TIMES ARE CHANGING

ANNUAL REPORT
2019

Financial Figures 2019

T001

		2019[1]	2018	Change in %
Order situation				
Order book (Dec 31)	EUR million	358.3	379.2	– 5.5
Income statement				
Revenue	EUR million	1,100.1	1,084.1	1.5
Adjusted gross profit [2]	EUR million	630.6	626.6	0.6
Adjusted EBITA [2]	EUR million	144.8	173.2	– 16.4
Adjusted EBITA margin [2]	%	13.2	16.0	n/a
EBITA	EUR million	127.9	164.8	– 22.4
EBITA margin	EUR million	11.6	15.2	n/a
Adjusted profit for the period [2]	EUR million	87.8	114.8	– 23.5
Adjusted earnings per share [2]	EUR	2.76	3.61	– 23.6
Profit for the period	EUR million	58.4	91.8	– 36.3
Earnings per share	EUR	1.83	2.88	– 36.5
NORMA Value Added (NOVA)	EUR million	17.3	60.8	– 71.5
Return on Capital Employed (ROCE)	%	13.4	17.5	n/a
Cash flow				
Cash flow from operating activities	EUR million	137.1	130.8	4.8
Cash flow from investing activities	EUR million	– 57.6	– 129.5	– 55.5
Cash flow from financing activities	EUR million	– 92.7	31.3	n/a
Net operating cash flow	EUR million	122.9	124.4	– 1.2
		Dec 31, 2019	Dec 31, 2018	Change in %
Balance sheet				
Total assets	EUR million	1,514.3	1,471.7	2.9
Equity	EUR million	629.5	602.4	4.5
Equity ratio	%	41.6	40.9	n/a
Net debt	EUR million	420.8	400.3	5.1
Employees				
Core workforce		6,523	6,901	– 5.5
Share data				
IPO		April 2011		
Stock exchange & market segment		Frankfurt Stock Exchange, Regulated Market (Prime Standard), SDAX		
ISIN		DE000A1H8BV3		
Security identification number / Ticker symbol		A1H8BV / NOEJ		
Highest price / Lowest price 2019 [3]	EUR	49.26 / 26.36		
Year-end share price as of Dec 31, 2019 [3]	EUR	38.00		
Market capitalization as of Dec 31, 2019 [3]	EUR million	1,211		
Number of shares		31,862,400		

1_Including the effects of the first-time application of IFRS 16.
2_The adjustments are described in the Notes to the Consolidated Financial Statements. → NOTES, P. 148
3_Xetra price.

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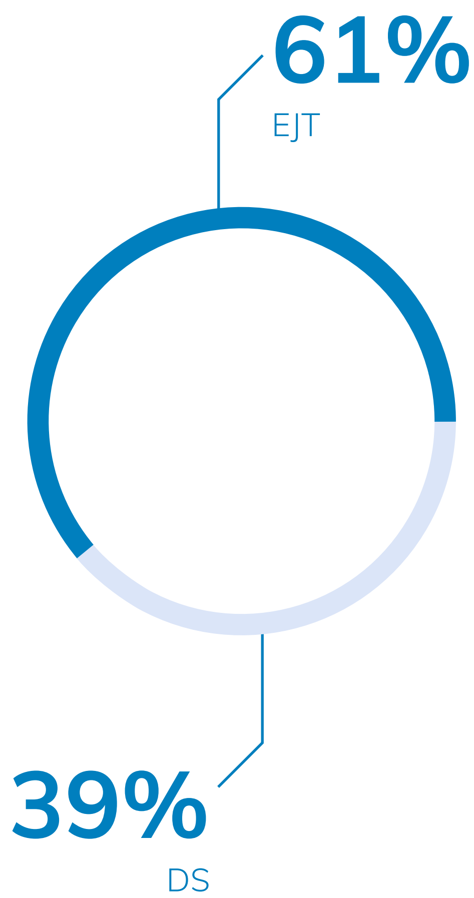
NORMA Group

NORMA Group is an international market and technology leader in Engineered Joining Technology (joining, connecting and fluid handling technology) and offers more than 40,000 high-quality products and solutions to around 10,000 customers in more than 100 countries. NORMA Group's joining products are used in various industries and can be found in vehicles, ships, trains, aircraft, domestic appliances, engines and plumbing systems as well as in applications for the pharmaceutical and biotechnology industry. From its headquarters in Maintal near Frankfurt, Germany, the Company coordinates a global network consisting of 29 production facilities as well as numerous sales and distribution sites across Europe, the Americas, and Asia Pacific.

Two strong distribution channels



Engineered Joining Technology (EJT)

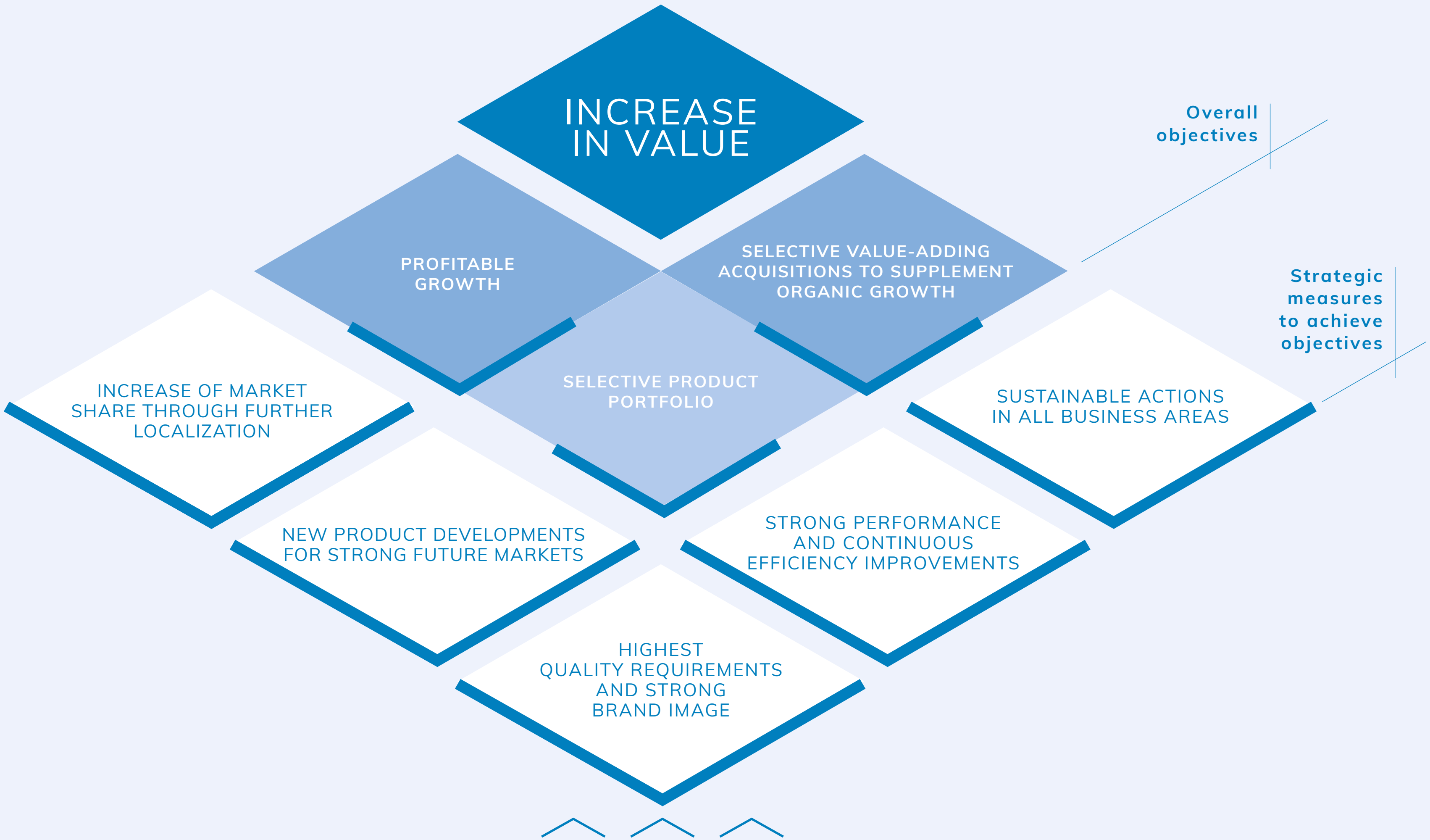
The business area of EJT focuses on customized, engineered solutions which meet the specific requirements of original equipment manufacturers (OEM). For these customers, NORMA Group develops innovative, value-adding solutions for a wide range of application areas and various industries in the area of mobility and new energy. No matter whether it's a single component, a multi-component unit or a complex system, all products are individually tailored to the exact requirements of the industrial customers while simultaneously guaranteeing the highest quality standards, efficiency and assembly safety. NORMA Group's EJT products are built on the Company's extensive engineering expertise and proven leadership in this field.

Distribution Services (DS)

In the area of DS, NORMA Group sells a wide range of high-quality, standardized joining technology products for various applications through different distribution channels. Among its customers are distributors, OEM aftermarket customers, technical wholesalers and hardware stores. In the DS business area, NORMA Group benefits not only from its extensive geographic presence and global manufacturing, distribution and sales capacities, but also from its well-known brands, its customized packaging and the high availability of its products at the point of sale. NORMA Group markets its joining technology products under its well-known brand names:

ABA, NDS, FiveStar, raindrip, BREEZE, NORMA, FISH, SERFLEX, Clamp-All, R.G.RAY, Gemi, Torca, TRUSTLENE

MARKET LEADER IN CONNECTING AND FLUID HANDLING TECHNOLOGY FOR EXISTING AND FUTURE MARKETS



CLIMATE CHANGE AND SCARCITY OF RESOURCES
ARE GLOBAL MEGATRENDS WHICH FORM THE BASIS FOR NORMA GROUP'S BUSINESS MODEL

TIMES ARE CHANGING

The market environment in which NORMA Group operates is undergoing radical change. We recognized this early on and subsequently began to adapt to the changed conditions. Every change is driven by a multitude of different factors, which in turn have a profound impact on patterns of action and decision-making.

On the following pages, you will learn what significance the changed framework conditions have for NORMA Group. We present an overview of the main drivers and factors behind the developments in fiscal year 2019 in a significantly changing environment. “Times are changing” – we have the answers to the questions of our time.

8 Questions

Q 01

The 2019 Annual Report is entitled "Times are changing." What does this mean?

Markets and technologies are changing – and NORMA Group is right in the middle of it.

TIMES ARE CHANGING

The title of our 2019 Annual Report describes the current situation very appropriately: We are experiencing challenging times – times of change. Looking back on 2019, we can conclude that change is ever-present. This is exemplified by how the automotive industry is developing. The industry is experiencing profound technological upheaval. Electromobility, including hybrid drives, and autonomous driving are the key factors here.

At the same time, we are repeatedly confronted with geopolitical issues such as the never-ending discussion about Brexit and the trade disputes between the two superpowers US and China. This difficult and changing market environment presents us with additional challenges. We started to tackle the hurdles early on and are responding consistently to the changing conditions. For example, we announced our rightsizing program in February 2019 and began optimizing our production landscape and organizational structures, which had grown rapidly in recent years, and we are harmonizing our processes and systems worldwide. We also started to align our business model even more closely with the requirements of our strategic growth fields – water management and electromobility.

We see an opportunity for NORMA Group in this changing environment. We want to seize the opportunity and open our eyes to the essentials. For this reason, we are systematically analyzing how current developments affect us and are making adjustments where necessary. We are adapting to the new framework conditions, becoming more agile, more structured and even more efficient in terms of our processes. In doing so, we are clearly relying on our strengths: As an expert on joining technology, we are further expanding our position as one of the market leaders in the area of engineered and standardized joining technology (connecting, fastening and fluid handling technology) for current and future markets.

Q

02

What developments affected NORMA Group's business in 2019?

