the ongoing COVID-19 pandemic, disrupted supply chains, rising prices and the war in Ukraine, are clearly reflected in the economic development. After adjustment for inflation, GDP in the second quarter of 2022 was 1.5% higher than in the same period of the previous year, when the economy was still impacted by the effects of the COVID-19 pandemic. Year-on-year GDP growth came to 1.4% in the second quarter of 2022 after adjustment for inflation and calendar effects. Destatis indicates that the results are subject to greater uncertainty than usual due to the ongoing COVID-19 crisis and the war in Ukraine.

The war in Ukraine is also one of the main reasons for the persistently high price increases in Germany.<sup>3</sup> After an inflation rate of 4.9% at the beginning of the year, inflation came to 7.6% in June 2022 according to Destatis, after having been as high as 7.9% in May. Prices for energy in particular have risen sharply, significantly influencing the overall price increase. In addition, there were continuing supply bottlenecks as a result of disrupted supply chains and significant price increases at upstream economic levels, which had already impaired the economic recovery in the second half of 2021.

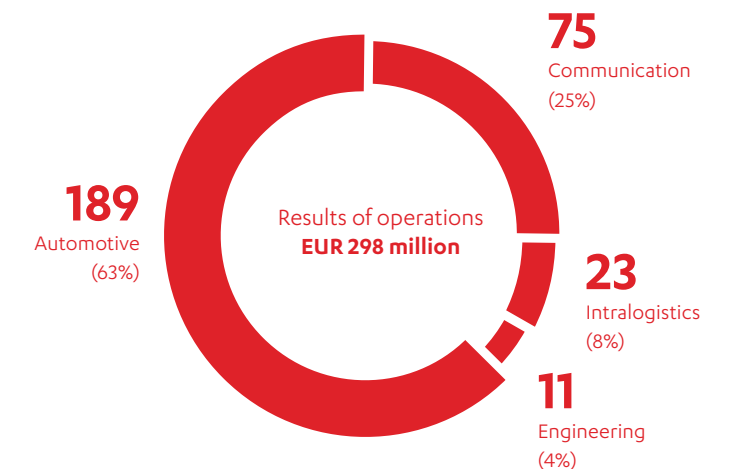
<sup>1</sup> Destatis press release no. 322, 29 July 2022

<sup>2</sup> Destatis press release no. 184, 29 April 2022

<sup>3</sup> Destatis press release no. 296, 13 July 2022

<sup>4</sup> Destatis ifo Business Climate Index for Germany, 25 July 2022

Breakdown of sales by business division  
for the first half of 2022  
in EUR million



Overall, rising energy prices and the risk of gas shortages are considerably weighing on sentiment in the German economy. The ifo Business Climate Index fell to 88.6 points in July 2022 after 92.2 points in the previous month.<sup>4</sup> This is the lowest level since June 2021. Compared to other sectors, companies in the manufacturing industry rate the current situation worse and are more pessimistic for the second half of the year. Here the Business Climate Index marked a significant decline in July 2022, coming to -7.1 points after the previous year's high level of 27.9 points.

## INDUSTRY ENVIRONMENT

The industry environment is discussed in the information on the course of business in the individual divisions starting on page 16.

## FINANCIAL PERFORMANCE

In the first half of 2022, HÖRMANN Industries GmbH generated **sales** of EUR 298.5 million. Sales were thus kept at the level of the first half of 2021 (EUR 296.3 million) and included oncharged material price rises in the Automotive division of around EUR 18 million that were recognised directly in equity. Value-adding sales thus declined by EUR 15.8 million or 5.3% to EUR 280.5 million in the first six months of 2022. This decline in sales chiefly resulted from the Automotive and Intralogistics divisions, which were negatively impacted in the first half of 2022 by the effects of the Ukraine conflict and the COVID-19 pandemic as well as the associated supply bottlenecks and project delays.



Taking into account an increase in inventories of EUR 30.3 million, **total output** amounted to EUR 329.0 million, up by EUR 13.4 million or 4.2% on the same period of the previous year (EUR 315.6 million).

The **cost of materials** of EUR 197.3 million (previous year: EUR 175.0 million) included costs of raw materials, consumables and supplies, and of purchased merchandise, of EUR 161.4 million (previous year: EUR 139.3 million) and costs of purchased services of EUR 35.9 million (previous year: EUR 35.7 million). The cost of materials corresponded to 60.0% of total output, up on the prior-year figure (55.4%). The year-on-year increase in the cost of materials ratio was due to the business performance in the material-intensive Automotive and Intralogistics divisions with huge price rises in some cases for raw materials such as steel, purchased parts and electronic components, as well as to the increase in energy costs for production.

**Other operating income** of EUR 4.9 million (previous year: EUR 4.0 million) includes EUR 1.1 million in income from the reversal of provisions, EUR 1.1 million in income from investment and research grants, EUR 0.9 million in payments in kind, EUR 0.4 million in income from disposals of assets, EUR 0.4 million in income from the reversal of write-downs and EUR 0.1 million in prior-period income.

At EUR 136.7 million, the **gross profit** was down by EUR 8.0 million as against the previous year's figure of EUR 144.7 million, chiefly due to the rise in material and energy prices. The gross profit margin accordingly fell from 45.8% in the first half of 2021 to 41.5% in the period under review.

**Personnel expenses** of EUR 88.8 million were up EUR 3.3 million on the previous year (EUR 85.5 million). Staff costs corresponded to 27.0% of total output, which was equivalent to the previous year's level (27.1%). Excluding trainees, HÖRMANN Industries GmbH employed an average of 2,824 people in the first half of the year (previous year: 2,787).

**Depreciation and amortisation** were down EUR 0.2 million year-on-year at EUR 5.8 million (previous year: EUR 6.0 million). This included goodwill amortisation of EUR 0.9 million (previous year: EUR 0.9 million).

**Other operating expenses** rose by EUR 2.2 million year-on-year to EUR 40.9 million (previous year: EUR 38.7 million). EUR 7.8 million of this related to the cost of buildings and premises, EUR 11.4 million to administrative expenses and EUR 15.0 million to operating and selling expenses. Compared to the first half of 2021, there were particularly significant increases in the cost of premises by EUR 0.5 million, in travel and vehicle costs by EUR 1.0 million and in insurance premiums by EUR 0.2 million in the period under review. Other operating expenses amounted to 12.4% of total output (previous year: 12.3%).

The **operating result** of EUR 1.2 million (previous year: EUR 14.5 million) declined by EUR 13.3 million year-on-year, primarily due to the disruptions to production that arose in parts of the Automotive division, to price increases for materials and energy, and to project delays.

After deducting other taxes of EUR 0.6 million, **EBIT** for the first half of 2022 amounted to EUR 0.5 million (previous year: EUR 13.8 million).

The **financial result** was virtually unchanged at EUR –1.6 million (previous year: EUR –1.7 million). In the first half of 2022, interest and similar expenses including commitment fees were incurred in the amount of EUR 1.8 million (previous year: EUR 2.0 million) for the bond issued in 2019, the credit facilities of EUR 40 million provided during the course of the year under the existing syndicated loan, and the EUR 10 million tranche of the KfW entrepreneur loan drawn down in October 2020. These expenses were offset by interest and investment income in the amount of EUR 0.2 million (previous year: EUR 0.3 million).

The **income tax expense** for trade tax and corporation tax amounted to EUR 3.0 million in the first six months of 2022 (previous year: EUR 5.0 million).

The first half of 2022 ended with a **consolidated net loss** of EUR 3.9 million (previous year: consolidated net income of EUR 9.0 million).

## FINANCIAL POSITION

### Capital structure

The Group's **equity base** including non-controlling interests amounted to EUR 125.7 million as at 30 June 2022 (31 December 2021: EUR 131.1 million). The equity ratio as at 30 June 2022 thus fell to 34.5% (31 December 2021: 38.4%) due to reporting date factors.

**Total assets** increased by EUR 22.4 million from EUR 341.7 million to EUR 364.1 million, essentially as a result of the increase in working capital as against the end of the previous year.

Including inventories of EUR 86.6 million and trade receivables of EUR 61.1 million and less trade payables of EUR 50.3 million, **working capital** increased to EUR 97.4 million at the end of the period under review (31 December 2021: EUR 78.7 million). This development was primarily due to the increase in inventories from EUR 61.1 million at the prior-year reporting date to EUR 86.6 million as at 30 June 2022. The high level of orders on hand in the Intralogistics and Communication divisions and the current project delays meant that work in progress rose by EUR 30.3 million to EUR 145.3 million. Thanks to good and, in some cases, long-standing customer relationships as well as existing guarantee and surety facilities, the advance payment rate for projects and orders that had already begun increased by another EUR 6.4 million to EUR 116.9 million in the first half of 2022 (31 December 2021: EUR 110.5 million), although this was not enough to fully refinance the increase in work in progress.

Liabilities in connection with **bonds** amounted to EUR 50.0 million as at 30 June 2022 (31 December 2021: EUR 50.0 million). The bond issued in June 2019 by HÖRMANN Industries GmbH has a volume of EUR 50.0 million, a coupon of 4.5% and a term of five years ending on 6 June 2024.

**Liabilities to banks** amounted to EUR 13.1 million at the end of the first half of 2022 (31 December 2021: EUR 9.4 million). In the fourth quarter of 2020, HÖRMANN Industries GmbH drew down a sum of EUR 10.0 million from the KfW entrepreneur loan granted in July 2020. The loan tranches of EUR 30.0 million that had not yet been disbursed from the KfW entrepreneur loan were returned to KfW in the first half of 2021 and the loan agreements were cancelled.

The KfW loan of EUR 10 million that has been drawn down has a term of five years with 16 quarterly repayment instalments beginning in the second year. By the end of the second quarter of 2022, cumulative repayments of EUR 1.9 million had been made.

Under the five-year syndicated loan agreement concluded with a bank consortium comprising SaarLB, HeLaBa, Commerzbank AG and Oberbank AG in December 2019, the Group has a credit facility 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. In June 2021, HÖRMANN Industries GmbH requested to extend the term under the existing option for an additional year until the end of 2025; this request was approved. This loan had been utilised in the amount of EUR 5.0 million as at 30 June 2022.

Conditions have not deteriorated year-on-year as a result of the company's credit standing and are in line with market developments.

### Liquidity

**Bank balances** amounted to EUR 86.6 million at the reporting date (31 December 2021: EUR 93.7 million).

As at 30 June 2022, there were available credit facilities of EUR 37.5 million (31 December 2021: EUR 42.5 million).

HÖRMANN Industries GmbH had **net cash and cash equivalents** of EUR 73.5 million as at the reporting date (31 December 2021: EUR 84.3 million). Net cash and cash equivalents are calculated as cash in hand and bank balances less liabilities to banks.

### Consolidated Cash Flow Statement

The cash flow statement is structured in accordance with GAS 21. In the first half of 2022, **cash flow from operating activities** declined from EUR 0.7 million in the same period of the previous year to EUR –4.8 million, largely as a result of the increase in working capital. **Cash flow from investing activities** decreased from EUR 0.2 million to EUR –2.5 million in the first six months of 2022. **Cash flow from financing activities** amounted to EUR 0.2 million (previous year: EUR –3.4 million). By 30 June 2022, two instalments for the KfW loan totalling EUR 1.9 million had been paid. This was countered by temporary utilisation of the syndicated loan in the amount of EUR 5.0 million.

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

#### Net assets

At EUR 6.7 million (previous year: EUR 4.2 million), additions to **tangible and intangible assets** were higher than depreciation and amortisation of fixed assets (EUR 5.9 million). The year-on-year increase was chiefly due to the construction of new office and factory buildings at the headquarters of Funkwerk AG in Kölleda.

Total **inventories** (after deducting payments received on account of orders) rose from EUR 61.1 million as at 31 December 2021 to EUR 86.6 million as at 30 June 2022 due to the increased project progress volume and the rises in material prices. This figure was driven up by the increase in work in progress to EUR 145.3 million (previous year: EUR 114.9 million), which was partly offset by an increase in payments received on account of orders by EUR 6.4 million to EUR 116.9 million (previous year: EUR 110.5 million). The range of inventories to sales increased to 52 days (previous year: 37 days). Daily turnover is calculated by dividing the inventories as at 30 June 2022 by the average sales per day in the period under review.

Due to reporting date and seasonal factors, **trade receivables** increased from EUR 57.7 million to EUR 61.1 million, corresponding to 37 days (previous year: 35 days), as a result of a high sales volume in June 2022. Daily turnover is calculated by dividing the receivables as at 30 June 2022 by the average sales per day in the period under review.