The US market for passenger vehicles and trucks collapsed significantly in fiscal year 2019.

We have clearly felt the market weaknesses and changes.

The continued weakness of the global automotive market played a major role in our difficult fiscal year 2019. Technological upheavals, geopolitical risks and the global impact of the trade dispute between the US and China and related sanctions have severely impacted the global automotive industry. The reluctance to invest that this has caused was reflected in significant market weakness, especially in the EMEA and Asia-Pacific regions and China and India, in particular. Demand from important customer segments dropped, and business continued to decline. In addition, the US market, among others, has experienced a sharp decline.

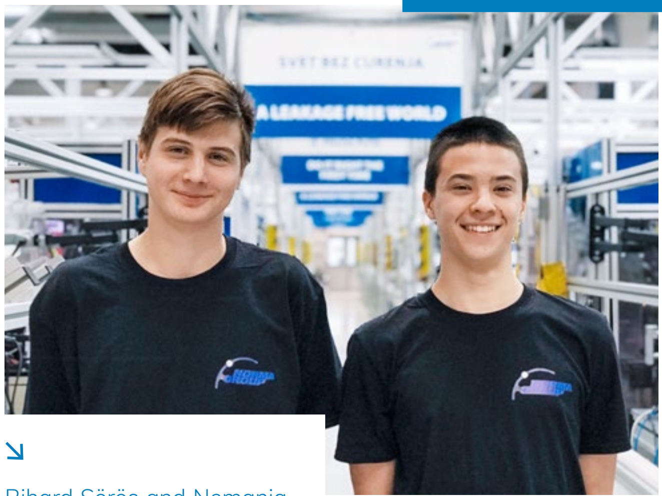
Against this backdrop, we realized that we would not be able to achieve the targets we had set for ourselves at the beginning of 2019. For this reason, we revised our forecast for the adjusted EBITA margin in April 2019. After the first half of the year, it also became apparent that the situation on the international automotive markets would not ease significantly in the second half of the year either.

In view of the global development in the automotive market and on the basis of the expected sales development for the second half of 2019, we revised both the sales forecast at Group level and the forecast for the adjusted EBITA margin and operating net cash flow for the full year 2019 in July 2019. The slump in the US automotive business at the beginning of the fourth quarter of 2019, due to strikes at key customers in the passenger car and truck sectors, among other factors, led to yet another revision of the sales forecast in all regions in October.

Q 03

How can NORMA Group increase its profitability?

We are identifying potentials for optimization.



↘ Rihard Sörös and Nemanja Stanisic have been participating in the dual training program in Serbia since September 2019

Times are changing – in times of change, it is extremely important to set up structures and processes within the Company in such a way that they allow the greatest possible flexibility in order to be able to adapt quickly to changing market conditions. The starting point here is a comprehensive review of the initial situation, in particular an analysis that enables internal processes and Company structures to be optimized. We know that we can only improve if we take a holistic view of every element of the Company and analyze the underlying structures for optimization potential. This must include both fundamental aspects and details.

In previous years, we have grown very strongly and rapidly worldwide, not least through several acquisitions. This has also resulted in structures and processes that now have to be adapted and optimized to take future developments into account. The harmonization and integration of these processes and structures plays a key role. One first step in this direction was the announcement of the rightsizing program in February 2019, when we approved a package of measures. Since then, we have continuously worked to optimize our production landscape and organizational structures in a targeted manner and to harmonize processes and systems worldwide. In order to identify further potential, we continuously take a critical look at all internal processes. In addition, we concentrate on bundling and sharing processes and important existing know-how across regions and locations. The first successes of the measures implemented could already be seen in fiscal year 2019. At the end of September, we closed a production site in Russia and relocated activities to our plant in Subotica, Serbia. Furthermore, a distribution center in the Netherlands was integrated into an existing distribution center.

In addition to the rightsizing program, we publicly announced the “Get on Track” change program in November 2019. The program goes beyond the measures of the rightsizing program. The measures included in this program optimize site capacities in all regions and streamline the product portfolio, in particular through active portfolio management and improvement of the purchasing processes. “Get on Track” will make us more flexible and profitable. This will enable us to respond to market changes even better and faster in the future.

We are actively implementing the defined measures so that we can increase our profitability and achieve sustainable growth.

Q 04

What does the new change program “Get on Track” include?

There is always potential for improvement. In order to make the best possible use of this potential, the Supervisory Board of NORMA Group approved the "Get on Track" change program proposed by the Management Board at the beginning of November 2019. This program is intended to lay the foundations for the further strategic development and profitable growth of NORMA Group. "Get on Track" comprises three overarching fields of action.

Our strategy focuses on increasing value, growth, profitability and generating cash flow.

OBJECTIVE OF "GET ON TRACK"

	FIELDS OF ACTION	EXAMPLES
POSITIONING	**LOCATIONS**	Optimization of locational capacities in all regions
POSITIONING	**PRODUCT PORTFOLIO**	Streamlining of product portfolio through active portfolio management
POSITIONING	**STRUCTURES**	Improvement of structures and processes along the entire value chain
	MARKET INTELLIGENCE	Comprehensive information on products and markets as the basis for active portfolio management
	PEOPLE AND CULTURE	Qualification and training of personnel

The objective is initially to design the production landscape as efficiently as possible and at the same time to reduce complexity. Here, we are also taking a close look at our many products and improving and bundling our structures and processes. In short: All internal processes and structures are being comprehensively put to the test. By implementing targeted measures, we are focusing on increasing the efficiency of NORMA Group in the defined fields of action and aligning the entire organization along the lines of profitability and cash flow generation. In summary, "Get on Track" can thus be described as a comprehensive performance program. From 2020 on, it is expected to lead to cost savings that will rise to between EUR 40 million and EUR 45 million annually by 2023.

Once the programs have been successfully implemented, NORMA Group is to emerge from the change process in a stronger, leaner and more effective position – as a Company that is ideally adapted to the economic environment and able to act in an agile manner.

Intensive work on operational improvement is a major feat of strength that will require our full concentration. We will succeed in this if we work together because a company is only as good as the entirety of its employees. We therefore attach great importance to our employees' qualifications and motivation through targeted "on-the-job" training and education. This is how we are implementing the "Get on Track" program together with our employees and gradually preparing NORMA Group for the future. In spite of all this change, we cannot afford to lose sight of what makes us what we are: a technology leader in the field of advanced joining technology and we will continue to build on this strength.

Q 05

What were the positive developments in fiscal year 2019?

Successes in our future markets water management and electromobility as well as improved financing terms and conditions.

The eM compact quick connector has been developed especially for use in electric and hybrid cars.

Despite the many challenges in the past fiscal year, we were also able to achieve important successes in our future markets water management and electromobility.

In light of the increasing water scarcity worldwide, there is a growing need for efficient, environmentally friendly water management and infrastructure solutions. NORMA Group is taking advantage of this trend by continuously developing and improving its water management portfolio to meet the growing global demand for an efficient water supply.

NORMA Group's comprehensive product portfolio and joining technology ensure that water is transported to where it is needed without any leakages. The product portfolio includes products and solutions in the fields of gardening and landscaping. This also includes durable and efficient drip irrigation systems that use up to 60 percent less water than conventional systems on the market. NORMA Group's many efficient products are also widely used in the construction industry. These include, for example, the "Pro-Span Repair Coupling" product that enables private homeowners to repair damaged water pipes quickly and cost-effectively.

2019 repeatedly showed that leading automotive manufacturers rely on NORMA Group's development expertise for challenging projects in the field of electromobility. For instance, we won major new orders in the past fiscal year. These included a large order that we received in May 2019 to equip around 1.8 million vehicles from a British carmaker with cooling water pipe systems for cars with combustion engines and electric motors. In addition, NORMA Group won two further major orders for thermal management pipeline systems for electric and hybrid vehicles. NORMA Group's pipeline systems are known for their optimal compactness and efficient line routing, which means that they can be installed inside the battery in a very space-saving manner. The temperature sensors integrated into them ensure that the battery cells have the correct operating temperature and thus make a significant contribution to increasing the range of the vehicles – still one of the key challenges in the field of electromobility. We also came up with new innovations in this area of electromobility, which is becoming increasingly important for us, in 2019. A new quick connector that has been developed especially for use in electric and hybrid vehicles is only one example. NORMA Group's new E-mobility connector provides more space in the vehicle battery, allowing more battery cells to be installed per battery pack and increasing the performance per battery.

The fact that automotive manufacturers appreciate the quality and reliability of our products is also demonstrated by the awards we have received from our customers, such as the Jaguar Land Rover Quality (JLRQ) Award, which we received in China last year.

But we are not only successful in the area of product development. We also made further progress in the area of our financial and liquidity management in fiscal year 2019: Group financing was successfully restructured at even more attractive terms. In addition, a "green" financing component was included for the first time, thus reflecting our sustainability strategy in the area of financing as well. We are very proud of this. We want to build on this success and continue to improve.

Q

06

How will NORMA Group's key markets develop in 2020?

↘

Dr. Michael Schneider, CEO of NORMA Group since November 2019, and Dr. Friedrich Klein (COO) holding a discussion

We do not expect the situation on the international automotive markets to improve significantly in 2020 following an already difficult previous year. According to LMC Automotive, one of the world's leading providers of market information for the automotive industry, the automotive market will decline in the Asia-Pacific, EMEA and, above all, Americas regions. A noticeable decline can be expected in the commercial vehicle sector, in particular, in 2020. This is a market in which NORMA Group is strongly represented, particularly in the US. On the other hand, the Water Management division is expected to continue to perform well, albeit at a somewhat slower pace compared to last year. This means the situation in some of NORMA Group's key sales markets will remain challenging.

We will focus above all on careful planning in light of these expected developments: Comprehensive market analysis that tracks all conceivable developments is indispensable in times of high market uncertainty. This will enable us to evaluate possible opportunities and risks for our business in a targeted manner in order to be able to react promptly and appropriately to any changes that arise.

The water management market is growing, the automotive market is changing. We focus on the opportunities and risks.

Q 07

What growth areas does NORMA Group see in the coming years?

Climate change and scarcity of resources are global megatrends for which we have innovative solutions.

The technological requirements placed on our customers and thus also on our products are changing ever more rapidly. This development is being driven by two global megatrends: climate change and scarcity of resources. They will play a decisive role in shaping the field in which NORMA Group operates in the coming decades. For this reason, they form the foundation of our business model and our corporate strategy.

Consistent protection of the environment, more efficient use of energy and the economical use of vital raw materials such as water are becoming increasingly important. Our two key future markets are water management and electromobility. We have solutions for these areas and view the changes as an opportunity. As a technology leader, we will play a key role in shaping these areas. We are making our contribution here in particular by reducing emissions from combustion engines and hybrid drives and by optimizing the performance of electric drives. And our potential is far from being exhausted.

Water management

Water is a valuable commodity. NORMA Group's product portfolio in the field of water management focuses on the targeted control and optimization of water volumes. Due to the increasing scarcity of water, the demand for tailor-made, reliable joining products and solutions that enable our customers to enjoy an efficient, sustainable water supply, and thus to use water resources sparingly, is increasing. The focus here is on preventing leaks at tapping points and thus making an important contribution to the efficient water supply of households. With our products, we also support the implementation of statutory regulations aimed at sustainably reducing water consumption. In this context, we also understand how efficient systems for landscape irrigation work. Drip irrigation systems in particular are becoming increasingly important. The focus here is on innovative technologies that aim to reduce water consumption in general. For example, intelligent drip irrigation systems can reduce water consumption by up to 60 percent compared to conventional sprinkler systems. On the other hand, the management of larger volumes of water, which can arise due to extreme weather conditions, is also becoming increasingly important. Our expertise in this area goes beyond classic piping and joining technology. An important starting point here is the collection of rainwater and the discharge of wastewater into the urban sewage system. We are very well positioned in these areas and are able to offer our customers reliable products for effective storm water and wastewater management.

We have steadily expanded our water management business in recent years through targeted acquisitions, thus contributing to the diversification of our business. In fiscal year 2019, water management accounted for around 20 percent of our annual sales. By comparison, this figure was only four percent in fiscal year 2013, prior to the acquisition of NDS.

E-mobility

Electromobility is NORMA Group's second key market of the future and an important focus of its research and development activities. NORMA Group already has plenty of solutions and key products in its portfolio to address the future trend of e-mobility in a targeted manner. Most of these products are manufactured using existing technical equipment and on our existing machines. The product range comprises both optimized and particularly lightweight connectors as well as complete line systems for the thermal management of battery packs in electric vehicles. These products ensure a correct operating temperature of the battery cells and thus an increased range and an extended service life of the battery. Thanks to our broad product portfolio, we believe we are optimally positioned to benefit from the positive developments forecast in the field of e-mobility.

Q 08

How does NORMA Group ensure its ability to innovate?

5%

of EJT sales is planned for investments in R&D annually.

For us, innovation is an ambition shared by all employees. In doing so, we always keep an eye on the concrete application.

Times are changing. New issues require new solutions. To ensure that we can continue to be pioneers and knowledge carriers in our markets in the future, we are constantly expanding our technological leadership and invest around five percent of the sales of our Engineered Joining Technology division in research and development each year. After all, innovations are a decisive success factor.

Due to our close cooperation with OEMs, we always develop and work at the pulse of time. We solve the challenges our customers face, due to the ever-stricter legal requirements, for example. These force automotive manufacturers to adapt their current systems, but also necessitate the development of new technologies and innovative solutions. This is where we come into play. We accompany these developments intensively: Some of our employees work as resident engineers on site on the customer's premises and are therefore very familiar with the problems and challenges facing the industry.

As a partner to our customers, we have been developing sustainable solutions on this basis for several decades.

At NORMA Group, we do not consider innovations to be solely a task for the Research and Development department, however. Rather, a company's success is defined by the totality of its employees' ideas. For this reason, we cultivate an open company culture and stand for a cross-functional and constructive exchange. Each of our employees is thus given the opportunity to submit invention reports to the Research and Development department and to incorporate ideas into our innovation process. Particularly good ideas are recognized every year by the Management Board.

To Our Shareholders

To Our Shareholders

The Management Board

Dr. Friedrich Klein
Chief Operating Officer (COO)

Dr. Michael Schneider
Chief Executive Officer (CEO)

Letter from the Management Board

Dear shareholders, customers and business partners,

"Times are changing" is the title of this year's Annual Report, and this title describes the current situation for NORMA Group quite well in many ways. We live in a constantly changing world and only those who are able to adapt to the changing conditions will be successful in the long run.

Change is currently omnipresent for NORMA Group: Some of the markets we are active in are affected by extensive technological changes. This is particularly evident in the automotive industry, which is currently undergoing enormous technological and structural upheaval against the backdrop of climate change and the ongoing demand for lower-emission drive technologies. For car manufacturers, this means having to rethink everything and prepare for the future. OEMs are therefore increasingly focusing on alternative drive technologies. In some cases, these require a high level of advance development work, however. Combined with the growing pressure on margins and declining production and sales figures, the pressure on the automotive industry is increasing considerably.

We also clearly felt this in fiscal year 2019. Our automotive business was hit hard by the global decline in production figures and the unexpectedly severe slump in the US car and truck business as a result of strikes at key customers. In addition, geopolitical factors such as the ongoing discussion over Brexit as well as the trade disputes between the super powers US and China further exacerbated the situation and created a challenging environment in the past fiscal year. Like many other companies in the industry, we too unfortunately had no choice but to revise our sales and earnings expectations downwards over the course of the year.

Despite this environment, we managed to generate sales of EUR 1,100.1 million in fiscal year 2019. This represents a slight increase of 1.5 percent over the previous year. Positive sales contributions mainly came from our DS business – particularly the water business in the US – and from Kimplas and Statek, the two companies we acquired in fiscal year 2018. This shows, that we have taken the right path in the past years by systematically building up our DS business. Currency effects also provided tailwind. On the other hand, organic sales declined by 2.0 percent, mainly due to the difficult conditions in the automotive sector and the resulting losses in our EJT business.

Our operating result (adjusted EBITA) and the adjusted EBITA margin also declined sharply in fiscal year 2019. Adjusted EBITA fell by 16.4 percent to EUR 144. 8 million and the adjusted EBITA margin was at 13.2 percent and thus significantly below our own target figure. At EUR 87.8 million and EUR 2.76, respectively, adjusted net profit for the period and adjusted earnings per share also declined year-on-year and we thus also failed to meet the expectations we had communicated at the beginning of 2019.

The experience gained over the past year has shown that it is also time for additional changes to be made throughout NORMA Group. We must improve our flexibility in order to be able to react more quickly and more efficiently to changing conditions in the future. This is why we launched the "Get on Track" change program in November 2019, which includes further far-reaching measures aimed at optimizing internal Group processes and structures. The program is aimed at increasing NORMA Group's profitability and earnings, but also our flexibility and agility. The focus of these activities is on optimizing our site capacities in all regions, streamlining the product portfolio and improving our processes. We have already implemented the first measures from the "Get on Track" program, and more will follow this fiscal year. In light of this, we basically consider 2020 an important transition year in which the course for the future will be set, for a sustainable improvement in profitability, in particular.

Despite all the changes that lie ahead of us, we are sticking to our long-term strategy that emphasizes value enhancement, profitable growth and strong cash flow generation. By focusing on future markets such as water management and electromobility and by concentrating on a selective product portfolio and targeted acquisitions, we intend to secure and further increase our market share and grow more profitably in the future. The highest standards of quality, efficiency and sustainability determine our actions, as does our focus on innovations. After all, only those who think and act innovatively will be able to gain long-term competitive advantages. The development of product and system solutions for water management and electromobility is a particular focus of our R&D activities. The area of thermal management plays a particularly important role in the latter. This involves regulating the temperature of batteries in hybrid and electric vehicles so that they can deliver their best possible performance. Here, we are already delivering individual solutions for various OEMs.

This is how we make an important contribution to greater sustainability with our product portfolio, but our sustainability strategy is much more diverse than this. We report on our understanding of doing business sustainably and our Corporate Responsibility and objectives in various areas of the Company in more detail in our CR Report, which was published together with this Annual Report.

Dear shareholders, fiscal year 2019 was a turbulent year indeed and the NORMA Group share price was adversely affected by the developments of the past year. Consequently, the NORMA Group share was quoted at EUR 38.00 at the close of the year, 12 percent lower than at the beginning of the year. Despite the weaker fiscal year 2019, we will propose an unchanged dividend compared to the previous year of EUR 1.10 per share at this year's Annual General Meeting in Frankfurt / Main on May 14, 2020, and will thus pay out around 40% of our adjusted net profit for the period. In doing so, we want to express the continuity of our dividend strategy and, at the same time, strengthen our shareholders' trust in NORMA Group.

We are currently facing difficult times and the implementation of the measures planned from the "Get on Track" program will also have a major impact on developments in the current fiscal year. We will use 2020 to position ourselves more flexibly and to improve our processes and structures even further so that we can shape our growth path from a much stronger position. We are confident that we can achieve this if we all work together. With this in mind, we would like to conclude by thanking our nearly 8,500 employees worldwide for their tireless efforts even in these challenging times. We would also like to thank our long-standing customers and business partners as well as you, our shareholders, for your trust. "Times are changing" – and the year 2020 is presenting us with new challenges. Let's tackle them together!

Sincerely yours,

Dr. Michael Schneider
Chief Executive Officer
(CEO)

Dr. Friedrich Klein
Chief Operating Officer
(COO)

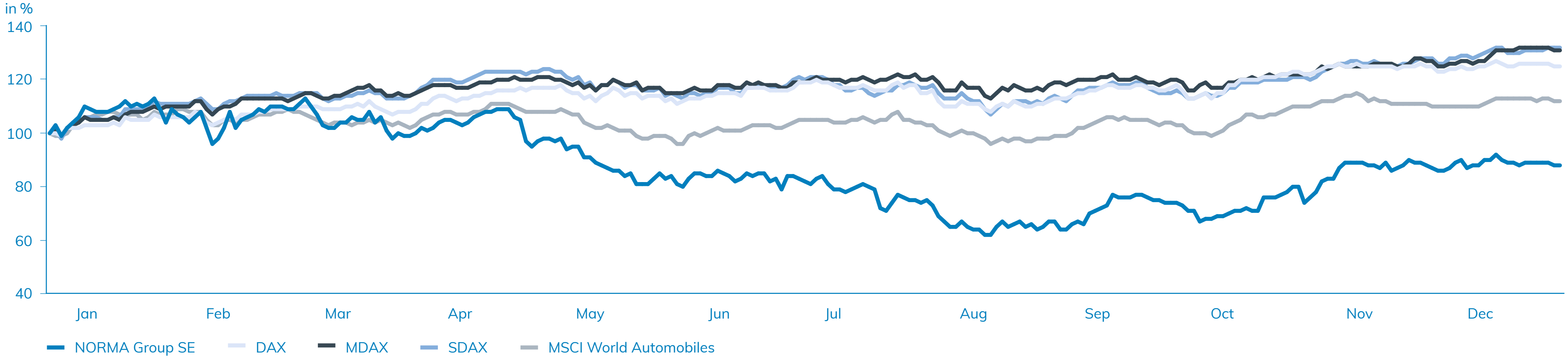
NORMA Group on the capital market

- **Dividend of EUR 1.10 resolved at the Annual General Meeting 2019**
- **2018 Annual Report and Investor Relations work receive awards again**
- **NORMA Group share price falls 12.0% in fiscal year 2019**

Successful stock market year 2019 – indices worldwide reach new historic highs

Following a difficult stock market year in 2018, the global indices were able to gain momentum at the beginning of the year and also ended the year 2019 with a strong rally. Concerns about declining economic indicators, the weakness of the Chinese economy and the global automotive sector had only a short-term impact on share prices. By contrast, the continuing expansive policies of central banks all over the world, the phase-one trade deal between the United States and China and an increasingly unlikely “hard” Brexit had a positive effect on the uncertainty. In this environment, the majority of the international indices reached new multi-year highs and, in some cases, new all-time highs. The leading German index DAX closed the 2019 stock market year at 13,249 points, equaling an increase of 25.5%. The MDAX and SDAX also ended the year with significant gains of 31.2% and 31.6%, respectively. The U.S. indices left a similar positive impression, ‚with the leading U.S. Index Dow Jones ending the 2019 stock market year 22.3% higher to exceed 28,000 points for the first time. The NASDAQ Composite technology index developed even more positively, and exceeding 9,000 points and rising by 35.2% over the year. The MSCI World Index, which is regarded as a trend indicator for the global market, also showed a positive annual performance by posting an increase of 25.2%.

Index-based comparison of NORMA Group’s share price performance in 2019 with DAX, MDAX, SDAX and MSCI World Automobiles G001



Performance of the NORMA Group share

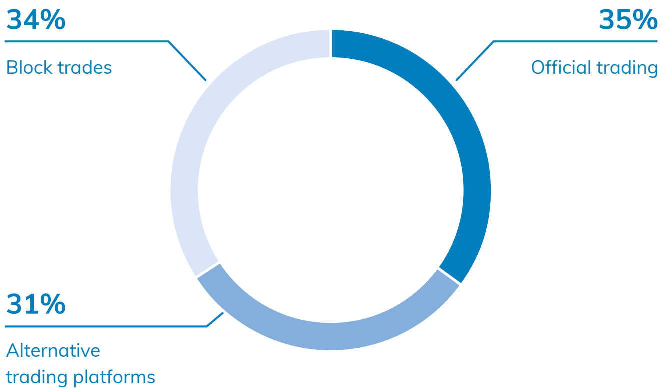
For the NORMA Group share, as for many other companies in the automotive industry, the 2019 stock market year was characterized by price losses and high volatility. The share price ranged between EUR 43 and EUR 49 in the first four months of the year, reaching its all-year high of EUR 49.26 at the beginning of March. Subsequently, the share price fell as a result of the profit warnings in the spring, summer and fall, leading to the all-year low of EUR 26.36 in mid-August. The resulting decline in market capitalization led to the company's move from the MDAX to the SDAX in September 2019. In the further course of the year, the situation for the NORMA Group share eased somewhat, whereupon the price losses of the first eight months of fiscal year 2019 were partially recovered. On December 31, 2019, the share ended the year at a closing price of EUR 38.00, or 12.0% below the closing price at the end of 2018.