**Other assets** increased from EUR 14.4 million to EUR 18.9 million.

**Deferred taxes** are taken over from the single-entity financial statements. Deferred tax assets mainly result from differences between the amounts recognised for provisions in the financial accounts and the tax accounts, and from tax loss carry-forwards that could be used at a future date. As at 30 June 2022, this item had a value of EUR 14.8 million and thus remained at the level of the carrying amount as at 31 December 2021 (EUR 14.7 million).

At EUR 21.1 million as at 30 June 2022, **pension provisions** were essentially unchanged as against the previous year (EUR 21.3 million).

**Tax provisions** decreased to EUR 2.9 million as at 30 June 2022 after EUR 3.1 million in the previous year.

**Trade payables** increased from EUR 40.1 million to EUR 50.3 million due to reporting date and seasonal factors. The utilisation of supplier credits for the cost of materials and other operating expenses increased from an average of 34 days in the previous year to 38 days. The average duration of credit utilisation is calculated by dividing the trade payables as at 30 June 2022 by the sum of the average cost of materials and the average other operating expenses per day in the period under review.

#### REPORT ON PERFORMANCE INDICATORS

##### Non-financial performance indicators

###### Production

Production capacity utilisation within HÖRMANN Industries GmbH has varied in the 2022 financial year to date. While the Communication, Engineering and Intralogistics divisions operated at full capacity due to the high order and business volume, plant utilisation in the Automotive division was considerably lower than planned as a result of renewed interruptions of production and cancelled call orders on the part of truck manufacturers. In particular, the interruption of production at the key customer MAN Truck & Bus AG between mid-March and early May 2022 led to high idle capacity costs, mainly at the plants in Gustavsbург and in Banovce, Slovakia.

###### 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, there is a strategic purchasing department that is responsible for leveraging additional cost-cutting potential by bundling a wide range of product groups and services. Since the 2021 financial year, purchasing has faced the challenge of excess demand on the steel market, the lack of availability of electronic components and the need to ensure the supply of production materials in this context.

This situation intensified further over the first half of 2022, with supply bottlenecks leading to extensive delays in delivery and significant price rises. The Group was impacted by these price rises and additional logistics costs in the period under review. These disruptive factors are intensifying in conjunction with the demand situation and developments in Ukraine. As a result, purchasing prices – especially for energy – are set to continue to rise and availability problems are anticipated. Suppliers are extremely reticent to offer longer-term price and supply commitments, which is further exacerbating the risk of future cost increases. The global and European procurement markets are seeing unprecedented volatility and extremely high inflationary trends with risks that are largely incalculable.

##### Employees

HÖRMANN Industries GmbH employed a total of 2,824 persons on average in the first half of 2022, compared with 2,787 in the previous year (2021 as a whole).

It also employed a total of 72 trainees (previous year: 82). Measured against the total workforce, this corresponds to a share of almost 2.5%. The training on offer covers various industrial and commercial occupations.

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

HÖRMANN Industries GmbH also focuses on protecting its employees. By establishing optimal conditions for mobile working to the widest possible extent and introducing widespread hygiene measures at the production sites, we are providing our employees with the best possible protection against the risks arising from the COVID-19 pandemic. As soon as the first signs of the COVID-19 pandemic emerged in February 2020, more than 900 office workstations were equipped with mobile devices and system access. This again allowed the Group to remain fully operational in the first six months of 2022 while effectively protecting its employees' health. In addition, comprehensive hygiene measures are in place at the Group's production sites, including the provision of protective masks and regular COVID-19 tests.

This was supplemented by the provision of vaccinations by the company medical team at the locations with large workforces. These measures have limited the impact of the COVID-19 pandemic across the Group's plants and production and assembly facilities in Germany to the greatest possible extent and ensured work and production capability at all times, although considerably higher sickness rates are impacting earnings.

##### 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. HÖRMANN Industries GmbH tries to keep the effects of its actions on the environment as low as possible or to reduce them on an ongoing basis. Ecological interests are linked to economic goals. HÖRMANN Industries GmbH also meets its 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.



HÖRMANN Industries GmbH intends to make sustainability an even more important aspect of corporate governance in future. A sustainability report was prepared for the first time in the 2021 reporting year as part of the gradual process of establishing an auditable sustainability management system and promoting sustainability initiatives.

Financial performance indicators

Financially, HÖRMANN Industries GmbH is managed on the basis of 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 target/actual and year-on-year comparison.

Liquidity available is also a key performance indicator. Frequent, Group-wide liquidity planning and management has played a key role since 2020.

Financial performance indicators year-on-year:

|                                                                              | H1 2022 | H1 2021 | H1 2020 |
|------------------------------------------------------------------------------|---------|---------|---------|
| Sales (in EUR million)                                                       | 298.5   | 296.3   | 234.1   |
| Total output (in EUR million)                                                | 329.0   | 315.6   | 231.5   |
| Gross profit (in EUR million)                                                | 136.7   | 144.6   | 116.0   |
| in % of total output                                                         | 41.6%   | 45.8%   | 50.1%   |
| EBIT (in EUR million)                                                        | 0.5     | 13.8    | -0.4    |
| EBIT margin in % of total output                                             | 0.2%    | 4.4%    | -0.2%   |
| Available liquidity (Net liquidity plus free credit volume) (in EUR million) | 111.0   | 112.6   | 85.3    |

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

COURSE OF BUSINESS IN THE DIVISIONS

The course of business is presented in the form of a multi-year comparison of sales and EBIT. Sales are adjusted for intragroup sales and therefore only include sales with third parties and sales with companies that are not fully consolidated due to immateriality. EBIT includes the operating result (Section 275(2) No. 1 - 8 of the German Commercial Code (HGB)) minus/plus other taxes (Section 275(2) No. 16 HGB) unless expressly stated otherwise. The EBIT percentages relate to sales unless expressly stated otherwise.

The performance of the individual divisions before the overarching central service and management costs and before consolidated net income effects is described below.

Automotive division

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

For 2022 as a whole, significantly lower truck production volumes are expected in most parts of the world, triggered by strict lockdowns in China due to the government’s zero-COVID strategy and by the breakdown of OEMs’ supply chains as a result of the war in Ukraine. The European commercial vehicle industry also could not escape this negative development. According to the European Automobile Manufacturers’ Association (ACEA), the number of commercial vehicles registered in the EU declined substantially by 20.3% year-on-year to 817,090 in the period from January to June 2022.<sup>5</sup> The four biggest markets all posted double-digit decreases: Spain (-30.4%), France (-22.1%), Germany (-18.8%) and Italy (-10.3%). The negative development in the European commercial vehicle industry was chiefly due to the effects of the war in Ukraine, which also caused disruptions in supply chains, for instance for wire harnesses.

In particular, the number of registrations of light commercial vehicles weighing up to 3.5 tonnes – which accounted for 80% of total new registrations in the EU – declined significantly by 23.9% to 653,731 units according to ACEA. This more than offset the slight increase in new registrations of heavy commercial vehicles over 16 tonnes and of medium-weight and heavy buses, which rose by 0.4% to 128,501 units and by 2.8% to 13,222 units respectively. By contrast, demand for commercial vehicles with an overall vehicle weight of between 3.5 and 16 tonnes declined by 2.5% to 150,137 new registrations in the period under review.

<sup>5</sup> ACEA press release dated 27 July 2022

The main customer for the Automotive division in the first half of 2022 was still Traton SE, primarily with its subsidiary MAN Truck & Bus AG. The Traton Group was also impacted by the challenging conditions in the period under review, for example in the form of supply problems with wire harnesses.<sup>6</sup> Truck sales at MAN Truck & Bus accordingly fell by 26% from 47,317 vehicles in the first half of 2021 to 34,858 vehicles in the period under review. By contrast, Daimler Truck Holding AG, another key customer for the Automotive division, increased its sales volumes by 6% year-on-year to 230,247 units in the first half of 2022.<sup>7</sup> This growth was attributable to an increase in sales volumes in all segments of the Group, including the EU30 region – part of the Mercedes-Benz segment – which recorded a sharp rise of 14.6% to 38,392 units. Only the level of semiconductor availability had a negative impact on truck production, according to Daimler Truck. However, the increases at Daimler were not able to compensate for the decreases at MAN in terms of their impact on HÖRMANN Automotive.

Multi-year comparison for the Automotive division:

Multi-year comparison for the Automotive division

|                                                          | H1 2022 | H1 2021 | H1 2020 | H1 2019 |
|----------------------------------------------------------|---------|---------|---------|---------|
| Sales (in EUR million)                                   | 189.0   | 181.2   | 118.5   | 207.1   |
| Change (absolute) (in EUR million)                       | 7.8     | 62.7    | -88.6   | -7.5    |
| Change (relative)                                        | 4.3%    | 52.9%   | -42.8%  | -3.5%   |
| EBIT (in EUR million)                                    | -5.6    | 1.2     | -11.3   | 3.0     |
| EBIT margin                                              | -0.3%   | 0.7%    | -9.5%   | 1.4%    |
| Non-recurring and prior-period effects* (in EUR million) | 0.0     | 0.0     | 0.0     | -1.2    |
| Adjusted EBIT (in EUR million)                           | -5.6    | 1.2     | -11.3   | 1.8     |
| Adjusted EBIT margin                                     | -0.3%   | 0.7%    | -9.5%   | 0.9%    |

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

<sup>6</sup> Traton SE interim report for H1 2022 dated 28 July 2022

<sup>7</sup> Daimler AG interim report for Q2 2022 dated 11 August 2022

In the **Automotive** division, sales increased by EUR 7.8 million from EUR 181.2 million in the previous year to EUR 189.0 million due to material prices. After adjustment for inflation, value-adding sales amounted to approximately EUR 179 million. In addition to the reduced production volume since mid-2021 due to the lack of electronic components, the Russian aggression in Ukraine, which has led to a shortage of wire harnesses from Ukraine among other effects, is also having a massive impact on truck production at the key customer MAN Truck & Bus AG. MAN therefore had to suspend vehicle production in the period from mid-March to early May 2022. The plants in Gustavsburg and Banovce, Slovakia, with a focus on truck components also had to substantially curtail production in this period, which had a negative impact on the sales performance and results of operations in the first two quarters of 2022.

In addition, the rise in material and energy prices, which was enormous in some cases, had a negative impact on earnings in the first half of 2022. Due to the price developments, the gross profit margin fell to 32.6% in the period under review after 38.0% in the same period of the previous year, resulting in a gross profit gap of around EUR -8.9 million compared to the first half of 2021.

Due to the interruption of production lasting several weeks and the resulting idle capacity costs, as well as the development of material and energy prices, the division closed the first half of the year with EBIT of EUR -5.6 million as compared to EUR 1.2 million in the same period of the previous year.

Communication division

In the **Communication** division, HÖRMANN Industries GmbH is a technologically leading provider of innovative communication, information, warning and security systems together with its subsidiaries. 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 railway industry and investments in infrastructure projects, as well as the security industry.

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, growing environmental awareness and more stringent environmental protection targets are making rail transport more important. At the same time, the environment and technological requirements are changing, influenced by digitalisation and automation.

The German Railway Industry Association (VDB) reported positive performance in 2021 as a whole: With sales of EUR 12.9 billion, the German railway industry reached a new record that was up 3% on the previous year’s figure. Incoming orders for 2021 came to a record figure of EUR 16.7 billion, up around 19% on the level before the COVID-19 crisis. Export business, which had particularly suffered due to the COVID-19 pandemic, marked a 71% increase in incoming orders from abroad in 2021 and thus returned to its pre-crisis level.<sup>8</sup>

After the security industry had slowly recovered from the economic effects of the COVID-19 pandemic in the second half of 2021, the spring 2022 economic survey by the German Federal Security Technology Association (BHE) showed a slight downward trend again. In this survey, companies in Germany rated the market situation with an average of 2.1 using the German school grade system (from 1, very good, to 6, insufficient), after 1.95 in autumn 2021. Generally, however, 70% of companies still rate the economic situation as “very good” or “good”. In autumn 2021, 80% of companies had given it this rating. The proportion of companies describing the situation as bad or very bad rose slightly from just under 2% in autumn 2021 to just under 3% in the latest survey.<sup>9</sup>

After a very good 2021, the **Communication** division also made a good start to the new financial year 2022 and recorded incoming orders of EUR 111.5 million in the first half of 2022 (previous year: EUR 85.5 million). With good capacity utilisation, sales on a par with the previous year’s level (EUR 76.6 million) were generated at EUR 75.3 million.

As in 2021, this division is benefiting from government stimulus programmes and additional state investment in the accelerated expansion of European Train Control System (ETCS), and from the efforts to enhance the efficiency of the network infrastructure for digitization in railway transport (Digitale Schiene Deutschland). In addition, high demand for qualified electrical planning and installation services, for mechanical assembly and maintenance for the ongoing energy turnaround and high investment in the expansion of railway transport are supporting the division’s positive performance.