Market capitalization amounted to EUR 1.21 billion on December 31, 2019 (2018: EUR 1.38 billion). This is based on an unchanged number of 31,862,400 shares compared to the previous year. Measured by the market capitalization of the free float relevant for determining the index membership, which has been at 100% since 2013, the NORMA Group share ranked 12th out of 70 shares in the SDAX in December 2019 (Dec 2018: 54th out of 60 in the MDAX).

Trading volume increased

The average daily XETRA trading volume of the NORMA Group share rose in 2019 compared to the previous year and amounted to an average of 97,960 shares per day (2018: 95,624 shares). In December 2019, the NORMA Group share thus ranked 25th

Distribution of trading activity in 2019 G002

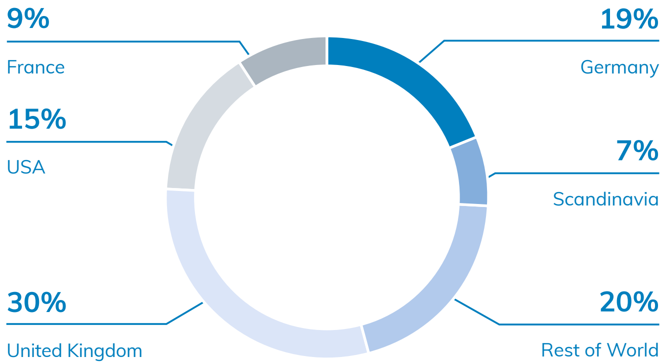


out of 70 in terms of trading volume in the SDAX (2018: 59th out of 60 in the MDAX). The average daily trading volume in contrast decreased to EUR 3.6 million (2018: EUR 5.4 million).

The total average number of shares traded per day was 277,693 (2018: 268,862) in 2019. Trading was distributed among the various trading venues as follows:

Compared to the previous year, the proportion of shares traded on the official market fell slightly from 36% to 35% and the shares traded via block trades also fell to 34% (2018: 38%). By contrast, the share of trading activity on alternative platforms rose significantly from 26% in 2018 to 31%.

Free float by region G003



as of December 31, 2019

Broadly diversified shareholder structure

The NORMA Group share has gained greater international recognition in recent years due to active Investor Relations work. As a result, foreign investors have become increasingly important. Today, NORMA Group has a regionally highly diversified shareholder base with a high share of international investors mainly from the UK, Germany, the US, France and Scandinavia.

At the end of the reporting year, 0.03% of NORMA Group shares were held by the Management Board in its current composition (2018: 0.6%). A further 3.9% (2018: 3.7%) is owned by private investors. The remaining shares were held by institutional investors. The number of private investors increased to 4,553 in the course of fiscal year 2019. At the end of December 2018, the number of private investors was 3,671.

Voting rights notifications in 2019

Based on the voting rights notifications received by the end of 2019, shares of NORMA Group designated as free floating and exceeding 3% are held by the following institutional investors:

Overview of the voting rights notifications T002

in %	
Allianz Global Investors GmbH, Frankfurt / Main, Germany	14.99%
Ameriprise Financial Inc., Wilmington, DE, USA	8.35%
Impax Asset Management Group Plc, London, UK	5.08%
Mondrian Investment Partners Limited, London, UK	3.10%
BNP Paribas Asset Management S.A., Paris, France	4.91%

As of December 31, 2019. Please refer to the → APPENDIX TO THE NOTES ON P. 203 for further information on the voting rights notifications received. All voting rights notifications are published on the Company's website. WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

2019 Annual General Meeting

The Annual General Meeting of NORMA Group SE was held on the premises of the German National Library in Frankfurt / Main on May 21, 2019. 21,788,954 of the 31,862,400 shares with voting rights, i.e. 68.4% of the share capital was represented. The participating shareholders resolved a dividend of EUR 1.10 per share. This equates to a distribution rate of 30.5% based on NORMA Group's adjusted net profit for fiscal year 2018 of EUR 114.8 million and was therefore within the scope of the dividend strategy with an annual distribution rate of approximately 30% to 35% of adjusted net profit. With the exception of the approval of the system for the remuneration of the members of the Management Board, all other items on the agenda were approved by a clear majority. The voting results are available on the website. WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/AGM/

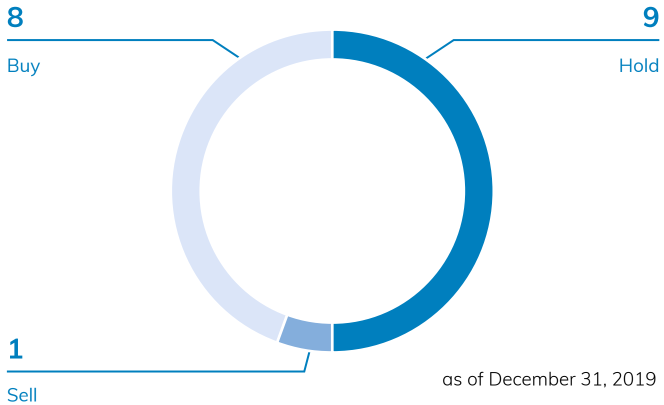
Directors' Dealings

Three transactions were reported as Directors' Dealings in fiscal year 2019. These can be found in the Corporate Governance Report. → CORPORATE GOVERNANCE REPORT, P. 43

Analysts covering NORMA Group

18 analysts from various banks and research firms currently follow NORMA Group. As of December 31, 2019, eight analysts recommended buying the share, nine advised holding the share and one recommended selling the share. The average target price was EUR 37.89 (2018: EUR 54.71)

Analyst recommendations G004



Analysts covering NORMA Group T003

Baader Bank	Peter Rothenaicher
Bankhaus Lampe	Christian Ludwig
Bankhaus Metzler	Jürgen Pieper
Bank of America Merrill Lynch	Kai Müller
Berenberg Bank	Philippe Lorrain
Commerzbank AG	Ingo-Martin Schachel
Deutsche Bank AG	Tim Rokossa
DZ Bank AG	Thorsten Reigber
Pareto Bank ASA	Tim Schuldt
Hauck & Aufhäuser	Christian Glowa
HSBC	Jörg-André Finke
Kepler Cheuvreux	Dr. Hans-Joachim Heimbürger
MainFirst Bank AG	Alexander Wahl
NordLB	Frank Schwope
ODDO BHF	Harald Eggeling
Quirin Privatbank	Daniel Kukalj
Société Générale	Sebastian Ubert
Warburg Research GmbH	Franz Schall

Sustainable Investor Relations activities

NORMA Group's Investor Relations activities seek to further increase awareness of the Company on the capital market, strengthen long-term confidence in its share and achieve a realistic and fair valuation. For this reason, Management and Investor Relations hold many discussions with institutional investors, financial analysts and private shareholders over the course of the year.

The Management Board and Investor Relations team of NORMA Group conducted 27 roadshows in the world's most important financial centers in fiscal year 2019. Furthermore, NORMA Group attended the following conferences:

- BAADER Investment Conference, Munich
- BAADER Bank Tag der Fondmanager, Munich
- BAADER Bank German Corporate Day, Toronto
- Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
- Bankhaus Lampe German Equity Forum, London
- Commerzbank German Investment Seminar, New York
- Commerzbank Sector Conference, Frankfurt / Main
- dbAccess Conference, Berlin
- DZ BANK Equity Conference, Frankfurt / Main
- KeplerCheuvreux German Corporate Conference, Frankfurt / Main
- Mandarine Gestion International Investment Conference, Munich
- Oddo BHF Forum, Lyon
- Oddo BHF German Conference, Frankfurt / Main
- Quirin Bank Conference French Family Offices, Frankfurt / Main
- Quirin Champions Conference, Frankfurt / Main
- Quirin Konferenz, Geneva
- The Société Général Nice Conference, Nizza
- Mizuho Tokyo Conference, Tokyo

NORMA Group receives award for its IR work again

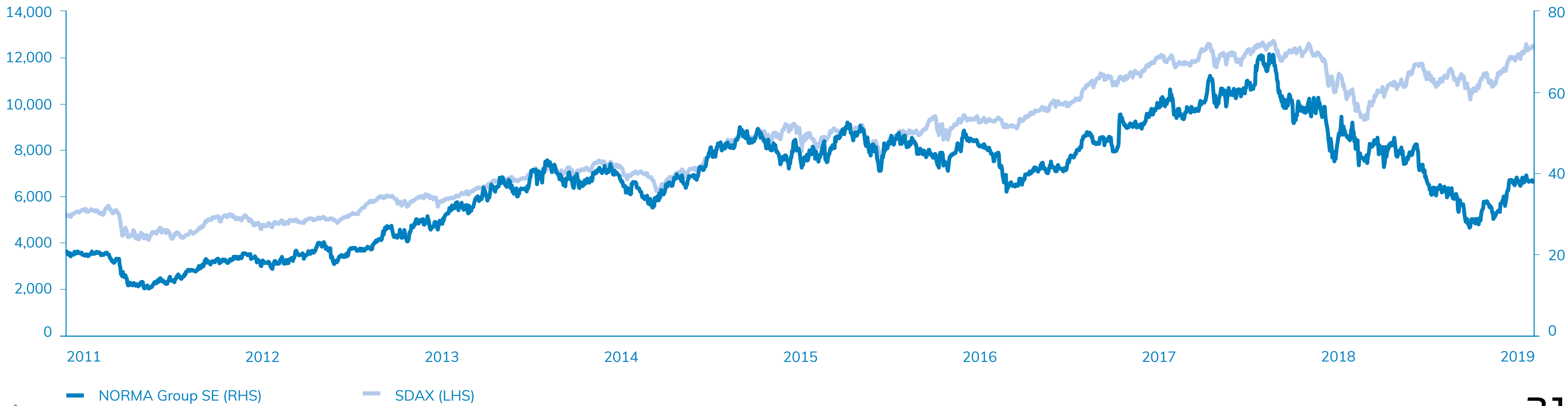
NORMA Group's IR activities and the 2018 Annual Report were once again honored in fiscal year 2019. In the 'Investors' Darling' competition, NORMA Group came in third place in the MDAX segment. In the overall ranking of all 160 companies assessed, NORMA Group ranked 5th. In addition, the annual report was recognitioned with the "Silver" award at the FOX Finance Awards.

Service for shareholders

The Investor Relations website contains extensive information about NORMA Group and the NORMA Group share. In addition to financial reports and presentations, which are available for download, all important financial market dates can be found there. The telephone conferences on the Quarterly and Annual Reports are recorded and offered in audio format. Shareholders and interested parties can register for the distribution list by e-mail. The contact details of the IR team are also available on the website.

WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

Share price development of the NORMA Group share since the IPO compared to the SDAX G005



Key figures for the NORMA Group share since the IPO in 2011

T004

	2019	2018	2017	2016	2015	2014	2013	2012	2011	Apr. 8, 2011 [1]
Closing price on Dec 31 (in EUR)	38.00	43.18	55.97	40.55	51.15	39.64	36.09	21.00	16.00	21.00 [2]
Highest price (in EUR)	49.26	70.15	63.79	51.54	53.30	43.59	39.95	23.10	21.58	n/a
Lowest price (in EUR)	26.36	40.44	39.95	35.20	38.82	30.76	21.00	15.85	11.41	n/a
Score of the comparison index [3] as of Dec 31	12,511.89	21,588.09	26,200.77	22,188.94	20,774.62	16,934.85	16,574.45	11,914.37	8,897.81	10,539.60
Number of unweighted shares as of Dec 31	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400
Market capitalization (in EUR million)	1,211	1,376	1,783	1,292	1,630	1,263	1,150	669	510	669
Average daily Xetra volume										
Shares	97,960	95,624	96,906	73,571	88,888	73,932	86,570	54,432	46,393	n/a
EUR million	3.64	5.38	4.74	3.20	4.10	2.80	2.53	1.04	1.45	n/a
Earnings per share (in EUR)	1.83	2.88	3.76	2.38	2.31	1.72	1.74	1.78	1.19	n/a
Adjusted earnings per share (in EUR)	2.76	3.61	3.29	2.96	2.78	2.24	1.95	1.94	1.92	n/a
Dividend per share (in EUR)	0 [4]	1.10	1.05	0.95	0.90	0.75	0.70	0.65	0.60	n/a
Dividend yield (in %)	0	2.5	1.9	2.3	1.8	1.9	1.9	3.1	3.8	n/a
Distribution rate (in %)	0 [4]	30.5	31.9	32.0	32.3	33.4	35.9	33.5	33.2	n/a
Price-earnings ratio	20.8 [5]	15.0	14.9	17.0	22.1	23.0	20.7	11.8	13.4	n/a
Selected indices	SDAX, CDAX, Classic All Share, Prime All Share, DAX International 100, DAXsector Industrial, DAXsubsector Products & Services, MIDCAP MKT PR, STXE TM Automobiles & Parts Index, STXE TM Small Index, STXE Total Market Index									

1_IPO and first trading day of the NORMA Group share.
2_Issuing price.
3_Until 2018 MDAX score, since 2019 SDAX score, as the move to the SDAX took place in September 2019.
4_In accordance with the Management Board's proposal for the appropriation of adjusted net profit, subject to approval by the Annual General Meeting on June 30, 2020.
5_Related to the unadjusted earnings per share. The price-earnings ratio related to the adjusted earnings per share is 13.8.

Supervisory Board Report

Collaboration between the Supervisory Board and the Management Board

The Supervisory Board of NORMA Group SE monitored and advised on the activities of the Management Board in fiscal year 2019 in accordance with the legal regulations, the German Corporate Governance Code and NORMA Group SE's Articles of Association.

The Management Board reports on a regular monthly basis to the Supervisory Board on how business is developing at NORMA Group SE and the Group and issues a forecast for the current fiscal year. The development of sales and earnings, incoming orders and the order backlog are described in detail compared to the previous year and as compared to planning. Besides monthly reporting and Supervisory Board meetings, the Chairman of the Management Board and the Chairman of the Supervisory Board engaged in regular exchanges on matters of importance in fiscal year 2019.

The Management Board begins each Supervisory Board meeting by reporting on the overall economic situation and sector-specific economic expectations. It reports on business performance of NORMA Group and explains the earnings situation based on key indicators and their development compared to the previous year, the budget and guidance. The Management Board presents sales and orders by region and by the two distribution channels EJT and DS. Accidents at work and countermeasures that have been introduced to improve work safety as well as quality and delivery reliability and the status of the introduction of the Microsoft AX software are also discussed regularly. The Supervisory Board and Management Board also discussed NORMA Group's long-term strategy.

At each regular meeting of the Supervisory Board and the Audit Committee, the Management Board presents a detailed risk report in which the probability of occurrence and potential effects of all relevant risks, including any countermeasures, are assessed. This regular risk reporting provides the Supervisory Board and the Audit Committee with a clear picture of which possible risks could have a negative impact on the Company's asset, financial and earnings positions. Moreover, compliance topics are also discussed regularly. The respective Chairmen report to the Supervisory Board at the committee meetings.

In fiscal year 2019, the Supervisory Board dealt in detail with the personnel changes in the Management Board and the remuneration of the Management Board. Other key topics included the weakening economy and the decline in NORMA Group's sales and profit margins that this has caused, as well as the measures introduced to counteract this as part of the "Rightsizing" and "Get on Track" programs.

In addition, the Supervisory Board dealt with the following issues in particular at its four regular meetings in fiscal year 2019:

Supervisory Board meeting held in Maintal on March 18, 2019

The main topics at this meeting were the 2018 Annual Financial Statements and the 2018 Group Non-financial Report, the guidance for 2019, the invitation to the 2019 Annual General Meeting and the proposal for the appropriation of profits. Furthermore, the Management Board presented its plans on an organizational adjustment, which is intended to improve collaboration at the functional level and across regions, as well as the R&D organization and foresight management.

Lars Magnus Berg
Chairman of the Supervisory Board

Supervisory Board meeting held in Frankfurt /Main on May 21, 2019

At the meeting that took place after the 2019 Annual General Meeting, the Supervisory Board resolved to establish a Strategy Committee and to restructure the memberships in the committees.

At the meeting with the Management Board, the participants discussed the course of the Annual General Meeting and criticism of the remuneration system, which had been rejected by the Annual General Meeting. The Management Board also informed the Supervisory Board about the negative development of a pension fund in the US. Furthermore, the President of the EMEA region introduced himself to the Supervisory Board and talked about how the region is developing. In addition, the Management Board and Supervisory Board discussed personnel issues at the level below the Management Board.

Supervisory Board meeting held in Maintal on September 13, 2019

In addition to the usual agenda items and detailed information on the status of the “Rightsizing” program and the introduction of a new ERP system at another plant, the Management Board explained to the Supervisory Board how inventories were developing and presented the new financing concept, among other topics.

Supervisory Board meeting held in Maintal on November 29, 2019

The Supervisory Board and Management Board discussed the budget for fiscal year 2020 and the medium-term planning. Among other matters, the Management Board explained how inventories were developing. The Executive Vice President of Human Resources also presented her area of responsibility, with the Supervisory Board showing interest in the status of organizational and executive development as well as diversity topics in particular. Afterwards, the Supervisory Board and Management Board discussed the new Declaration of Compliance with the German Corporate Governance Code.

Besides the four meetings, six conference calls and one closed meeting of the Supervisory Board took place in 2019. The changes in the Management Board and the “Get on Track” change program, which, in addition to the aforementioned “Rightsizing” program, are intended to improve the future viability of NORMA Group, were discussed mainly during the conference calls, while fundamental strategic issues were addressed during the closed meeting. Furthermore, the Chairman of the Supervisory Board spoke with investors and, together with Dr. Knut Michelberger and CFO Dr. Michael Schneider, with a voting rights advisor.

Change on the Management Board

Bernd Kleinhens stepped down from the Management Board by mutual agreement with the Supervisory Board with effect from the end of July 31, 2019, and resigned from his offices at NORMA Group. Dr. Michael Schneider initially assumed the rights and responsibilities of the CEO on an interim basis. In order to ensure an objective selection procedure for deciding on the permanent chairmanship of the Management Board, the Supervisory Board commissioned an external personnel consulting firm to search for other qualified candidates for the chairmanship of the Management Board and spoke with several individuals who were subsequently introduced. The Supervisory Board then decided to appoint Dr. Michael Schneider the permanent Chairman of the Management Board. The Supervisory Board is currently looking for a qualified candidate to serve as CFO, again with the help of external personnel consultants. In doing so, the Board is placing particular importance on presenting just as many qualified female as male candidates.

Changes in the Supervisory Board, establishment of the Strategy Committee and realignment of committee memberships

At its meeting on May 21, 2019, the Supervisory Board resolved to establish a Strategy Committee and change the membership of the Audit Committee. The Strategy Committee advises the Management Board on NORMA Group’s strategy, restructuring, organic growth, mergers and divestitures, and new technologies. The focus is on the water segment, on which NORMA Group is particularly focused, NORMA Group’s applications in alternative drives in the context of the transformation of the automotive industry, and the sustainability of its products. The members of this committee are Günter Hauptmann (Chairman), Rita Forst and Erika Schulte. At the same time, Rita Forst resigned from the Audit Committee; while Mark Wilhelms was named a new member of this committee, so that the members of the Audit Committee since then have been Dr. Knut Michelberger (still the Chairman), Erika Schulte (still a member) and Mark Wilhelms (a new member). The changes took effect on May 22, 2019.

There were no other changes in memberships and offices. Lars Berg continues to serve as Chairman of the Supervisory Board, while Erika Schulte remains Deputy Chairwoman of the Supervisory Board. Memberships of the General and Nomination Committee also remained unchanged. Therefore, Lars Berg (Chairman), Günter Hauptmann and Dr. Knut Michelberger continue to be its members.

Mark Wilhelms, who was appointed a member of the Supervisory Board by court order on August 29, 2018, was elected to serve a five-year term by the 2019 Annual General Meeting.

Main topics of the Audit Committee in 2019

The Audit Committee of NORMA Group convened three times in 2019. It also held four additional telephone conferences. Dr. Michael Schneider took part in every meeting and telephone conference. Other participants included departmental managers of the second management level to advise on technical issues in their respective areas of responsibility, particularly Accounting & Reporting, Treasury, Compliance and Internal Auditing. The Audit Committee also discussed the quarterly reporting with the CFO.

The Audit Committee discussed the main topics, procedure and results of the audit of the individual and Consolidated Financial Statements of NORMA Group SE with the auditors and prepared recommendations for the Supervisory Board's resolutions.

At the beginning of each meeting, the Audit Committee was informed in detail about the current business situation and financial position of NORMA Group. The Audit Committee monitored the effectiveness of the internal control system, the risk management system, the internal auditing system and the compliance management system. The Audit Committee approved the audit plan for internal auditing in 2019. Other topics discussed by the Audit Committee included budget planning for 2020 and medium-term planning. Furthermore, in 2019, the Audit Committee dealt with the first-time adoption of the IFRS 16 standard, the development and assessment of inventories, personnel costs and the profit margin, prevention of money laundering and the status and implications of introducing the new ERP system Microsoft AX 2012, among other matters. The adjustment of the financing agreements was another important topic. The Audit Committee also prepared the invitation to tender for the audit of the financial statements.

Furthermore, the Audit Committee approved certain individual allowable non-audit services that may be provided by the statutory auditors (at PwC).

in addition to of the Audit Committee meetings, the Chairman of the Audit Committee was in regular personal and telephone contact with the CFO and the auditors to discuss possible areas of emphasis for the audit of the 2019 Annual Financial Statements as well as the focus of the work of the Audit Committee in fiscal year 2020.

Activities of the General and Nomination Committee

The General and Nomination Committee held four meetings and seven telephone conferences in 2019. It initially focused on the remuneration system for the Management Board, which had been criticized by voting rights advisors and was rejected by the 2019 Annual General Meeting, and the Remuneration Report. The General and Nomination Committee developed a new remuneration system together with external consultants. The General and Nomination Committee prepared the Supervisory Board's resolution on Bernd Kleinhens' departure and its terms as well as the interim assumption of the rights and responsibilities of the Chairman of the Management Board by Dr. Michael Schneider, and subsequently led the search for an alternative candidate for the position of Chairman of the Management Board and the preparations for the search for a new CFO.

Activities of the Strategy Committee

The newly established Strategy Committee met twice in 2019. At its first meeting, it initially defined the topics and structures of the committee. In terms of its content, the committee dealt, among other matters, with the structure of the industry segments, the markets of relevance to NORMA Group and the long-term strategic planning based on an analysis of changing environmental conditions, NORMA Group's foresight management and the effects of climate change on NORMA Group's business

Attendance of meetings, no conflicts of interest

All members of the Supervisory Board attended the four Supervisory Board meetings and one closed meeting in 2019. Due to the urgency of decisions, many conference calls had to be arranged at very short notice, so that not all members of the Supervisory Board were able to participate. Of the six conference calls, Dr. Knut Michelberger and Mark Wilhelms were both excused from two calls each and Lars Berg, Rita Forst and Erika Schulte from one call each. Günter Hauptmann participated in all six conference calls. Members of the Supervisory Board who were unable to participate directly in a telephone conference subsequently approved the resolutions adopted or were represented in the resolution. All members of the Audit Committee, Dr. Knut Michelberger (Chairman) and Erika Schulte as well as Rita Forst (until May 21, 2019) and Mark Wilhelms (since May 22, 2019) participated in the three meetings and four conference calls held by the Audit Committee in 2019.