As part of its “future package”, the Federal Republic of Germany is supporting the improvement of mobile reception across the German rail network, which requires the modernisation and conversion of systems to interference-free GSM-R components. As an established provider of this technology, the subsidiary Funkwerk Systems GmbH was able to participate in the project – which was originally scheduled until the end of 2021 and has since been extended by one year – again in the first half of 2022. By contrast, material availability problems, particularly for electronic components, and resulting price increases and project delays combined with changes in the product mix had an adverse effect on the development of earnings. Accordingly, EBIT declined by EUR 5.0 million compared to the first half of 2021 to EUR 9.8 million. With an EBIT margin of 12.0% (previous year: 18.0%), the division still posted an above-average return.

Multi-year comparison for the Communication division

|                                    | H1 2022     | H1 2021     | H1 2020     | H1 2019     |
|------------------------------------|-------------|-------------|-------------|-------------|
| <b>Sales</b> (in EUR million)      | <b>75.3</b> | <b>76.6</b> | <b>65.9</b> | <b>59.5</b> |
| Change (absolute) (in EUR million) | -1.3        | 11.7        | 5.4         | 12.5        |
| Change (relative)                  | -1.7%       | 18.0%       | 9.0%        | 26.6%       |
| <b>EBIT</b> (in EUR million)       | <b>9.8</b>  | <b>13.8</b> | <b>7.8</b>  | <b>5.7</b>  |
| EBIT margin                        | 12.0%       | 18.0%       | 12.0%       | 9.6%        |

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

Engineering division

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

The German construction industry saw stable development at a high level in 2021. However, sentiment among construction companies shows a relatively gloomy picture for the construction year 2022, according to the Federation of the German Construction Industry (HDB).<sup>10</sup> The main reasons cited for this are the Russia/Ukraine war, problems in international supply chains and the turnaround in interest rates. In particular, the lack of availability and sharp price increases for various building materials, as well as disruptions to international supply chains, are causing problems for the HDB member companies. In the ifo economic test in July 2022, 39% of the construction companies surveyed reported that production was impeded by material shortages, although this represented a significant decrease compared to May (52%). The economic indicators had developed positively still in the first quarter of 2022. Thanks to good

weather conditions, sales in construction rose by 19.7% in nominal terms and 5.6% in real terms. Nominal incoming orders increased by 17.8%, corresponding to growth of 4.1% in real terms. However, there was a significant downswing in April and May, which was probably due primarily to problems with the building material supply. Real construction sales fell by 9.5% and 3.9%, while incoming orders decreased by 11.7% and 3.5%. Both key figures are thus down slightly overall in the period from January to May.

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

With sales of EUR 10.6 million, not including the subsidiaries allocated to the new Intralogistics division, the Engineering division was down by EUR 2.2 million or 17.2% on the first half of the 2021 financial year (previous year: EUR 12.8 million). Supported by a high-margin product and service mix, EBIT was increased by EUR 0.3 million year-on-year to EUR 2.4 million in the first half of 2022 (previous year: EUR 2.1 million) despite the sales decline.

In the first six months of the year, new orders of EUR 23.9 million were recorded (previous year: EUR 16.1 million), causing orders on hand to increase to EUR 46.2 million as at 30 June 2022 (previous year: EUR 26.4 million).

Multi-year comparison for the Engineering division

|                                    | H1 2022     | H1 2021*    | H1 2020*    | H1 2019*    |
|------------------------------------|-------------|-------------|-------------|-------------|
| <b>Sales</b> (in EUR million)      | <b>10.6</b> | <b>12.8</b> | <b>17.3</b> | <b>19.3</b> |
| Change (absolute) (in EUR million) | -2.2        | -4.5        | -2.0        | -           |
| Change (relative)                  | -17.2%      | -26.0%      | -10.4%      | -           |
| <b>EBIT</b> (in EUR million)       | <b>2.4</b>  | <b>2.1</b>  | <b>2.4</b>  | <b>2.5</b>  |
| EBIT margin                        | 22.6%       | 16.4%       | 13.9%       | 13.0%       |

\* 2019–2021 as-if view, adjusted for Intralogistics

<sup>8</sup> VDB press release, 18 May 2022  
<sup>9</sup> BHE spring 2022 economic survey

<sup>10</sup> HDB Construction Industry Report, as at 25 July 2022

Intralogistics division

With the new **Intralogistics** division established in the period under review, the HÖRMANN Group caters to the significant increase in market demand for sophisticated system solutions for intralogistics, for automation solutions for production, warehousing and distribution logistics, and for services. 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 logistics industry.

Based on the monthly logistics indicator surveys conducted by the ifo Institute on behalf of the German Logistics Association (BVL) as part of its economic surveys, sentiment in the German logistics industry turned negative in the second quarter of 2022 and the corresponding business climate index is only at a level of 90.9.<sup>11</sup> This decline was attributable to the considerably more pessimistic business expectations and the fact that the business situation was rated favourably less often than before. Concerns about the future had spread among logistics service providers in particular, causing the business climate index to slip into negative territory now. However, the companies often rated current business positively still, as dynamic demand caused orders on hand to increase further.

This assessment is also reflected in the figures of the consultancy Logivest. At just under 2.6 million square metres, new building developments on the logistics property market in the first half of 2022 were roughly in line with the average for the past five years.<sup>12</sup> Demand for logistics space is unabated, driven by the space requirements of the e-commerce and electric mobility sectors. However, this is countered by the shortage of building materials, sharp price increases and ongoing uncertainty with regard to the energy supply.

<sup>11</sup> ifo BVL Logistics Indicator, Q2 2022  
<sup>12</sup> Logivest press release, 26 July 2022

The new **Intralogistics** division generated sales of EUR 22.7 million in the first half of 2022 (previous year: EUR 26.0 million, as-if). In the first half of 2022, this new division focussed on the restructuring and the associated reorganisation. In addition to the structural reorientation, the focus in operational terms is on completing the multi-year project orders. The division currently has orders on hand of more than EUR 120 million, while a shortage of staff resources, supply bottlenecks, rises in material prices and delays in construction are making it much more difficult to implement the projects in some cases. With total output of EUR 42.0 million (previous year: EUR 29.1 million), the division generated negative EBIT of EUR –3.5 million in the first six months of 2022 (previous year: EUR –0.8 million) due to the one-off effects described, delays in project-oriented sales recognition and expenses from the reorganisation.

Multi-year comparison  
for the Intralogistics division

|                                       | H1 2022 | H1 2021* | H1 2020* | H1 2019* |
|---------------------------------------|---------|----------|----------|----------|
| Sales (in EUR million)                | 22.7    | 26.0     | 34.0     | 18.7     |
| Change (absolute)<br>(in EUR million) | –3.3    | –8.0     | 15.3     | –        |
| Change (relative)                     | –12.7%  | –23.5%   | 81.8%    | –        |
| EBIT (in EUR million)                 | –3.5    | –0.8     | 1.5      | –0.6     |
| EBIT margin                           | –15.4%  | –3.1%    | 4.4%     | –3.2%    |

\*2019–2021 as-if view

Report on opportunities, risks and expected developments

OUTLOOK

General economic conditions

Since the Russian invasion of Ukraine on 24 February 2022, the global and, in particular, European economy have been impacted by the consequences of the war. The International Monetary Fund (IMF) therefore revised its expectations downward significantly in the July update to its World Economic Outlook as compared to April 2022. For the current 2022 financial year, the experts now anticipate growth in global economic output of just 3.2%, which is 0.4 percentage points lower than in the April estimate<sup>13</sup>. The IMF has specifically lowered its expectations for the eurozone and for Germany. For 2022 the IMF now anticipates growth of 2.6% for the eurozone and 1.2% for Germany, which is 0.2 and 0.9 percentage points lower respectively than in April 2022. In the coming year 2023, Germany is expected to post an ever lower increase in GDP of just 0.8%.

The higher inflation due to sharp increases in raw material and energy prices is primarily impacting the economic development in Europe and particularly in Germany. The latest economic forecast by the ifo Institute for Economic Research anticipates inflation rates of 6.1% and 2.6% (Consumer Price Index) for the eurozone and 6.8% and 3.3% (Harmonised Index of Consumer Prices) for Germany in 2022 and 2023.<sup>14</sup> The considerable dependence on Russian energy supplies poses a significant risk here. On top of this there are supply chain disruptions that are also impacting the German automotive and commercial vehicle industry and may likewise have a negative effect on the business activities of HÖRMANN Industries GmbH again. In addition, a study by Roland Berger suggests that the semiconductor shortage that already impaired the production of numerous OEMs in the previous year will continue into 2023 – and probably beyond.<sup>15</sup> An escalation of the conflict over Taiwan, the world’s most important semiconductor producer, would significantly exacerbate this shortage. The risks for the outlook have generally increased. In addition to a sudden halt to European gas imports from Russia as a result of the Russia/Ukraine war, inflation could be more difficult to reduce than anticipated. At the same time, both the suspension of gas supplies and the

measures taken by the European Central Bank could increase the likelihood of a recession. In addition, the more restrictive global financing conditions could lead to debt problems in emerging and developing countries, while renewed COVID-19 outbreaks could lead to renewed lockdowns and thus further supply chain problems, resulting in disruption to production processes in Germany. Due to this dynamic and very uncertain situation, all forecasts are therefore subject to a high degree of uncertainty.

It was not realistically possible to forecast the potential economic consequences reliably at the time this consolidated interim report was published, as the effects cannot be predicted at present.

Forecast for the Automotive division

The Association of International Motor Vehicle Manufacturers (VDIK) is anticipating a slight decrease in new registrations of commercial vehicles in Germany of 1.0% for 2022 as a whole. However, this forecast was published before the outbreak of the war in Ukraine.<sup>16</sup> According to current figures, the commercial vehicle market in Germany and in the EU slumped by 18.8% and 20.3% respectively within the first half of 2022.<sup>17</sup> By contrast, major manufacturers such as the Traton Group<sup>18</sup>, the main customer for the Automotive division, expect to see a rise in sales volumes in the 2022 financial year. Daimler Trucks & Buses also anticipates growth in sales volumes in 2022.<sup>19</sup>

But at the same time, the risks arising from the continuing bottlenecks in supply chains, potential shortages in the energy supply and the further course of the war in Ukraine should be noted, which may negatively impact the business performance. The Russian aggression in Ukraine is having a massive impact on truck production at the key customer MAN Truck & Bus AG, as the majority of the wire harnesses used in vehicle production are imported from Ukraine. The current customer forecasts assume that availability can be restored again on a stable basis and that production can be increased significantly in comparison to the previous months.

<sup>13</sup> IMF World Economic Outlook Update, July 2022  
<sup>14</sup> ifo Economic Forecast, July 2022  
<sup>15</sup> Roland Berger press release, 16 December 2021

<sup>16</sup> VDIK press release, 2 December 2021  
<sup>17</sup> ACEA press release dated 27 July 2022  
<sup>18</sup> Traton SE interim report for H1 2022 dated  
<sup>19</sup> Daimler AG interim report for Q2 2022 dated 11 August 2022



It is not currently possible to predict the future ramifications of the war in Ukraine, the COVID-19 pandemic and the associated supply bottlenecks and semiconductor shortage as far as production and demand for commercial vehicles are concerned.

Assuming that the increase in truck production announced by customers from September onward leads to a significant increase in call orders and the economic situation of the Automotive division therefore stabilises, HÖRMANN Industries GmbH is anticipating sales of around EUR 370 million to EUR 390 million in the Automotive division, strongly driven by material prices, in the 2022 financial year (previous year: EUR 335 million). Due to material and energy price rises and the idle capacity costs arising during the interruption to production, which occurred despite the immediate implementation of cost-cutting measures such as reduced working hours schemes and working off working time accounts and holiday entitlement and which were not offset, the breakeven is expected to be missed again in 2022 with an operating loss at the previous year's level (2021: EUR -2.4 million).

In the medium term, considerable excess demand and the high level of orders on hand at truck manufacturers means that production orders are expected to increase as the supply chain situation returns to normal. This will help the division to return to positive results of operations on the back of stable production utilisation. The productivity improvements and cost savings achieved as part of the restructuring and reorientation of the division in recent years will provide additional support when it comes to earnings performance. In addition to the pandemic levelling off, the supply chain situation normalising and a stabilised economic situation in Europe that allows OEMs to meet their sales forecasts, achieving the ambitious medium-term targets will be dependent on successfully passing on the enormous cost increases to OEMs in the form of price increases.

#### Forecast for the Communication division

In its latest forecast from May 2022, the German Railway Industry Association (VDB) stated that the railway industry in Germany still had strong growth potential following the record sales in 2021.<sup>20</sup> On the one hand, incoming orders in 2021 reached a new record of EUR 16.7 billion, but on the other hand the investments in rail infrastructure still are not sufficient to meet the political targets – doubling the number of passengers and increasing the volume of goods transported by rail.

By contrast, the spring economic survey by the German Federal Security Technology Association (BHE) shows a slight downward trend for the current business situation on the market for digital security, surveillance, communication and network technology.<sup>21</sup> The current economic situation is affecting the individual sub-sectors very differently, according to the results of the survey. While access control achieved its best ever score of 1.59 (autumn 2021: 2.06), video security declined from its all-time high from the autumn survey (2.12) to a score of 2.38.

HÖRMANN Industries GmbH expects the course of business in the Communication division to return to normal during the 2022 financial year, as a large portion of the non-recurring sales in 2021 from the German Federal Government's funding programme for train radio will expire in 2022. At the same time, mass warning systems and infrastructure services are expected to offer significant growth potential for 2022 on the back of investments in disaster control and the high level of demand for qualified services for electrical planning and installation, mechanical assembly and maintenance, as well as the aforementioned investments in rail transport. Sales are expected to remain essentially constant year-on-year at around EUR 170.0 million (previous year: EUR 169.5 million) with a change in the product and service mix compared with 2021. Taking into account the expected product mix, higher development and project planning costs and material and energy price rises, EBIT for the 2022 financial year is forecast at around EUR 24.0 million.

<sup>20</sup> VDB press release 5/2022, 18 May 2022

<sup>21</sup> BHE spring 2022 economic survey, 8 June 2022

#### Forecast for the Engineering division

The Federation of the German Construction Industry (HDB) anticipates a development in real sales between stagnation and a decrease of 2% in the current financial year.<sup>22</sup> In the construction industry, too, this modest development is attributable to the effects of the Russian invasion of Ukraine. The problems chiefly relate to the lack of availability and sharp price increases for various building materials, as well as disruptions to logistics chains. Overall, both residential construction and commercial construction are expected to just break even in real terms in 2022. By contrast, the leading construction industry association anticipates a decline in sales for public-sector construction and forecasts that the performance of the construction industry will also ultimately depend on the general economic development and the development of interest rates.

The Engineering division anticipates sales of around EUR 22 million (previous year: EUR 23 million) and EBIT of around EUR 4.0 million (previous year: EUR 4.4 million) in 2022.

#### Forecast for the Intralogistics division

According to the results of the ifo economic survey in the second quarter, sentiment in the German logistics industry has turned negative.<sup>23</sup> The decline in the business climate index to a level of 90.9 was attributable to considerably more pessimistic business expectations. Worries about the future had spread among logistics service providers, while retail and industrial businesses were now also frequently concerned about the business development over the next half-year period. Here, too, the main reason is the war in Ukraine and the associated effects such as the exacerbation of supply bottlenecks, new sanctions on Russia and sharp increases in energy and food prices. While supply bottlenecks and sanctions are holding back production and sales volumes in the manufacturing and construction sectors, the high prices are mainly curbing demand. Incoming orders in the industrial sector have been declining for several months already, and the number of order cancellations in the construction sector is increasing. Retail sales have also declined significantly recently, after the inflation rate rose above 7% in April for the first time since 1981. In addition, the high costs are likely to squeeze profits and thus impact companies' investment activities. Finally, the companies' pessimistic outlook is probably also due to a substantial increase in general uncertainty. As the further course of the

<sup>22</sup> HDB press release, 25 July 2022

<sup>23</sup> ifo BVL Logistics Indicator, Q2 2022

war and the associated economic and geopolitical decisions are difficult to estimate, companies are finding it hard to determine the outlook for their future business development.

With orders on hand amounting to around EUR 120 million, the Intralogistics division is forecasting sales growth of around 10% to over EUR 70 million in 2022 (previous year: EUR 64.2 million). Targeted investments in the further expansion of intralogistics business and the internationalisation of the sales organisation are planned for the 2022 financial year. The development is negatively impacted by the current problems with material availability and the associated, sometimes very sharp price increases and project delays. Taking account of the expenses and resources required for growth and internationalisation as well as the disruptive factors described above, earnings close to the break-even point are anticipated in 2022. In this forecast, it is assumed that the completion and invoicing of major project orders will be delayed until the 2023 financial year.

Despite the recent worsening of the outlook for the industry, HÖRMANN Industries GmbH expects the Intralogistics division to record further strong growth in the medium term to 2025, accompanied by an EBIT margin of over 5%.

#### Forecast for HÖRMANN Industries GmbH

Economic, geopolitical and industry developments will continue to influence HÖRMANN Industries GmbH's operating and financial performance in the 2022 financial year. The Group's forecasts for its expected business performance are based on certain assumptions regarding the development of the economy in Germany, the eurozone and specific industries, and on an optimistic assessment of the further course of the COVID-19 pandemic and the war in Ukraine and their consequences.

Given the considerable uncertainty at the time of preparing this report concerning the further course of the COVID-19 pandemic, the current events in Ukraine and the resulting supply bottlenecks and rising material and energy prices, forecasts are subject to an extremely high degree of uncertainty at present. The economic and financial consequences of these simultaneous crises will have an impact on the sales and earnings performance of HÖRMANN Industries GmbH in 2022.

This forecast is subject to the assumption that the overall economic situation will not deteriorate further over the course of 2022.

However, any negative macroeconomic developments beyond this, such as further interruptions to production, a sustained shortfall in the energy supply or a recession, could mean that the actual results for the 2022 financial year differ from the forecast values.

All in all, the biggest challenges for HÖRMANN Industries GmbH in 2022 therefore include the COVID-19 restrictions and, in particular, the sustained supply bottlenecks on the world markets and rising procurement and energy prices. Private and public clients could also become less willing to make investments in response to the growing uncertainty or consolidation pressure on public budgets. Imponderables also result from the fragile global political and economic situation. The Russian war of aggression in Ukraine involves substantial risks for the economy in Germany and worldwide. The further development of the Ukraine war and the growing uncertainty in the Taiwan conflict make it extremely difficult to reliably predict the future development of the world economy, the industries in which the company operates and the development of HÖRMANN Industries GmbH.

At Group level, based on an evaluation of the current order situation and a confident assessment of the business development in its individual divisions, HÖRMANN Industries GmbH is forecasting total sales in 2022 of between EUR 630 million and EUR 660 million (previously: between EUR 585 million and EUR 610 million). The increase in the sales forecast is mainly due to passing on inflation-driven price increases, primarily in the Automotive division. In operating business, the target is a positive result before interest and taxes (operating EBIT) of between EUR 20.5 million and EUR 23.5 million (previously: between EUR 22 million and EUR 25 million). The decrease in the forecast for operating EBIT is attributable to the negative effect of increased material prices, mainly in the Automotive and Intralogistics divisions. On top of this, increases in staff and energy costs are now foreseeable for the Group companies in the second half of the year.

HÖRMANN Industries GmbH notes that its actual results may differ from these forecasts. Please refer to the consolidated financial statements for the 2022 financial year for the report on risks and opportunities. Potential consequences of a suspension of gas deliveries are not taken into account in the revision of the forecast. It is not currently possible to estimate the potential macroeconomic effects of a suspension of gas deliveries and their impact on HÖRMANN Industries GmbH.

## RISK REPORT

### General business risks

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

HÖRMANN Industries GmbH is heavily dependent on the economy in the eurozone and in Germany. The past financial and economic crisis in 2008/2009 and the onset of the COVID-19 pandemic in 2020 led to a significant downturn in sales and earnings, particularly in the commercial vehicle industry and thus in the HÖRMANN Automotive division, that substantially impacted HÖRMANN Industries GmbH's business activities. A renewed crisis scenario such as the COVID-19 pandemic, the debt situation of many industrialised nations, political instability, the current war in Ukraine, an escalation of the Taiwan conflict or a renewed crisis in the financial system could have a significant impact on the business activities of HÖRMANN Industries GmbH.

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

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

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

HÖRMANN Industries GmbH generates the majority of its sales with multiple individual customers, particularly major automotive and commercial vehicle manufacturers and Deutsche Bahn AG and its suppliers. HÖRMANN Industries GmbH generated over 25% of its sales with Volkswagen AG and its subsidiaries in the 2021 financial year. If it is not possible to retain these key customers or to offset a significant downturn in sales with them by gaining new customers or expanding business with other customers, this could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

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

### General operational risks

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

### Presentation of individual risks

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

### Risks in connection with viral pandemics

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

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

The extent of the impact of the COVID-19 pandemic on the economy as a whole and on HÖRMANN Industries GmbH still cannot be estimated. The Group felt the effects in the interruption of production by automotive and commercial vehicle manufacturers lasting several weeks and in project and order postponements by its customers, especially in the 2020 financial year but also in 2021. In addition, travel restrictions were defined for the Group's employees, which is continuing to severely restrict acquisition activities in exports in particular. The Group is prepared to adequately address the dynamic development of the situation. Existing contingency plans will help to maintain core functions should the situation change significantly again. The Group is in constant communication with its customers and suppliers in order to deal with the ongoing and dynamically changing situation in the best possible way. Management and all executives are focused on the permanent identification of possible disruptions in the value chain in order to react quickly to new circumstances with appropriate measures.

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

#### **Dependence on international markets**

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

#### **Geopolitical risks**

The Russian war of aggression in Ukraine that started in February 2022 has substantially exacerbated the overall geopolitical risk situation. The consequences and the sanctions imposed had an ad hoc impact on the German economy, while the consequences for the world economy throughout the rest of the year are expected to be significant. In particular, growth is expected to be impaired by the sharp rise in oil and gas prices and high inflation. The war could also have a negative effect on the development of sales figures, production processes and procurement and logistics, e.g. through interruptions to supply chains or energy supply, or the shortage of raw materials, parts and components, either as a direct consequence of the war or as a result of the extensive sanctions imposed on Russia by various members of the international community. Potential supply chain interruptions and bottlenecks affecting raw materials, parts or components could lead to a further sharp rise in energy and commodity prices as well as the prices of parts and components, which could lead to higher costs in turn. These supply difficulties and price rises could weaken the sustained economic recovery following the COVID-19 pandemic while further increasing inflationary pressure across the entire world economy. More broadly, rising inflation could also have a negative impact on the Group's cost base. The considerable uncertainty regarding the next developments in the war in Ukraine and the sanctions imposed on Russia could adversely affect consumer sentiment and the investment climate, and hence have a negative impact on the world economy. This would have negative consequences for the Group's results of operations. HÖRMANN Industries GmbH continuously observes political developments and the resulting economic impacts in order to allow it to take counter-measures as quickly as possible.

#### **Currency risks**

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

#### **Dependence on commodity and energy prices**

A rise in commodity and energy prices could lead to higher production costs, particularly in the Automotive division, and hence to falling income at HÖRMANN Industries GmbH. The shortages on the commodity markets that have been in place since late 2020 are leading to substantial price rises in some cases, especially for steel products. It is not currently possible to assess the extent to which the situation on the procurement market will ease in the short to medium term. At the time of preparing the annual consolidated financial statements, the trend towards substantial price rises in energy products, metal, plastics and other products was intensifying, as was the tendency to extend the delivery times regularly agreed for various materials. The war in Ukraine involves the risk of a further exacerbation of supply bottlenecks accompanied by economic stagnation. HÖRMANN is permanently observing the market and responding to changes with the greatest possible agility. HÖRMANN Industries GmbH seeks to counteract these influences by adjusting its sales prices in line with changes in material prices and agreeing material and energy escalation clauses. However, if this is not successful due to the highly competitive situation, this could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH.

#### **IT risks**

The HÖRMANN Industries GmbH companies can be controlled only with the help of complex IT systems. The companies' ability to deliver at all times also depends on the permanent availability of the corresponding systems and data. Serious disruptions such as system outages, external network attacks and data loss or manipulation could jeopardise their ability to deliver and give rise to claims for damages on the part of customers and high internal downtime costs. Accordingly, the company works to permanently optimise its IT environment and IT security, including with the support of external experts. The expenditure and resources for IT security management have been increased significantly. At customers' request, some companies are currently preparing certification in accordance with the ISO 27001 or TISAX IT security standards.

#### **Project organisation and management risks**

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

#### **Risk in connection with outstanding project receivables and guarantees in Algeria**

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

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



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

#### **Staff recruitment and selection risks**

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

#### **Risks in connection with rising staff costs**

The last decade was characterised by moderate development in wages and salaries and ancillary labour costs. Having risen sharply since 2021, inflation could remain at a high level or increase further due to the economic consequences of the COVID-19 pandemic and the war in Ukraine. This could trigger a wage-price spiral with substantial growth in staff costs above and beyond the long-term average applied by HÖRMANN Industries GmbH in its planning to date. Demographic development, the shortage of skilled workers and the workforce expansion required by the HÖRMANN Group in order to grow are placing additional pressure on staff costs. This would have negative consequences for the Group's net assets, financial position and results of operations.