The four meetings and seven telephone conferences of the General and Nomination Committee in 2019 were each attended by all members, Lars Berg (Chairman), Günter Hauptmann and Dr. Knut Michelberger.

All members of the Strategy Committee, Günter Hauptmann (Chairman), Rita Forst and Erika Schulte, also attended the two meetings of the Strategy Committee in 2019.

There were no conflicts of interest between members of the Supervisory Board and the Company in fiscal year 2019. Dr. Knut Michelberger and Günter Hauptmann are members of an advisory board of a company that competed insignificantly with NORMA Group. The Chairman of the Supervisory Board, the two members of the Supervisory Board and the Management Board had already discussed whether conflicts of interest could arise from this activity and how they should be dealt with in such a case. No conflicts of interest arose from these positions; from today's perspective, no competitive situation currently exists.

Information on the auditor

The 2019 Annual Financial Statements for NORMA Group SE presented by the Management Board along with the Management Report and the corresponding Consolidated Financial Statements and Consolidated Management Report were audited by the auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate for the 2019 financial statements was issued on November 29, 2019.

The auditors Thomas Tilgner and Benjamin Hessel attended the Supervisory Board meeting on the approval of the 2019 Financial Statements on March 19, 2019, and the preparatory meeting of the Audit Committee. They were succeeded by Stefan Hartwig and Richard Gudd (from March 2019), who attended two Audit Committee meetings on the respective agenda items relating to the audit.

Approval of the 2019 Annual Financial Statements and the Separate Non-Financial Statement for the Group

The Consolidated Financial Statements of NORMA Group SE were prepared in accordance with Section 315e of the German Commercial Code (Handelsgesetzbuch, HGB) on the basis of International Financial Reporting Standards (IFRS) as adopted in the EU. The auditor issued an unqualified opinion for the 2019 Annual Financial Statements and Management Report of NORMA Group SE as well as for the Consolidated Financial Statements and Consolidated Management Report. The documents pertaining to the financial statements, the Management Board's proposal for the appropriation of net profit and both auditors' reports were submitted to the Supervisory Board. The Audit Committee and the Supervisory Board in its entirety thoroughly examined the reports and discussed and scrutinized them in detail together with the auditor. The Supervisory Board accepted the auditor's findings and had no objections.

The Supervisory Board then approved the 2019 Annual Financial Statements of NORMA Group SE and the 2019 Consolidated Financial Statements together with their respective Management Reports at its meeting on March 24, 2020. The Supervisory Board approved the proposal on the appropriation of profits by the Management Board. NORMA Group SE's Annual Financial Statements are thereby adopted in accordance with Section 172 of the German Law on Stock Corporations (Aktiengesetz, AktG).

The Audit Committee and Supervisory Board also dealt with the separate Group Non-Financial Report for NORMA Group prepared by the Management Board as of December 31, 2019. The auditing firm PricewaterhouseCoopers GmbH has conducted a limited assurance test and issued an unqualified audit opinion. The Management Board explained the documents in detail during the meetings, while the representatives of the auditor reported on the main findings of their audit and answered further questions from the members of the Supervisory Board. The Supervisory Board had no objections after reviewing these results.

Declaration of Conformity with the German Corporate Governance Code

The Supervisory Board and Management Board dealt with the requirements of the German Corporate Governance Code and ratified the following Declaration on December 20, 2019: "NORMA Group SE has complied with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (published on April 24, 2017), by the German Federal Ministry of Justice in the official section of the German Federal Gazette ('Bundesanzeiger') since its last Declaration was submitted and will continue to comply with the recommendations." The Corporate Governance Declarations made by NORMA Group SE are available on the Company's website at WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/.

The Supervisory Board would like to thank all employees of NORMA Group all over the world along with the Management Board for their personal efforts and successful work once again in fiscal year 2019. The Supervisory Board is confident that NORMA Group will continue to develop positively in fiscal year 2020 and wishes the Management Board and its employees all the best.

Maintal, March 24, 2020

Lars Magnus Berg

Chairman of the Supervisory Board

Corporate Governance Report

The following is the Management Board's and Supervisory Board's Declaration of Conformity in accordance with Section 289f of the German Commercial Code (Handelsgesetzbuch, HGB) and the rules of the German Corporate Governance Code. The management of NORMA Group is dedicated to achieving sustained economic success while complying with the Company's social responsibility. Transparency, responsibility and sustainability are the principles that determine its actions.

Declaration of Conformity with the German Corporate Governance Code (GCGC)

The Supervisory Board and Management Board of NORMA Group SE have thoroughly examined which of the German Corporate Governance Code's recommendations and suggestions NORMA Group SE should follow and explains deviations from the recommendations and the reasons for deviating from the Code. The current Declaration dated December 20, 2019, as well as all the other Declarations are published on NORMA Group's website.
WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

The Declaration dated December 20, 2019, is presented below:

With the following exceptions, NORMA Group SE has complied since its last declaration was submitted, and will continue to comply, with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (published on April 24, 2017, by the German Federal Ministry of Justice in the official section of the German Federal Gazette) ('Bundesanzeiger'):

1. **With respect to the compensation of the members of the Management Board, the Supervisory Board does not take into account the compensation of the upper management or the workforce as a whole (Section 4.2.2 para. 2 GCGC).**
   When determining the compensation of the Management Board, the Supervisory Board, advised by an external remuneration expert, also took into account the compensation structure of the Company as well as the entire NORMA Group. Due to NORMA Group's dynamic development, the Supervisory Board has so far not explicitly defined the upper management or the workforce as a whole and, therefore, does not take these groups or their development over time into account.

2. **Under service agreements with members of the Management Board, the remuneration of the Management Board is not capped, either in total or in terms of its variable compensation elements (Section 4.2.3 para. 2 sentence 7 GCGC).**
   The Supervisory Board may grant in its sole discretion a special bonus for extraordinary achievements that is not limited by a maximum amount. The Supervisory Board does not believe such a maximum amount to be required because the Supervisory Board can ensure by specifically exercising its discretion that the requirement of adequacy under Section 87 para. 1 of the German law on stock corporations is complied with. To this day, the Supervisory Board has never granted such a special bonus before.

   Apart from that, the agreements with all current members of the Management Board that were entered into since 2015 comply with the recommendations pursuant to Section 4.2.3 para. 2 sentence 7 of the GCGC.

   In addition, the management service agreements that were entered into prior to 2015 depart from the recommendations pursuant to Section 4.2.3 para. 2 GCGC as follows:

   The maximum gross option profit from the Matching Stock Program (MSP) for the Management Board is limited in total to a percentage of the average annual (adjusted) EBITA during the vesting period; so, a relative maximum limit that is dependent on the Company's success is applied rather than a maximum monetary amount.

   The maximum amount of the long-term variable remuneration under the Long-Term Incentive Program is limited to 250% of the amount that results based on the three-year average value of the (adjusted) annual EBITA or the free cash flow that the Company has budgeted multiplied by the respective bonus percentages set in the employment contract.

   Under these programs, payments are still made to former members of the Management Board.

3. **Two members of the Supervisory Board have already reached the regular age limit (Section 5.4.1 para. 2 sentence 2 half sentence 4 GCGC).**
   The tenure of a Supervisory Board member shall not be extended beyond his or her 70th birthday. Mr. Berg and Dr. Michelberger are already older than 70. The Supervisory Board is of the opinion that there is currently no reason to prematurely end these mandates prior to the end of the tenure. Membership in the Supervisory Board should mainly depend on abilities and actual capacities.

Publication of information in accordance with the Section 289f of the German Commercial Code

The Remuneration Report for the last fiscal year, the auditor's report, the applicable remuneration system and the last remuneration resolution are publicly available on the website WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/ONLINE-ANNUAL-REPORT/

In addition, the rules of procedure of the Management Board and Supervisory Board are available on the website WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

Allocation of competences between the Management and the Supervisory Board

NORMA Group SE uses a similar type of dual management system that German stock corporations use. Here, the Supervisory and Management Boards are separate bodies that have different functions and powers. The Management Board manages the Company under its own responsibility. The Supervisory Board appoints, advises, monitors and dismisses members of the Management Board.

The Management Board provides the Supervisory Board with regular updates about its business policies, how the business is developing, the position of the Company and any transactions that could have a significant impact on profitability or liquidity. The Management Board reports the key figures of the Group and the current course of business to the Supervisory Board on a monthly basis, in particular with regard to the published guidance on the expected development of the Company. Based on the written documents that were submitted to the Supervisory Board in advance, the members of the Management Board report in great detail on business developments and provide an outlook on the expected future development of NORMA Group at the Supervisory Board meetings. Other recurring topics at all meetings include the monthly and quarterly figures, risk analysis and measures aimed at minimizing any risks that had been detected, reports by the respective Committee Chairmen on the previous meetings held and strategic projects. All Management Board members participate in the Supervisory Board meetings. The Supervisory Board convenes separately before or after meeting with the Management Board.

The Chairman of the Supervisory Board and the Chairman of the Management Board coordinate the collaboration of the two Boards. They also remain in regular contact between Supervisory Board meetings and discuss current corporate governance issues. The Chairman of the Audit Committee and the CFO also confer on these matters.

In accordance with the legal requirements, the bylaws of the Management Board and NORMA Group's Articles of Association, the Supervisory Board must approve certain important transactions before they can be executed by the Management Board and the Company's employees. This applies not only to measures at NORMA Group SE, but also to measures at its subsidiaries. In order to ensure that the Management Board is promptly informed of corresponding matters involving subsidiaries so that it can request the approval of the Supervisory Board, a hierarchical system of approval requirements organized by functional areas, levels of responsibility and countries applies worldwide at NORMA Group.

Management Board and regional management

The Management Board of NORMA Group SE is comprised of two members: Dr. Michael Schneider (Chairman of the Management Board and until further notice Chief Financial Officer) and Dr. Friedrich Klein (Chief Operating Officer).

Responsibilities of the Management Board T005

Dr. Michael Schneider, Chairman (CEO, until further notice also CFO)	Legal and M&A Risk Management Compliance & Internal Auditing Corporate Responsibility Personnel Group Development Group Communications Sales Price Development Product Management Marketing Regional Organization Finance & Reporting Controlling Insurances Treasury Investor Relations
Dr. Friedrich Klein, Member of the Management Board (COO)	Production Purchasing Supply Chain Management Global Excellence Information & Communication Technology (ICT) Quality Assurance ESG (Environment, Social, Governance) EHS (Environment, Health and Safety) Research and Development Product Development Product Management Product Design Technology Development Project Management

Bernd Kleinhens was responsible for Human Resources, Group Development, Group Communications, Business Development, including Sales, Marketing, Research and Development, Product Development, Price Development and Product Management before he left the Company on July 31, 2019.

In general, Management Board resolutions are passed by simple majority. The Chairman has the deciding vote if the vote is tied. However, the members of the Management Board are obliged to make an effort to reach unanimous decisions. If a member of the Management Board cannot participate in a vote, his vote will be obtained at a later date. The entire Management Board is responsible for matters of particular importance. In accordance with the Management Board bylaws, these include the following matters: producing the Management Board reports for the purpose of informing the Supervisory Board and the quarterly and half-yearly reports, fundamental organizational measures, including the acquisition or disposal of significant parts of companies and strategic and business planning issues, measures related to the implementation and supervision of a monitoring system pursuant to Section 91 (2) of the German law on stock corporations, issuing the Declaration of Conformity pursuant to Section 161 (1) of the German law on stock corporations, preparing the Consolidated and Annual Financial Statements and similar reports, convening the Annual General Meeting and inquiries and recommendations by the Management Board that will be handled and resolved by the Annual General Meeting. In addition, every Management Board member may request that a specific issue be dealt with by the entire Management Board. The Management Board did not form any committees. Board meetings are usually held at least once a month.