#### **Procurement, logistics and production risks**

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

Missing or qualitatively defective finished parts or raw materials could lead to production delays or stoppages. There has been substantial excess demand on the steel market since 2020. This is making it considerably more difficult to purchase raw materials for the Automotive division in a timely manner and represents a significant potential risk for HÖRMANN Industries GmbH. Since mid-2021, this has been exacerbated by substantial supply bottlenecks for electronic components and microchips. As well as representing a considerable potential risk for the Communication and Engineering divisions, this is also impacting the Automotive division in the form of production stoppages on the part of vehicle manufacturers.

The renewed price rises for materials, energy and capital goods at the start of 2022 in particular have intensified the risk situation within the Group, as these rises cannot be passed on to customers in full. Longer delivery times and supply bottlenecks for materials constitute an additional risk. To ensure compliance with the deadlines set out in long-term contracts with customers, binding orders must be placed for the type and quantity of the respective material in some cases. Switching to alternative materials is not generally possible at short notice, as conversion often requires costly new authorisation to be obtained.

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

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

#### **Logistics risks**

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

#### **Warranty risks**

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

#### **Risks in connection with receivables**

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

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

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

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

#### **Risks in connection with inadequate insurance**

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

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

**Risks in connection with compliance violations**

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

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

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

**Risks in connection with financial obligations**

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

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

**Litigation risks**

HÖRMANN Industries GmbH companies are parties to various judicial and extrajudicial disputes. The outcome of these proceedings is unclear and each case involves the risk that the plaintiff/claimant could prevail, either in part or in full. Where this is considered to be necessary, adequate provisions have been recognised in line with the current assessment of the situation.

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

**Risks in connection with acquisitions and joint ventures**

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

**Risks in connection with violations of environmental law**

HÖRMANN Industries GmbH could violate existing provisions of environmental law or its production activities could unintentionally pollute the environment. This could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries GmbH. Corresponding management systems at the subsidiaries help to prevent these risks and ensure compliance with the statutory requirements.

**Risks in connection with sustainability and environmental protection requirements**

New statutory regulations are introducing new requirements for companies when it comes to sustainable corporate governance, climate protection and environmental protection in particular. Major companies are already requiring their suppliers to comply with these additional requirements, e.g. in the form of sustainability ratings and declarations on carbon neutrality, and they are often included as a condition for the award of contracts.

HÖRMANN Industries GmbH supports the various initiatives and is committed to sustainable business and climate and environmental protection. Work began on the implementation of a sustainability management system in accordance with the principles of the UN Global Compact in 2021. Furthermore, a sustainability report based on the GRI standards was published for the first time in the 2021 reporting year.

In the same way as for all companies in Germany and Europe, a continuous reduction in CO2 emissions up to and including complete carbon neutrality poses considerable challenges for HÖRMANN Industries and requires significant additional annual investments in the generation of renewable energies and in energy- and heat-efficient production techniques.

These investments are not yet included in planning and could have an impact on the net assets, financial position and results of operations of HÖRMANN Industries. If the sustainability requirements imposed on suppliers by major companies are not complied with, this could lead to individual subsidiaries of HÖRMANN Industries losing customers and orders in future with a corresponding adverse impact on the results of operations.

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

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

**Risks from a lack of credit**

HÖRMANN Industries GmbH and a syndicate of banks have concluded a global syndicated loan agreement 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 crisis events. If the contractually agreed credit lines are not made available in a timely manner in accordance with the requirements of HÖRMANN Industries GmbH, this could have a significant impact on the business activities of HÖRMANN Industries GmbH. To mitigate this risk and as a precautionary measure, the management took advantage of a EUR 10 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 the bond issue**

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

**Interest rate risks**

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

## STRATEGIC ORIENTATION AND REPORT ON OPPORTUNITIES

Despite the various operational challenges in the 2021 financial year, the strategy for 2025 was enhanced in all divisions with methodical support from the holding company, thereby laying the foundations for HÖRMANN Industries GmbH to move into a successful future.

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

Based on current developments, the expectations of vehicle manufacturers and forecasts of the industry association VDA, HÖRMANN Industries GmbH expects the European market to see higher sales of commercial vehicles in the medium term, with the market therefore gradually recovering compared with the current financial year. The main drivers for this forecast are the successive obsolescence of existing vehicle fleets, increasingly stringent requirements in terms of exhaust quality and a further rise in the transport volumes as the economic recovery continues. 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, accompanied by a normalisation of the current supply chain problems, this is expected to lead to increased call orders in the next few years, with a corresponding positive impact on sales forecasts. HÖRMANN Industries GmbH expects the outsourcing of in-house production activities by European commercial vehicle manufacturers to result in additional orders. The continued growth in vehicle derivatives and the development of new vehicle concepts for electric mobility, particularly when it comes to light commercial vehicles, could open up additional markets.

The specific expertise in the Automotive division in the area of forming technology, a broad portfolio of systems and machinery with sufficient capacity, the strategy of expanding automation at domestic plants while outsourcing labour-intensive production to cheaper foreign plants, and the planned stronger positioning as a systems supplier provide healthy foundations for attracting additional customers and orders. A return to growth with sustained earnings power at a level that is typical for the industry is expected from 2023 onwards. The expansion of the plant in Banovce, Slovakia in 2020 and the significantly improved cost position will make an important contribution to this.

The **Communication** division intends to continue to grow while maintaining its strong results of operations and is seeking to further strengthen its competitive position in order to do so. The division has a high-tech product range with a number of unique selling points. Among other things, opportunities for the division result from the progressive digitalisation of transport, the growing need for security technology and video surveillance and the conversion of communication networks to 5G technology. Growth potential is also offered by government economic support programmes and the accompanying investments in the expansion of public infrastructure, the continuous upturn in the need for security around the world, the sustained trend towards urbanisation and the further dynamic expansion of rail transport in the wake of the climate debate. There are also expansion opportunities thanks to service concepts and equipment for paperless digital 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.

With its broad portfolio of expertise along the entire engineering value chain, from design engineering to factory and building planning, **Engineering** is a division with a promising future and high growth potential. Knowledge management and the industrial application of engineering know-how has a long and successful tradition in Germany and will remain one of the key drivers of global technological progress and dynamic industrial development. Although the division is already very well positioned for the challenges of today and tomorrow, it intends to systematically expand this position with a view to the existing growth potential and the wide range of new technological requirements in order to take advantage of the resulting opportunities.

The close networking of design expertise, manufacturing technology knowledge and production experience can open up a wide range of new options. In particular, the current dynamic development of electric mobility and new hydrogen-based drive systems offers extensive additional potential for developing new areas of activity for rail and road vehicles alike.

The Group sees the new/spun-off **Intralogistics** division as an important growth area. The dynamic development of the market and the rise in demand for mail order and e-commerce serve to underline the growth potential in this area. To this end, the Group is planning to further strengthen the division's product and customer diversification by extending its range of services, pressing ahead with internationalisation and expanding its development capacities. The growth strategy is also supported by contributing and bundling our service units with expertise in the areas of automation and mechanical engineering.

All divisions of HÖRMANN Industries GmbH will have wide-ranging opportunities for business expansion if the company is even more successful at marketing itself as an attractive medium-sized employer and is able to recruit new employees to a sufficient extent.

## OVERALL ASSESSMENT OF THE FUTURE DEVELOPMENT OF HÖRMANN INDUSTRIES GMBH

In the new 2022 financial year, geopolitical, economic and industry-specific developments under the current conditions will continue to influence the operational and financial development of HÖRMANN Industries GmbH. The outlook made by the Group on the expected course of business is therefore based on certain assumptions regarding the development of the economy in Germany and the eurozone, as well as in the specific industries.

Given the considerable uncertainty concerning the further course of the COVID-19 pandemic, the current events in Ukraine, the recent political tensions between China and Taiwan and the resulting potential economic and financial consequences at the time of preparing this report, HÖRMANN Industries GmbH expects these crisis events to continue to have an impact on HÖRMANN Industries GmbH's sales and earnings performance in the second half of 2022 in the form of supply bottlenecks and rising material and energy prices.

Based on the planning drawn up for the 2022 financial year and taking account of and assessing the current business and order situation and the passing on of inflation-driven price increases, the management currently expects HÖRMANN Industries GmbH to generate sales of between EUR 630 million and EUR 660 million in the 2022 financial year. Taking into account the change in the product and service mix and the negative impact of the rise in material prices throughout the Group, as well as the foreseeable increase in staff and energy costs, positive operating EBIT of between EUR 20.5 million and EUR 23.5 million is targeted (2021: EUR 30 million).

The net assets, financial position and results of operations are expected to remain at a stable level. All in all, the management considers the position of the Group to be stable at the time at which this report was prepared.

On the basis of HÖRMANN Industries GmbH's good net assets, financial position and results of operations in the 2021 financial year and in view of the broad diversification of its business activities, the management is confident that HÖRMANN Industries GmbH will successfully overcome the challenges that are already in place in the 2022 financial year.



The management assumes that HÖRMANN Industries GmbH will return to positive business development at the level of the pre-crisis years 2017 – 2019 and the 2021 financial year in the medium term once the COVID-19 pandemic has subsided, the current geopolitical risks have calmed down and the global economy has stabilised sustainably.

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

Over the coming years, HÖRMANN Industries GmbH as a whole will continue to pursue the objective of profitable growth with a focus on the Group's strengths. With the continued and targeted strengthening of the Communication and Intralogistics divisions, HÖRMANN Industries GmbH is pursuing a strategy of positioning itself as a broadly diversified group built on four profitable pillars with strong future prospects and a high degree of resilience to economic fluctuations. This strategy proved its worth once again in the 2020 and 2021 financial years: Despite the sharp downturn in the Automotive and Services division, the positive business development in the Communication, Engineering and Intralogistics divisions enabled the Group to maintain a positive earnings situation in 2020 followed by a substantial improvement in 2021. The Group intends to achieve this goal not only through organic growth, but also through supplementary acquisitions when attractive opportunities arise.

All in all, HÖRMANN Industries GmbH considers its close relationship with its customers, which it is intensifying in a targeted manner, to be a key factor in the Group's success. In addition to its extensive existing customer base, it intends to press ahead with new business while also placing system solutions and services on the market. Another important factor for future success will be the continued intensification of interdisciplinary cooperation between the various specialist units and companies within HÖRMANN Industries GmbH, particularly across division boundaries. 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 concepts are used as means of further strengthening the perception of HÖRMANN Industries GmbH as an attractive employer.

## Other disclosures

### RESEARCH AND DEVELOPMENT

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

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

Development activities in the **Intralogistics** division are focussed on the further development of the warehouse management system HILIS. The software product HILIS is the core of the control system for automatic and manual intralogistics processes at customers' facilities. It is an extremely high-performance software suite that is able to map all key processes in intralogistics. To enable the division to meet the market and customer requirements here with short response times, development capacity will be strengthened by a new location in Eastern Europe established in August 2022.

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

In addition, HÖRMANN Digital GmbH and its team of specialists are tasked with developing new digital business models and software-based product enhancements for the individual divisions.

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 2022

HÖRMANN Industries GmbH

The Management



Dr.-Ing. Michael Radke



Johann Schmid-Davis



Dr.-Ing. Christian Baur



» We see our new Intralogistics division as the partner for dynamic, agile automation solutions and services. Together with the team, we are developing the organisation for the future. «

CHRISTIAN BAUR, CTO





## Financial Data

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# Consolidated Balance Sheet

OF HÖRMANN INDUSTRIES GMBH, KIRCHSEEON, AS OF 30 JUNE 2022

| ASSETS<br>(in EUR thousand)                                                                                               | 30 June 2022  | 31 Dec. 2021  |
|---------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>A. FIXED ASSETS</b>                                                                                                    | <b>81,846</b> | <b>85,503</b> |
| <b>I. Intangible assets</b>                                                                                               | <b>12,378</b> | <b>12,758</b> |
| 1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets | 2,420         | 2,172         |
| 2. Goodwill                                                                                                               | 9,371         | 9,945         |
| 3. Advance payments made on intangible assets                                                                             | 587           | 641           |
| <b>II. Tangible assets</b>                                                                                                | <b>45,167</b> | <b>47,837</b> |
| 1. Land, leasehold rights and buildings                                                                                   | 9,307         | 9,637         |
| 2. Technical equipment and machinery                                                                                      | 21,085        | 22,197        |
| 3. Other equipment, factory and office equipment                                                                          | 10,635        | 10,248        |
| 4. Advance payments and assets under construction                                                                         | 4,140         | 5,755         |
| <b>III. Long-term financial assets</b>                                                                                    | <b>24,301</b> | <b>24,908</b> |
| 1. Equity investments                                                                                                     | 304           | 304           |
| 2. Securities held as fixed assets                                                                                        | 406           | 406           |
| 3. Other loans                                                                                                            | 23,591        | 24,198        |
| <b>B. CURRENT ASSETS</b>                                                                                                  |               |               |
| <b>I. Inventories</b>                                                                                                     | <b>86,600</b> | <b>61,102</b> |
| 1. Raw materials, consumables and supplies                                                                                | 31,561        | 30,615        |
| 2. Work in progress                                                                                                       | 145,275       | 114,940       |
| 3. Finished goods and merchandise                                                                                         | 14,094        | 13,412        |
| 4. Advance payments                                                                                                       | 12,532        | 12,617        |
| 5. Payments received on account of orders                                                                                 | -116,862      | -110,482      |
| <b>II. Receivables and other assets</b>                                                                                   | <b>90,967</b> | <b>83,827</b> |
| 1. Trade receivables                                                                                                      | 61,095        | 57,711        |
| 2. Receivables from affiliated companies                                                                                  | 10,959        | 11,734        |
| 3. Other assets                                                                                                           | 18,913        | 14,382        |
| <b>III. Cash-in-hand and bank balances</b>                                                                                | <b>86,609</b> | <b>93,703</b> |
| <b>C. PREPAID EXPENSES</b>                                                                                                | <b>3,086</b>  | <b>2,805</b>  |
| <b>D. DEFERRED TAX ASSETS</b>                                                                                             | <b>14,847</b> | <b>14,680</b> |
| <b>E. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES</b>                                                                  | <b>156</b>    | <b>64</b>     |
| Total Assets                                                                                                              | 364,111       | 341,684       |

# Consolidated Balance Sheet

OF HÖRMANN INDUSTRIES GMBH, KIRCHSEEON, AS OF 30 JUNE 2022

| EQUITY AND LIABILITIES<br>(in EUR thousand)   | 30 June 2022   | 31 Dec. 2021   |
|-----------------------------------------------|----------------|----------------|
| <b>A. EQUITY</b>                              | <b>125,721</b> | <b>131,055</b> |
| <b>I. Subscribed capital</b>                  | <b>200</b>     | <b>200</b>     |
| <b>II. Capital reserve</b>                    | <b>43,422</b>  | <b>43,422</b>  |
| <b>III. Consolidated balance sheet profit</b> | <b>62,854</b>  | <b>67,836</b>  |
| <b>IV. Non-controlling interests</b>          | <b>19,257</b>  | <b>19,607</b>  |
| <b>V. Currency translation differences</b>    | <b>-12</b>     | <b>-10</b>     |
| <b>B. SPECIAL ITEMS FOR INVESTMENT GRANTS</b> | <b>225</b>     | <b>0</b>       |
| <b>C. PROVISIONS</b>                          | <b>111,743</b> | <b>94,175</b>  |
| 1. Pension provisions and similar obligations | 21,060         | 21,245         |
| 2. Tax provisions                             | 2,889          | 3,050          |
| 3. Other provisions                           | 87,794         | 69,880         |
| <b>D. LIABILITIES</b>                         | <b>125,793</b> | <b>116,067</b> |
| 1. Bonds                                      | 50,000         | 50,000         |
| 2. Liabilities to banks                       | 13,125         | 9,375          |
| 3. Trade payables                             | 50,319         | 40,068         |
| 4. Liabilities to affiliated companies        | 2,514          | 4,255          |
| 5. Other liabilities                          | 9,835          | 12,369         |
| <b>E. DEFERRED INCOME</b>                     | <b>629</b>     | <b>387</b>     |
| Total Equity and Liabilities                  | 364,111        | 341,684        |

# Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022  
(in EUR thousand)

|                                                                             | 1 Jan.– 30 June 2022 | 1 Jan.– 30 June 2021 |
|-----------------------------------------------------------------------------|----------------------|----------------------|
| 1. Sales revenues                                                           | 298,486              | 296,281              |
| 2. Increase in finished goods and work in progress                          | 30,298               | 19,231               |
| 3. Other internally produced and capitalised assets                         | 221                  | 109                  |
| 4. Other operating income                                                   | 4,903                | 3,972                |
| 5. Cost of materials                                                        |                      |                      |
| a) Expenses for raw materials, consumables and supplies and purchased goods | 161,365              | 139,272              |
| b) Cost of purchased services                                               | 35,891               | 197,256              |
| <b>GROSS PROFIT</b>                                                         | <b>136,651</b>       | <b>144,647</b>       |
| 6. Personnel expenses                                                       |                      |                      |
| a) Wages and salaries                                                       | 73,898               | 71,650               |
| b) Social contributions and expenses for pensions and social welfare        | 14,890               | 88,788               |
| 7. Depreciation and amortization                                            |                      |                      |
| a) on intangible fixed assets and property, plant and equipment             | 5,849                | 5,994                |
| 8. Other operating expenses                                                 | 40,859               | 38,675               |
|                                                                             | <b>1,155</b>         | <b>14,475</b>        |
| 9. Income from other securities and loans from financial assets             | 4                    | 97                   |
| 10. Other interest and similar income                                       | 228                  | 200                  |
| 11. Interest and similar expenses                                           | 1,847                | 2,014                |
| 12. Taxes on income                                                         | 2,961                | 4,984                |
| 13. Deferred taxes (– income)                                               | –166                 | –1,948               |
| <b>14. EARNINGS AFTER TAXES</b>                                             | <b>–3,255</b>        | <b>9,722</b>         |
| 15. Other taxes                                                             | 630                  | 681                  |
| <b>16. CONSOLIDATED NET LOSS (INCOME)</b>                                   | <b>–3,885</b>        | <b>9,041</b>         |
| 17. Non-controlling interests                                               | –1,097               | –2,313               |
| <b>18. CONSOLIDATED NET LOSS (PROFIT)</b>                                   | <b>–4,982</b>        | <b>6,728</b>         |
| 19. Profit carried forward from the previous year                           | 67,836               | 62,112               |
| 20. Consolidated balance sheet profit                                       | 62,854               | 68,840               |

# Consolidated Cash Flow Statement

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022  
(in EUR thousand)

|                                                                                                                                                       | 1 Jan.– 30 June 2022 | 1 Jan.– 30 June 2021 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Consolidated income (consolidated net income/loss including income/loss attributable to non-controlling interests)                                    | –3,885               | 9,041                |
| +/- (+) Depreciation/(-) write-ups on fixed assets                                                                                                    | 5,849                | 5,994                |
| +/- (+) Increase/(-) Decrease in provisions                                                                                                           | 18,657               | 12,126               |
| +/- Other non-cash expenses/income                                                                                                                    | –510                 | –3,308               |
| +/- (+) Decrease/(-) Increase in inventories, trade receivables and other assets that are not attributable to investing or financing activities       | –33,012              | –25,613              |
| +/- (-) Decrease/(+) Increase in liabilities from trade payables and other liabilities that are not attributable to investing or financing activities | 6,707                | –829                 |
| +/- (-) Gain/(+) Loss from disposal of fixed assets                                                                                                   | –361                 | –88                  |
| +/- Interest expenses/income                                                                                                                          | 1,619                | 1,813                |
| +/- Income tax expenses/income                                                                                                                        | 2,795                | 3,036                |
| +/- Income tax payments                                                                                                                               | –2,678               | –1,489               |
| <b>= CASH FLOW FROM OPERATING ACTIVITIES</b>                                                                                                          | <b>–4,819</b>        | <b>683</b>           |
| + Proceeds from the disposal of intangible and fixed assets                                                                                           | 25                   | 8                    |
| – Payments for intangible assets                                                                                                                      | –1,046               | –374                 |
| + Proceeds from sales of property, plant and equipment                                                                                                | 4,236                | 4,282                |
| – Payments for property, plant and equipment                                                                                                          | –5,631               | –3,805               |
| + Proceeds from the disposal non-current financial assets                                                                                             | 607                  | 190                  |
| – Payments for investments in non-current financial assets                                                                                            | 0                    | –159                 |
| – Payment for additions to the scope of consolidation                                                                                                 | –961                 | 0                    |
| + Interests received                                                                                                                                  | 266                  | 23                   |
| <b>= CASH FLOW FROM INVESTING ACTIVITIES</b>                                                                                                          | <b>–2,504</b>        | <b>165</b>           |
| + Proceeds from (financial) borrowings                                                                                                                | 5,000                | 163                  |
| – Payments for redemption of (financial) borrowings                                                                                                   | –1,250               | –11                  |
| – Interests paid                                                                                                                                      | –2,804               | –2,929               |
| – Dividends paid to other shareholders                                                                                                                | –715                 | –703                 |
| <b>= CASH FLOW FROM FINANCING ACTIVITIES</b>                                                                                                          | <b>231</b>           | <b>–3,480</b>        |
| <b>Reduction in cash flow</b>                                                                                                                         | <b>–7,092</b>        | <b>–2,632</b>        |
| <b>Cash and cash equivalents at the start of the period</b>                                                                                           | <b>93,703</b>        | <b>83,027</b>        |
| +/- Exchange rate and valuation-related changes in cash and cash equivalents                                                                          | –2                   | 0                    |
| <b>Cash and cash equivalents at the end of the period</b>                                                                                             | <b>86,609</b>        | <b>80,395</b>        |

# Consolidated Statement of Changes in Fixed Assets

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2022  
(in EUR thousand)

|                                                                                                                           | ACQUISITION OR CONSTRUCTION COSTS |              |               |           |                       | DEPRECIATION AND AMORTISATION |              |               |           |                       | BOOK VALUES                |                            |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------|---------------|-----------|-----------------------|-------------------------------|--------------|---------------|-----------|-----------------------|----------------------------|----------------------------|
|                                                                                                                           | As of<br>1 Jan. 2022              | Addition     | Disposal      | Transfers | As of<br>30 June 2022 | As of<br>1 Jan. 2022          | Addition     | Disposal      | Transfers | As of<br>30 June 2022 | Book value<br>30 June 2022 | Book value<br>31 Dec. 2021 |
| <b>A. FIXED ASSETS</b>                                                                                                    |                                   |              |               |           |                       |                               |              |               |           |                       |                            |                            |
| <b>I. Intangible assets</b>                                                                                               |                                   |              |               |           |                       |                               |              |               |           |                       |                            |                            |
| 1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets | 5,628                             | 605          | -34           | 147       | 6,347                 | 3,457                         | 479          | -9            | 0         | 3,927                 | 2,420                      | 2,172                      |
| 2. Goodwill                                                                                                               | 37,423                            | 347          | 0             | 0         | 37,770                | 27,477                        | 921          | 0             | 0         | 28,398                | 9,371                      | 9,945                      |
| 3. Advance payments                                                                                                       | 641                               | 93           | 0             | -147      | 587                   | 0                             | 0            | 0             | 0         | 0                     | 587                        | 641                        |
| <b>Total intangible assets</b>                                                                                            | <b>43,692</b>                     | <b>1,046</b> | <b>-34</b>    | <b>0</b>  | <b>44,704</b>         | <b>30,935</b>                 | <b>1,400</b> | <b>-9</b>     | <b>0</b>  | <b>32,325</b>         | <b>12,378</b>              | <b>12,758</b>              |
| <b>II. Tangible assets</b>                                                                                                |                                   |              |               |           |                       |                               |              |               |           |                       |                            |                            |
| 1. Land, leasehold rights and buildings                                                                                   | 12,109                            | 82           | -1            | 37        | 12,228                | 2,472                         | 449          | -1            | 0         | 2,920                 | 9,307                      | 9,637                      |
| 2. Technical equipment and machinery                                                                                      | 34,773                            | 2,022        | -6,291        | 3,055     | 33,560                | 12,576                        | 2,362        | -2,428        | -36       | 12,475                | 21,085                     | 22,197                     |
| 3. Other equipment, factory and office equipment                                                                          | 16,362                            | 1,936        | -302          | 137       | 18,132                | 6,114                         | 1,637        | -290          | 36        | 7,497                 | 10,635                     | 10,248                     |
| 4. Advance payments and assets under construction                                                                         | 5,949                             | 1,591        | 0             | -3,229    | 4,311                 | 194                           | 0            | -23           | 0         | 171                   | 4,140                      | 5,755                      |
| <b>Total tangible assets</b>                                                                                              | <b>69,193</b>                     | <b>5,632</b> | <b>-6,594</b> | <b>0</b>  | <b>68,231</b>         | <b>21,355</b>                 | <b>4,449</b> | <b>-2,741</b> | <b>0</b>  | <b>23,064</b>         | <b>45,167</b>              | <b>47,837</b>              |
| <b>III. Non-current financial assets</b>                                                                                  |                                   |              |               |           |                       |                               |              |               |           |                       |                            |                            |
| 1. Equity investments                                                                                                     | 6,130                             | 0            | 0             | 0         | 6,130                 | 5,825                         | 0            | 0             | 0         | 5,825                 | 304                        | 304                        |
| 2. Securities held as fixed assets                                                                                        | 990                               | 0            | 0             | 0         | 990                   | 585                           | 0            | 0             | 0         | 585                   | 406                        | 406                        |
| 3. Other loans                                                                                                            | 24,198                            | 0            | -607          | 0         | 23,591                | 0                             | 0            | 0             | 0         | 0                     | 23,591                     | 24,198                     |
| <b>Total non-current financial assets</b>                                                                                 | <b>31,318</b>                     | <b>0</b>     | <b>-607</b>   | <b>0</b>  | <b>30,711</b>         | <b>6,410</b>                  | <b>0</b>     | <b>0</b>      | <b>0</b>  | <b>6,410</b>          | <b>24,301</b>              | <b>24,908</b>              |
| <b>Total fixed assets</b>                                                                                                 | <b>144,204</b>                    | <b>6,677</b> | <b>-7,235</b> | <b>0</b>  | <b>143,646</b>        | <b>58,699</b>                 | <b>5,849</b> | <b>-2,750</b> | <b>0</b>  | <b>61,799</b>         | <b>81,846</b>              | <b>85,503</b>              |