Every Board member is obliged to inform the Supervisory Board immediately, but also the other members of the Management Board, of any conflicts of interest. No such conflicts of interest arose for a Board member in 2019.

The Supervisory Board must approve any transactions between NORMA Group companies on the one hand and a member of the Management Board, related parties or businesses on the other hand. No such transactions took place in 2019.

The Supervisory Board must also approve any secondary activities by a member of the Management Board. It had already agreed that CEO Dr. Schneider may continue to be a member of the Supervisory Boards of two German companies. Dr. Klein does not perform any secondary activities that are subject to approval.

The rules of procedure of the Supervisory Board provide that the term of office of a member of the Management Board should not be extended beyond his or her 65th birthday. Both members of the Management Board are under 65 years of age and will not reach 65 years of age during the term of their contracts.

The Supervisory Board has not yet decided on any long-term succession planning for the Management Board.

Local Presidents in the three regions EMEA, Americas and APAC are responsible for carrying out business on a daily basis. These three Presidents report directly to the Chairman of the Management Board. The entire Management Board of NORMA Group SE meets at least once a year with the Presidents and their managers at the local headquarters – Singapore for the Asia-Pacific region, Auburn Hills, Michigan, for the Americas, and Maintal for the EMEA region. In addition, individual members of the Management Board meet regularly with the local teams. The managers at NORMA Group work in a matrix structure in which they have both a disciplinary as well as a technical supervisor.

In order to improve cross-regional cooperation, Product Management, Product Design, Technology Development and Project Management were created as new global functions in 2019. In this complementary structure, employees from engineering teams and project management primarily work together on a cross-regional basis.

Supervisory Board: members, election and independence

The Supervisory Board of NORMA Group SE is comprised of the following six members:

- Lars M. Berg (Chairman of the Supervisory Board)
- Erika Schulte (Vice Chairwoman of the Supervisory Board)
- Günter Hauptmann
- Rita Forst
- Dr. Knut J. Michelberger
- Mark Wilhelms

They are all representatives of the shareholders. NORMA Group SE is not a codetermined Company; therefore, employee representatives are not represented on its Supervisory Board.

The members of the Supervisory Board are elected by the Annual General Meeting. As the Supervisory Board had only five members after the 2018 Annual General Meeting, Mark Wilhelms was appointed by the court to serve as the sixth member in August 2018. Mark Wilhelms was then elected to the Supervisory Board at the 2019 Annual General Meeting. His term of office ends at the Annual General Meeting that resolves on the discharge of the Supervisory Board for fiscal year 2023, but for no longer than six years. The appointment of the other current Supervisory Board members took place upon their election at the Annual General Meeting on May 17, 2018, and ends with the conclusion of the Annual General Meeting that resolves on the discharge of the Supervisory Board for fiscal year 2022, but for no longer than six years.

All members of the Supervisory Board are independent as defined in Section C7/No. 5.4.2 of the GCGC. No member of the Supervisory Board or close family member was previously a member of the Management Board of NORMA Group SE or a member of the management of one of its predecessor companies, or had a material business relationship with NORMA Group SE or any of its dependent companies, either directly or indirectly as a shareholder or in a responsible capacity of a company outside the Group, or is a close family member of a member of the Management Board in the year preceding his or her appointment. Three of the six members, Lars Berg, Günter Hauptmann and Dr. Knut Michelberger, have been members of the Supervisory Board of NORMA Group SE (or, prior to the conversion of NORMA Group AG into NORMA Group SE in 2013, the Supervisory Board of NORMA Group AG) since 2011, Erika Schulte has been a member of the Supervisory Board since 2012, while Rita Forst and Mark Wilhelms have been members of the Supervisory Board since 2018, so that all members have been on the Supervisory Board for less than twelve years.

There are no contracts for consulting or other services or work between NORMA Group companies and a member of the Supervisory Board.

The rules of procedure of the Supervisory Board stipulate that the term of office of a Supervisory Board member should not extend beyond his or her 70th birthday. Lars Berg and Dr. Knut Michelberger have already exceeded this age limit.

All members of the Supervisory Board are obligated to report any conflicts of interest. Significant and not merely temporary conflicts of interest for members of the Supervisory Board should lead to the termination of the mandate. No such conflicts of interest arose in 2019.

The Chairman of the Supervisory Board represents the Supervisory Board externally. He organizes the work of the Supervisory Board and chairs its meetings. The Supervisory Board can pass resolutions by simple majority, whereby the Chairman has the deciding vote if a vote is tied.

The Supervisory Board evaluates its work annually as part of an efficiency review, most recently in the spring of 2019. This was carried out on the basis of a questionnaire and without the involvement of other external consultants.

In fiscal year 2019, four ordinary meetings were held with the Management Board and there was one closed meeting of the Supervisory Board. All members of the Supervisory Board attended these meetings. In addition, six telephone conferences were held. Many of these conference calls had to be arranged at very short notice due to the urgency of the decisions, so that not all members of the Supervisory Board were able to participate. Dr. Knut Michelberger and Mark Wilhelms were therefore excused on two calls each, Lars Berg, Rita Forst and Erika Schulte on one conference call each. Where they were unable to participate directly in telephone conferences, they subsequently approved the resolutions adopted or were represented in the resolution. Günter Hauptmann participated in all six conference calls.

The Supervisory Board has three committees: the Audit Committee, the General and Nomination Committee and the Strategy Committee, which was newly established in May 2019.

The Audit Committee deals in particular with monitoring the accounting process and the effectiveness of the internal control and risk management systems as well as the audit of the Annual Financial Statements, in particular through the independence of the auditor, the additional services rendered by the auditor, engaging the auditor, determining areas of audit emphasis and agreeing to the auditor's fees. The Audit Committee accompanies the collaboration between NORMA Group SE and the auditors and ensures that opportunities for improvement identified during the audit are promptly implemented. It is responsible for preparing the accounting documents and adopting the Supervisory Board's resolution on the consolidated and separate financial statements. Moreover, it is responsible for compliance and reviews the compliance with statutory provisions and the internal guidelines.

Dr. Knut Michelberger is the Chairman of the Audit Committee. Its other members are Erika Schulte and, up until the 2019 Annual General Meeting, Rita Forst, and Mark Wilhelms since May 22, 2019. Mark Wilhelms and Dr. Knut Michelberger are independent financial experts within the meaning of Section 100 para. 5 of the German Stock Corporation Act (AktG). Due in particular to their many years of experience as a Chief Financial Officer and Managing Director, they have special knowledge and experience in the application of accounting principles and internal control procedures.

Three meetings of the Audit Committee and four telephone conferences were held in fiscal year 2019. All Audit Committee members took part in the meetings and telephone conferences.

The General and Nomination Committee prepares personnel-related decisions for the Supervisory Board with regard to the composition of the Management Board and the Supervisory Board. This committee has the following specific responsibilities: preparing Supervisory Board resolutions regarding the formation, amendment and termination of employment contracts with members of the Management Board in accordance with the remuneration system approved by the Supervisory Board, preparing Supervisory Board resolutions regarding legal applications to reduce the remuneration of a Management Board member pursuant to Section 87 (2) AktG, preparing Supervisory Board resolutions regarding the structure of the remuneration system for the Management Board, acting as representatives of the Company to Management Board members who have left the Company pursuant to Section 112 AktG, approving secondary employment and external activities for Management Board members pursuant to Section 88 AktG, granting loans to the persons specified in Section 89 AktG (loans to members of the Management Board) and Section 115 AktG (loans to members of the Supervisory Board), approving contracts with members of the Supervisory Board pursuant to Section 114 AktG and proposing suitable candidates to the Annual General Meeting when there is a vote on Supervisory Board members.

The General and Nomination Committee is comprised of the Chairman of the Supervisory Board, Lars Berg (Chairman of the General and Nomination Committee), Günter Hauptmann and Dr. Knut Michelberger. The committee held four meetings and seven telephone conferences in 2019 that all members participated in.

The Supervisory Board established a Strategy Committee with effect from May 22, 2019. The Strategy Committee advises the Management Board on NORMA Group SE's strategy, restructuring, organic growth, mergers and divestitures and new technologies.

Günter Hauptmann (Chairman), Rita Forst and Erika Schulte are the members of the Strategy Committee. This committee held two meetings in 2019, both of which were attended by all members.

D&O insurance

The company has also taken out D&O insurance for the members of the Supervisory Board and the Management Board. The deductible amounts to 10% of the loss up to an amount of 150% of the fixed annual remuneration of the member of the Management Board or Supervisory Board.

Other mandates of the Supervisory Board members

Exercised professions and other mandates on Supervisory Boards or comparable Supervisory Bodies of the members of NORMA Group's Supervisory Board in fiscal year 2019 are shown in → TABLE 006.

Other mandates of the Supervisory Board members T006

Supervisory Board member, exercised office	Other mandates on Supervisory Boards and comparable committees
Lars M. Berg (Chairman), Consultant	Chairman of the Supervisory Board of Greater Than AB, Stockholm, Sweden (listed on the stock exchange)
Erika Schulte, (Vice-Chairwoman), Managing Director of Hanau Wirtschaftsförderung GmbH	No seats on other boards or comparable committees
Rita Forst, Consultant	Member of the Supervisory Board (Non-Executive Director) of AerCap Holdings N.V., Dublin, Ireland (listed on the stock exchange) – since April 2019
	Member of the Advisory Board of Joh. Winklhofer Beteiligungs GmbH & Co. KG, Munich, Germany (not listed on the stock exchange)
	Member of the Supervisory Board of ElringKlinger AG, Dettingen an der Erms, Germany (listed on the stock exchange)
	Member of the Advisory Board of Westport Fuel Systems Inc., Vancouver, Canada (listed on the stock exchange)
	Member of the Advisory Board of Metalsa, S.A. de C.V., Monterrey, Mexico (not listed on the stock exchange) – until May 2019
Günter Hauptmann, Consultant	Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)
Dr. Knut J. Michelberger, Consultant	Member of the Supervisory Board of Weener Plastics Group, Ede, The Netherlands (not listed on the stock exchange)
	Member of the Advisory Board (Deputy Chairman) of Racing TopCo GmbH, Troisdorf, Germany (not listed on the stock exchange)
	Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany (not listed on the stock exchange)
	Member of the Advisory Board of Tegimus Holding GmbH, Frankfurt, Germany (not listed on the stock exchange)
	Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)
Mark Wilhelms, Chief Financial Officer at Stabilus S.A.	No seats on other boards or comparable committees

Targets for the share of women

As early as 2015, the Supervisory Board of NORMA Group SE had set targets for the Supervisory Board and Management Board of NORMA Group SE and the Management Board for the management level of NORMA Group SE below the Management Board as well as a time limit for implementing them. These targets were adjusted as follows in 2017:

The target figure for the share of women on the Supervisory Board is two female members (out of a total of six). For the Management Board, the target is zero. For the top management level of NORMA Group SE, the target figure is a 25% share of women. The aforementioned new targets are expected to apply until June 30, 2022. They were all achieved or exceeded in fiscal year 2019.

The Management Board is currently comprised solely of men. The target figure for the share of women on the Management Board was set at zero in 2017 because the Supervisory Board assumed at the time that no new members would be appointed to the Management Board before 2022 and it would therefore be impossible to appoint a woman. The Board did not want to set a target figure that, from the perspective of that time, could not have been met. According to the rules of procedure of the Supervisory Board, the Supervisory Board is to pay attention to diversity in the composition of the Management Board. In the context of the current search for a new member of the Management Board, the Supervisory Board is ensuring that female candidates are also explicitly included in the selection process. The outcome of this search is still open.