# Consolidated Statement of Equity Changes

| BALANCE ON<br>30 JUNE 2022<br>(in EUR thousand) | EQUITY OF THE PARENT COMPANY |                    |                                                         |                                         | NON-CON-<br>TROLLING<br>INTERESTS | CONSOLIDATED<br>EQUITY                                         |         |
|-------------------------------------------------|------------------------------|--------------------|---------------------------------------------------------|-----------------------------------------|-----------------------------------|----------------------------------------------------------------|---------|
|                                                 | Subscribed<br>capital        | Capital<br>reserve | Difference in<br>equity from<br>currency<br>translation | Consolidated<br>balance sheet<br>profit | Total                             | Profit/loss<br>attributable to<br>non-controlling<br>interests | Total   |
| Balance on 1 Jan. 2021                          | 200                          | 43,422             |                                                         | 62,112                                  | 105,734                           | 15,015                                                         | 120,749 |
| Consolidated net income                         |                              |                    |                                                         | 8,218                                   | 8,218                             | 6,217                                                          | 14,435  |
| Currency translation                            |                              |                    | -10                                                     |                                         | -10                               |                                                                | -10     |
| Distributions                                   |                              |                    |                                                         | -2,500                                  | -2,500                            | -1,625                                                         | -4,126  |
| Other changes                                   |                              |                    |                                                         | 6                                       | 6                                 |                                                                | 6       |
| Balance on 31 Dec. 2021                         | 200                          | 43,422             | -10                                                     | 67,836                                  | 111,448                           | 19,607                                                         | 131,055 |
| Balance on 1 Jan. 2022                          | 200                          | 43,422             | -10                                                     | 67,836                                  | 111,448                           | 19,607                                                         | 131,055 |
| Consolidated net loss                           |                              |                    |                                                         | -4,982                                  | -4,982                            | 1,097                                                          | -3,885  |
| Currency translation                            |                              |                    | -2                                                      |                                         | -2                                |                                                                | -2      |
| Distributions                                   |                              |                    |                                                         |                                         |                                   | -485                                                           | -485    |
| Other changes                                   |                              |                    |                                                         |                                         |                                   | -961                                                           | -961    |
| Balance on 30 June 2022                         | 200                          | 43,422             | -12                                                     | 62,854                                  | 106,464                           | 19,257                                                         | 125,721 |





» The challenges today are: growth and a shortage of skilled workers. Our employees have a very high priority. With the new personnel strategy ‚HÖRMANN HR NXT 2025‘, we are intensifying all our activities for employee recruitment and retention. «

MICHAEL RADKE, CEO







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 2022 were prepared in accordance with the provisions of German commercial law for corporations and the supplementary provisions of the Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG – German Limited Liability Companies Act).

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

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

The presentation of the consolidated financial statements is the same as at 30 June 2021.

2. Consolidated group

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

| DIRECT AND INDIRECT SHAREHOLDINGS OF<br>HÖRMANN INDUSTRIES GMBH as of 30 June 2021 | Participation rate (in%) |
|------------------------------------------------------------------------------------|--------------------------|
| <b>Automotive division</b>                                                         |                          |
| HÖRMANN Automotive GmbH, Kirchseeon                                                | 100.00                   |
| HÖRMANN Automotive Saarbrücken GmbH, Saarbrücken                                   | 100.00                   |
| HÖRMANN Automotive Eislingen GmbH, Ebersbach a.d. Fils                             | 100.00                   |
| HÖRMANN Automotive St. Wendel GmbH, St. Wendel                                     | 100.00                   |
| HÖRMANN Automotive Wackersdorf GmbH, Wackersdorf                                   | 100.00                   |
| HÖRMANN Automotive Assets GmbH, Kirchseeon                                         | 100.00                   |
| HÖRMANN Automotive Gustavsborg GmbH, Ginsheim-Gustavsborg                          | 100.00                   |
| HÖRMANN Automotive Slovakia s.r.o., Bánovce, Slovakia                              | 100.00                   |
| Versorgungswerk Hörmann Automotive Gustavsborg e.V., Ginsheim-Gustavsborg          | 100.00                   |
| <b>Engineering division</b>                                                        |                          |
| HÖRMANN BauPlan GmbH, Chemnitz                                                     | 100.00                   |
| HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz                             | 100.00                   |
| VacuTec Meßtechnik GmbH, Dresden                                                   | 90.00                    |
| HÖRMANN Vehicle Engineering GmbH, Chemnitz                                         | 100.00                   |
| HÖRMANN Charging Solutions GmbH                                                    | 100.00                   |
| <b>Intralogistics division</b>                                                     |                          |
| HÖRMANN Intralogistik GmbH, Kirchseeon                                             | 100.00                   |
| HÖRMANN Logistik GmbH, Munich                                                      | 94.00                    |
| HÖRMANN Logistik Polska Sp z o.o., Gdansk, Poland                                  | 100.00                   |
| HÖRMANN Logistik Systeme GmbH, Graz, Austria                                       | 100.00                   |
| Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria                           | 51.00                    |
| HÖRMANN Services GmbH, Kirchseeon                                                  | 100.00                   |
| HÖRMANN Industrieservice GmbH, Lehre/Wolfsburg                                     | 100.00                   |
| MAT Maschinentechnik GmbH, Salzgitter                                              | 67.00                    |
| HÖRMANN Automationsservice GmbH, Salzgitter                                        | 100.00                   |

| DIRECT AND INDIRECT SHAREHOLDINGS OF<br>HÖRMANN INDUSTRIES GMBH as of 30 June 2021 | Participation rate (in%) |
|------------------------------------------------------------------------------------|--------------------------|
| <b>Communication division</b>                                                      |                          |
| <b>Communication system segment</b>                                                |                          |
| Funkwerk AG, Kölleda                                                               | 78.00                    |
| Funkwerk Systems GmbH, Kölleda                                                     | 100.00                   |
| Funkwerk StatKom GmbH, Kölleda                                                     | 100.00                   |
| Funkwerk Systems Austria GmbH, Vienna, Austria                                     | 100.00                   |
| Funkwerk Technologies GmbH, Kölleda                                                | 100.00                   |
| Funkwerk video systeme GmbH, Nuremberg                                             | 100.00                   |
| Funkwerk plettac electronic GmbH, Nuremberg                                        | 100.00                   |
| FunkTech GmbH, Kölleda                                                             | 100.00                   |
| Funkwerk IoT GmbH, Kölleda                                                         | 100.00                   |
| Funkwerk vipro.sys GmbH, Leipzig                                                   | 100.00                   |
| euromicron AG in Insolvenz, Neu-Isenburg                                           | 15.36                    |
| <b>Communication service division</b>                                              |                          |
| HÖRMANN Warnsysteme GmbH, Kirchseeon                                               | 74.99                    |
| HÖRMANN KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria               | 100.00                   |
| HÖRMANN Kommunikation & Netze GmbH, Kirchseeon                                     | 100.00                   |
| <b>Holdings, other companies</b>                                                   |                          |
| HÖRMANN Digital GmbH, Kirchseeon                                                   | 100.00                   |

The exemption provision of § 313 (3) sentence 4 HGB has been applied to participations that are of minor importance for the presentation of the net assets, financial position and results of operations.

There were the following material changes in the consolidated group in the financial year:  
HÖRMANN Logistik Systeme GmbH, Graz, Austria, was established on 30 November 2021 and consolidated for the first time effective 31 March 2022. The expenses and income of this company are included in consolidation in full.  
The changes in the consolidated group do not affect comparability with the previous year.

b.) No companies were included according to the provisions on equity consolidation in accordance with sections 311 et seq. HGB as at 30 June 2022.  
Changes were presented under 2. Consolidated group a).

c.) Companies not included due to immateriality  
By reference to section 296(2) HGB and section 311(2) HGB, the shares in the following companies were not included in consolidation on account of their immateriality to the financial position and financial performance of the Group.

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

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

d.) Interests within the meaning of section 271(1) HGB.

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

3. Reporting date of the consolidated financial statements

The consolidated financial statements were prepared as at 30 June 2022. This reporting date is the end of the half-year period for all companies included in the consolidated financial statements.

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 2022, HÖRMANN Industries GmbH, Kirchseeon, has voluntarily prepared consolidated financial statements comprising a consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the consolidated financial statements and a Group management report.

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

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

Any excess remaining after offsetting the shares in the affiliated company against equity is reported as goodwill.

Any negative goodwill remaining is reported as a separate item after equity.

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

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

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

Deferred tax assets and liabilities arising as a result of consolidation adjustments are accounted for at the level of HÖRMANN Industries GmbH, Kirchseeon, using a tax rate of 30.46% and at the level of Funkwerk AG, Köllda, using a tax rate of 29.83%, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.83% and, for simplified calculation as at 30 June 2022, an average trade tax rate of 14.98% for HÖRMANN Industries GmbH and 13.54% 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 3,867 thousand as at 30 June 2022 (previous year: EUR 4,320 thousand). It is being written down over a ten-year period. Goodwill was written down pro rata temporis by EUR 455 thousand in the first half of 2022.

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 195 thousand as at 30 June 2022 (previous year: EUR 217 thousand). This resulted in a pro rata write-down of EUR 22 thousand in the first half of 2022.

As at 30 June 2022, MAT Maschinentechnik GmbH, Salzgitter, generated qualifying goodwill of EUR 302 thousand (previous year: EUR 329 thousand). This was written down in the amount of EUR 27 thousand in the first half of 2022. It is being written down over a ten-year period.

As at 30 June 2022, Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria, generated qualifying goodwill of EUR 3,607 thousand (previous year: EUR 3,782 thousand). This was written down in the amount of EUR 175 thousand in the first half of 2022. It is being written down over a ten-year period.

As at 30 June 2022, Funkwerk vipro.sys GmbH, Leipzig, generated qualifying goodwill of EUR 145 thousand (previous year: EUR 183 thousand). This was written down in the amount of EUR 38 thousand in the first half of 2022. It is being written down over a four-year period.

6. Currency translation principles

The consolidated financial statements were prepared in euros (EUR), which is the currency of the Group’s primary economic environment (functional currency).

The items in the financial statements of each company included in consolidated are measured on the basis of the currency of the respective company’s primary economic environment (functional currency).

Equity denominated in foreign currency is translated at the historical exchange rate.

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. Receivables and liabilities in foreign currency are measured at the middle spot rate depending on the remaining term at the reporting date.

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

Financial statements of subsidiaries that are prepared in a functional currency other than the reporting currency, euros (EUR), are translated using the modified closing rate method: Assets and liabilities are translated at the middle spot rate at the reporting date for each balance sheet date. For simplification, income and expense items in the income statement are translated using the monthly average exchange rate for the period.

Differences resulting from the translation of financial statements prepared in a different functional currency are recognised directly in equity. Currency translation differences taken directly to equity are only recognised in profit or loss when the respective foreign operation is deconsolidated.

|        |     | Spot rate (in EUR) |              | Average exchange rate (in EUR) |         |
|--------|-----|--------------------|--------------|--------------------------------|---------|
|        |     | 30 June 2022       | 31 Dec. 2021 | 2022                           | 2021    |
| Poland | PLN | 0.21320            | 0.21754      | 0.21521                        | 0.21905 |

## 7. Accounting policies

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

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

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

Purchased **goodwill** is capitalised at acquisition cost and amortised pro rata temporis on a straight-line basis over a period of four to ten years.

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

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

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

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

**Securities held as fixed assets** 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 (moving average). They are written down to lower fair value depending on storage periods, diminished marketability, the weighting of disposal volumes, 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 depreciation of fixed assets if caused by production, but not including appropriate amounts of administrative costs and borrowing costs, and in accordance with the principle of lower of cost or market. Normal utilisation levels were assumed in calculating the overhead rates. For expected losses from executory contractor that exceed production costs, provisions for expected losses are recognised.

**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.

**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 2022. 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 and on losses carried forward 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 plan 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.

**Subscribed capital** is carried at its nominal amount.

**Provisions for pensions and similar obligations** 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 pro rata in the period under review.

**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 Rückstellungsabzinsungsverordnung (RückAbzinsV – German Regulation on the Discounting of Provisions).

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

**Liabilities to banks** are carried at settlement amount.

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

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

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



B. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Consolidated Statement of Changes in Fixed Assets

Assets recognised as fixed assets were written down to the lower fair value if necessary.

Research and development costs amounted to EUR 5.1 million in total in the first half of 2022 (previous year: EUR 10.7 million). In the 2022 reporting period, no internally generated intangible assets or research and development costs were capitalised.

The development of fixed assets in the first half of 2022 is shown on pages 44/45.

2. Inventories

Payments received on account of orders of EUR 116,862 thousand (previous year: EUR 110,482 thousand) were deducted from inventories on the face of the balance sheet.

3. Receivables and other assets

Trade receivables of EUR 73 thousand (previous year: EUR 492 thousand) have a remaining term of more than one year.

Other assets of EUR 312 thousand (previous year: EUR 220 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include trade receivables of EUR 2,178 thousand (previous year: EUR 388 thousand) and EUR 8,781 thousand (previous year: EUR 11,346 thousand) from cash pooling.

4. Prepaid expenses

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

5. Consolidated equity

The development of consolidated equity in the first half of 2022 is shown in the consolidated statement of changes in equity.

Retained profits brought forward were EUR 67,836 thousand in the 2021 financial year (previous year: EUR 59,618 thousand).

6. Provisions

The provision for pension obligations is estimated during the year based on the assessment available for the reporting date 31 December 2021.

Pension provisions as at 31 December 2021 were measured on the basis of the following premises:

- ♦ Interest rate (10-year average): 1.87%
- ♦ Interest rate (7-year average): 1.35%
- ♦ 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 2,894 thousand (previous year: EUR 2,894 thousand).

The settlement of pension provisions is EUR 37,105 thousand (previous year: EUR 37,105 thousand). This is offset against assets of EUR 2,002 thousand (previous year: EUR 2,002 thousand) that are exclusively reserved for pension obligations. Plan assets in excess of the settlement amount of EUR 64 thousand (previous year: EUR 64 thousand) were reported on the assets side of the balance sheet as the ‘Excess of plan assets over pension liabilities’.

Amortised cost of the offset assets is EUR 1,755 thousand, while their recognised fair value is EUR 1,221 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.

The addition to the direct pension provision of EUR 1,540 thousand required as at 1 January 2010 based on the amended provisions of the HGB was made pro rata temporis at a rate of at least one-fifteenth in the period under review in accordance with Article 67(1) Sentence 1 of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code). EUR 53 thousand had been transferred by 30 June 2022.

EUR 1,232 thousand of the difference was already recognised by 31 December 2021.

The direct pension provisions not reported in the balance sheet amount to EUR 308 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 10,247 thousand as at 31 December 2021 (Article 28(2) EGHGB).

In line with section 249 HGB in connection with Article 28 (2) EGHGB, the underfunding level of the unrecognised direct pension obligations at Versorgungswerk HÖRMANN Gruppen-Unterstützungskasse e.V., Kirchseeon, amounts to EUR 24 thousand.

The settlement amount of early retirement provisions is EUR 3,423 thousand (previous year: EUR 3,423 thousand). This is offset against assets of EUR 1,647 thousand (previous year: EUR 1,647 thousand) that are exclusively reserved for partial early retirement obligations.

The acquisition cost of the offset assets is EUR 1,647 thousand. The recognised fair value of the offset assets amounts to EUR 1,647 thousand. The fair value of these assets is equal to their market value as at the balance sheet date.

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

7. Liabilities

Liabilities are reported at settlement amount. Their remaining terms are shown in the following consolidated maturity structure of liabilities on page 60.

Liabilities to affiliated companies comprise EUR 2,514 thousand (previous year: EUR 3,960 thousand) from trade payables.

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

8. General disclosures

Deferred taxes

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

Deferred tax liabilities result from temporary differences between the financial accounts and the tax accounts for pension provisions.

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 30.46%, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.83% and, for simplified calculation as at 30 June 2022, an average trade tax rate of 14.98%. 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.

CONSOLIDATED MATURITY STRUCTURE  
OF LIABILITIES AS OF 30 JUNE 2022  
(in EUR thousand)

|                                        | Remaining term    |                       |                                 |                      |                    |
|----------------------------------------|-------------------|-----------------------|---------------------------------|----------------------|--------------------|
|                                        | up to<br>one year | more than<br>one year | thereof more<br>than five years | Total<br>30 Jun 2022 | thereof<br>secured |
| 1. Bonds                               | 0                 | 50,000                | 0                               | 50,000               | 0                  |
| Previous year                          | 0                 | 50,000                | 0                               | 50,000               | 0                  |
| 2. Liabilities to banks                | 7,500             | 5,625                 | 0                               | 13,125               | 0                  |
| Previous year                          | 2,500             | 6,875                 | 0                               | 9,375                | 0                  |
| 3. Trade payables                      | 50,319            | 0                     | 0                               | 50,319               | 0                  |
| Previous year                          | 40,068            | 0                     | 0                               | 40,068               | 0                  |
| 4. Liabilities to affiliated companies | 2,514             | 0                     | 0                               | 2,514                | 0                  |
| Previous year                          | 4,255             | 0                     | 0                               | 4,255                | 0                  |
| thereof to shareholders                | 1,292             | 0                     | 0                               | 1,292                | 0                  |
| Previous year                          | 3,117             | 0                     | 0                               | 3,117                | 0                  |
| 5. Other liabilities                   | 9,835             | 0                     | 0                               | 9,835                | 0                  |
| Previous year                          | 12,369            | 0                     | 0                               | 12,369               | 0                  |
| therof from taxes                      | 5,852             | 0                     | 0                               | 5,852                | 0                  |
| Previous year                          | 5,900             | 0                     | 0                               | 5,900                | 0                  |
| thereof for social security            | 1,318             | 0                     | 0                               | 1,318                | 0                  |
| Previous year                          | 1,318             | 0                     | 0                               | 1,318                | 0                  |
| thereof to shareholders                | 0                 | 0                     | 0                               | 0                    | 0                  |
| Previous year                          | 375               | 0                     | 0                               | 375                  | 0                  |
| <b>Fiscal year</b>                     | <b>70,168</b>     | <b>55,625</b>         | <b>0</b>                        | <b>125,793</b>       | <b>0</b>           |
| Previous year                          | 59,192            | 56,875                | 0                               | 116,067              | 0                  |

C. CONSOLIDATED INCOME STATEMENT DISCLOSURES

1. Sales

| Breakdown of sales by region (in EUR million) | H1 2022    | H1 2021    |
|-----------------------------------------------|------------|------------|
| Sales, domestic                               | 215        | 196        |
| Sales, international                          | 83         | 100        |
| <b>Total</b>                                  | <b>298</b> | <b>296</b> |

| Divisions      | H1 2022    | H1 2021    |
|----------------|------------|------------|
| Automotive     | 189        | 181        |
| Engineering    | 11         | 32         |
| Intralogistics | 23         | 0          |
| Communication  | 75         | 76         |
| Services       | 0          | 7          |
| <b>Total</b>   | <b>298</b> | <b>296</b> |

With regard to the restructuring of the Engineering, Services and Intralogistics segments implemented with effect from 1 January 2022, please refer to the “Basic information on the Group” section of the management report, starting on page 4.

2. Other operating income

Other operating income includes prior-period income of EUR 673 thousand (previous year: EUR 1,310 thousand), EUR 1,088 thousand (previous year: EUR 937 thousand) of which relates to the reversal of provisions, EUR 372 thousand (previous year: EUR 7 thousand) to the reversal of write-downs, EUR 401 thousand (previous year: EUR 0 thousand) to disposals of assets and EUR 64 thousand (previous year: EUR 366 thousand) to other prior-period income. Other operating income also includes income from currency translation of EUR 69 thousand (previous year: EUR 58 thousand).

3. Other operating expenses

Other operating expenses include prior-period expenses of EUR 57 thousand (previous year: EUR 359 thousand). Currency translation resulted in expenses of EUR 112 thousand (previous year: EUR 22 thousand).

4. Taxes on income

Taxes on income include prior-period tax expenses of EUR 36 thousand (previous year: EUR 24 thousand) and prior-period tax income of EUR 155 thousand (previous year: EUR 44 thousand).

5. Significant events after the reporting date

In the same way as for many other industrial companies, the further course of the COVID-19 pandemic and, in particular, the Russian war of aggression in Ukraine that started in February 2022 will have a negative impact on the financial position and results of operations of the HÖRMANN Group that cannot be reliably quantified at present, including because of the resulting supply bottlenecks and rising material and energy costs. The HÖRMANN Group has taken additional steps to secure its liquidity, ensure its delivery capability and cut costs as a matter of urgency.

The Group currently expects that the economic situation will remain stable at the current level in the second half of the year and that the availability of materials and energy will not lead to additional negative business developments over the remainder of the year.

D. OTHER DISCLOSURES

1. Contingent liabilities and other financial obligations

a.) Contingent liabilities

There are contingent liabilities of EUR 3.3 million in accordance with section 251 in conjunction with section 268(7) HGB from guarantees issued for liabilities.

Furthermore, HÖRMANN Industries GmbH, Kirchseeon, together with HÖRMANN Automotive GmbH, Kirchseeon, are liable as co-borrowers and joint debtors for a guarantee issued by Commerzbank AG, Frankfurt am Main, to HÖRMANN Holding GmbH & Co. KG, Kirchseeon, and HÖRMANN Industries GmbH, Kirchseeon, up to an amount of EUR 0.5 million until further notice. EUR 0.5 million of this guarantee facility had been utilised as at 31 December 2021. 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 recourse to HÖRMANN Industries GmbH, Kirchseeon, is therefore not expected.

In light of the current credit rating and past payment behaviour of the beneficiary, we believe there is a low probability that the guarantees issued for liabilities and reported in the notes to the consolidated financial statements will be utilised. We are not currently aware of any evidence that would necessitate a different assessment.

The company enters into contingent liabilities only after carefully weighing up the risks and generally only does so in conjunction with its own business activity or that of affiliated companies. Based on a continuous risk assessment of the contingent liabilities entered into and taking into account all the information available at the preparation date of the annual financial statements, the company currently expects the obligations underlying the contingent liabilities to be fulfilled by the respective principal debtors. Accordingly the risk that the contingent liabilities will be utilised is considered unlikely.

Based on the information on the net assets, financial position and results of operations of the subsidiaries that was available at the preparation date, the risk that the contingent liabilities will be utilised is considered to be low. Provisions are recognised in the balance sheet for identifiable risks at the preparation date.

b.) Other financial obligations

Obligations under rental and lease agreements and other longer-term contracts amount to EUR 51 million. Other financial obligations of EUR 10 million have a remaining term of up to one year, EUR 32 million have a remaining term of between one and five years and EUR 9 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. Management

- Dr.-Ing. Michael Radke, engineer
- Mr Johann Schmid-Davis, business administration graduate
- Dr.-Ing. Christian Baur, engineer (since 1 July 2022)

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

With reference to section 286(4) HGB, the company refrains from disclosing management compensation.

4. Employees

There were 2,834 employees on average in the first half of 2022 (2021 as a whole: 2,787). The average number of trainees was 72 (previous year: 82).

Average number of employees by group:

| Group                    | H1 2022 |
|--------------------------|---------|
| Production               | 1,962   |
| Sales/Project Management | 274     |
| Development              | 349     |
| Administration           | 249     |
| Total                    | 2,834   |

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

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

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.

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 section IV. “Financial position” in the Group management report.

Kirchseeon, 30 August 2022

HÖRMANN Industries GmbH

Dr.-Ing. Michael Radke

Johann Schmid-Davis

Dr.-Ing. Christian Baur



#### RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements 2021 as well as the interim consolidated financial statements 2022 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 2022

HÖRMANN Industries GmbH



Dr.-Ing. Michael Radke



Johann Schmid-Davis



Dr.-Ing. Christian Baur



» It is necessary to shift from a long period of nearly constant prices and costs to an unknown new period of high inflation. «

JOHANN SCHMID-DAVIS, CFO



## Imprint

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Johann Schmid-Davis, CFO

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