At NORMA Group SE, the first management level comprises all persons who are Executive Vice Presidents or Vice Presidents, report directly to the Management Board, assume management responsibilities and bear personnel responsibility. Although the share of women in the first management level was 50% when the resolution was passed in 2017 (as in 2015), the Management Board had set the target figure for the share of women in the first management level at at least 25%. This neither meant a reduction in the share of women nor ruled out the possibility that the share of women would rise to over 50%. In fact, the share of women rose from 50% to 60%. Among the total of five persons (previously four) who now form the first management level below the Management Board, there are now three women. The target figure of 25% was thus exceeded. NORMA Group SE does not have a second management level for which the Management Board would also have had to set targets.

At NORMA Group, targets for the Management Board, the Supervisory Board and the top two levels of management were also set for another company, NORMA Germany GmbH. This company is not listed, but codetermined, and is headed by a Managing Director.

Competence profile, no separate diversity concept

The objectives for the composition of the Supervisory Board include that all members be independent, no member works for a competitor of NORMA Group, no member who is on the Management Board of a listed company has more than two Supervisory Board mandates in listed companies, no member of the Supervisory Board has significant conflicts of interest and each member complies with a statutory limit of 15 years for the term of office. These goals have all been met. In addition, the Supervisory Board should pay attention to international activities and diversity in proposals for the election of new members. The Supervisory Board has one Swedish member while the other members are German citizens. The current members satisfy the competence profile for the Supervisory Board as a whole. Some members have special knowledge of the industry and NORMA Group's markets, in particular the automotive industry, and NORMA Group's business model. Several members have experience as executives or members of Supervisory Boards as well as international experience. At least one member has expertise in accounting, auditing and controlling. Other areas in which members of the Supervisory Board have special knowledge include risk management, internal control systems and compliance, capital market experience and knowledge of IT systems, including ERP systems. The members of the Supervisory Board also have sufficient time to perform their duties.

No separate diversity concept within the meaning of Section 289f (2) No. 6 HGB has been prepared for the Supervisory and Management Boards of NORMA Group SE. The rules of procedure of the Supervisory Board already stipulate that certain aspects, which the law cites as an example of a concept of diversity, should be taken into consideration in the case of nominations for the elections to the Supervisory Board and the appointment of Management Board members. Diversity should be taken into account in the composition of the Management Board as well as in election proposals for the election of Supervisory Board members. Further requirements for the Supervisory Board already arise from the goals and rules of the procedure described above. The Management Board also has an age limit of 65, which is met by all members.

Shareholders and Annual General Meeting

The shareholders of a Societas Europaea decide on the Company's important and fundamental matters. The shareholders exercise their voting rights at the Annual General Meeting, which takes place at least once every year. The Annual General Meeting decides on how earnings will be distributed, the discharge of the Management Board and the Supervisory Board, the election of the auditor, but also on amendments to the Articles of Association and other topics.

Shareholders are entitled to vote if they are registered in the shareholders' register of NORMA Group SE and provide NORMA Group SE or another location specified in the invitation with written notice, in German or English, at least six days before the Annual General Meeting that they will be attending. Each share entitles the bearer to one vote.

NORMA Group SE publishes the invitation and all documents that must be made available at the Annual General Meeting promptly on its website. Information regarding the number of attendees and the voting results are published there following the Annual General Meeting. WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/AGM/

Shareholdings of the Management and Supervisory Board

Of the total of 31,862,400 shares in NORMA Group SE, the current members of the Management Board held together 0.03% of the shares on December 31, 2019. The current members of the Supervisory Board held no shares.

Directors' Dealings

Members of the Management Board and the Supervisory Board and related parties are obliged to disclose Directors' Dealings in NORMA Group SE shares if the value of these transactions reaches or exceeds EUR 5,000 or EUR 20,000 from January 1, 2020, on.

The following transactions were reported as Directors' Dealings in 2019:

Directors' Dealings T007

Buyer / Seller	Type of financial instrument	Type of transaction	Date of transaction	Place of transaction	Average price per share	Volume	Total value
Bernd Kleinhens, CEO [1]	Share (DE000A1H8BV3)	Purchase	May 13, 2019	Tradegate Exchange	EUR 38.54	1,300 shares	EUR 50,102.00
Dr. Michael Schneider, CEO [2]	Share (DE000A1H8BV3)	Purchase	May 14, 2019	Tradegate Exchange	EUR 38.3072	2,650 shares	EUR 101,514.08
Dr. Friedrich Klein, COO	Share (DE000A1H8BV3)	Purchase	June 11, 2019	Stuttgart Stock Exchange – Sparkasse ALK	EUR 36.94	500 shares	EUR 18,470.00

1_CEO until the end of July 31, 2019.
2_CEO since November 2019, formerly CFO.

Stock option plans and equity-based incentive programs

The principles of management remuneration are described in the Remuneration Report which is part of the Management Report. → REMUNERATION REPORT, P. 102

A Long-Term Incentive Program (LTI) was introduced in fiscal year 2013 for the second management level that allows employees to participate in NORMA Group's success over the medium term.

Compliance

NORMA Group's compliance organization seeks to prevent violations of laws and other rules, in particular through preventive measures. Nevertheless, if there is evidence of violations, these matters are investigated promptly and thoroughly and the necessary consequences are taken. Findings will be used to take steps to reduce the risk of future violations.

Group-wide compliance activities are managed by the Chief Compliance Officer of NORMA Group, who reports to the CEO. In addition to the Compliance Department in place at Group level, there are compliance officers at the regional and company levels. The three regional Compliance Officers for the EMEA, Americas and Asia-Pacific regions report to the Chief Compliance Officer. In addition, each operating Group company has its own local Compliance Officer, who reports to the respective Regional Compliance Officer. The Supervisory Board monitors compliance with the compliance rules vis-à-vis the Management Board.

The compliance organization conducts risk analyzes together with the relevant units, functions and departments in order to determine and monitor the risk profile of countries, Group companies and functions. On this basis, it identifies the need for action and initiates corresponding measures. Specific employee training courses are held regularly on selected risk areas and important current topics or developments. In 2019, for example, the Compliance Department coordinated a global data protection training course and conducted on-site training sessions at select locations focusing on corruption prevention. Besides training on specific focus topics, all employees worldwide are trained on the basic compliance rules and important contents of the compliance guidelines (in personal or online training sessions), and participation in these training courses is monitored. In fiscal year 2019, the global training concept was also revised and the content of the online training courses updated. The updated training courses will be available to employees in the new fiscal year 2020. In addition, employees regularly receive relevant, up-to-date compliance information on a case-by-case basis via various information channels such as the intranet site, brochures, e-mails or notices.

The compliance guidelines of NORMA Group are an important means of communicating to employees the compliance understanding of NORMA Group and of demonstrating their ethical and legal obligations. All compliance documents are reviewed regularly and, if necessary, adapted to new legal or social requirements and thus always kept up to date. Such a comprehensive review and update of the guidelines was carried out in fiscal year 2019. Particular attention was paid to updating the content as well as to practice-oriented and easily understandable presentation of the contents. The updated guidelines will be made available to employees in the coming fiscal year. Suppliers have their own 'Supplier Code of Conduct.' It is intended to help ensure that laws and ethical rules are observed within the NORMA Group supply chain. This was also reviewed and updated in fiscal year 2019 and will be made available in fiscal year 2020. A compliance manual also defines in detail the specific areas of responsibility and regulatory areas, describes basic compliance processes, and provides a summary of key compliance issues related to the corresponding compliance guidelines. The compliance manual, as well as the compliance guidelines, are reviewed regularly for changes and updated, if necessary.

NORMA Group encourages its employees to report breaches of regulations and internal policies for all hierarchies. Besides directly approaching superiors, the personnel department or Compliance Officers, an Internet-based 'whistleblower system' is available for this purpose. With this whistleblower system, company-internal and external parties can report suspicious cases to the compliance organization of NORMA Group and, if necessary, preserve their anonymity. The electronic whistleblowing system currently in use was also subjected to a comprehensive conceptual review in fiscal year 2019. In the future, the system will be expanded to include supplementary functionalities that provide the compliance function with an integrated compliance tool. This will not only further improve the procedure of processing reports, but will also successively map additional compliance processes with system support. This is intended to increase the effectiveness and efficiency of the processes as well as the user-friendliness for employees.

The members of the compliance organization always follow up on references to compliance violations. If violations of compliance rules are discovered or weaknesses in the organization are identified, management takes the necessary action promptly in cooperation with the compliance organization. Depending on the individual case, these measures range from targeted additional training and changes in organizational processes to disciplinary means, including termination of employment.

Corporate Responsibility and ESG

As Corporate Responsibility and ESG issues become more important, the Supervisory Board, Management Board and employees are paying more attention than ever to the resulting aspects. For example, NORMA Group is focusing on water management and the transformation to more environmentally friendly drive systems. The strategy and specific goals of Corporate Responsibility are explained in particular in the separate non-financial Group Report. On the Management Board, Dr. Michael Schneider is responsible for Corporate Responsibility and Dr Friedrich Klein for ESG.

Information on the auditor and internal rotation

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt/Main, audited the financial statements of NORMA Group SE and its predecessor companies as well as the Consolidated Financial Statements for the fiscal years 2010 to 2019. Furthermore, PwC retroactively audited the years 2009 and 2010 for the prospectus as part of the IPO in 2011.

Following the internal rotation at PwC, Mr. Stefan Hartwig acted as the auditor signing on the left and Richard Gudd as the auditor signing on the right for fiscal year 2019. Mr. Hartwig held the position of the responsible auditor for the first time in 2019, Mr. Gudd already acted as the auditor signing on the right for fiscal years 2016 and 2017.

Consolidated Management Report

Consolidated Management Report

Principles of the Group

Business model

NORMA Group is an international market and technology leader in the area of advanced and standardized connecting technology With its 29 production sites and numerous sales offices, the Group has a global network with which it supplies more than 10,000 customers in more than 100 countries. NORMA Group's product portfolio includes more than 40,000 high-quality joining products and solutions in the following three product categories: water management (WATER), fluid systems and connectors (FLUID) and clamps and joining elements (FASTEN). The products NORMA Group offers are used across industries in a wide range of applications, whereby the product specifications differ depending on the application and customer requirements.

High customer satisfaction forms the foundation of NORMA Group's continued success. The main factors here are the customized system solutions, the global availability of products in consistently high quality, delivery reliability and a strong brand image.

Organizational structure

Corporate legal structure

NORMA Group SE is the parent company of NORMA Group. It has its headquarters in Maintal near Frankfurt / Main, Germany. NORMA Group SE serves as the formal legal holding of the Group. It is responsible for the strategic management of business activities. In addition, it is also responsible for communicating with the Company's most important target audiences as well as Legal and M&A, Compliance, Risk Management and Internal Revision.

Group-wide central management responsibilities such as IT, Treasury, Group Accounting and Group Controlling, for example, are all based at the 100% subsidiary NORMA Group Holding GmbH which is also located in Maintal. Three regional management teams located in Auburn Hills (USA), Maintal (Germany) and Singapore steer the specific holding activities for the three regions Americas (North, Central and South America), EMEA (Europe, Middle East and Africa) and Asia-Pacific (APAC).

As of December 31, 2019, NORMA Group SE holds shares in 51 companies that belong to NORMA Group either directly or indirectly and are fully consolidated. In fiscal year 2019, there were no changes of the legal structure of the Group. → NOTES, P. 139

Group management

NORMA Group SE has a dual management system that consists of a Management Board and a Supervisory Board. The Management Board manages the Company under its own responsibility, while the Supervisory Board advises and monitors the Management Board. In fiscal year 2019, the following personnel changes took place in the Management Board:

Bernd Kleinhens, Chairman of the Management Board of NORMA Group, resigned from the Management Board by mutual agreement effective July 31, 2019. Dr. Michael Schneider then took over the duties of Chairman of the Management Board in addition to his role as Chief Financial Officer. In November 2019, the Supervisory Board appointed Dr. Schneider as the new Chairman of the Management Board of NORMA Group. Dr. Schneider will also continue to serve as Chief Financial Officer until further notice in addition to his position as Chairman. The Management Board of NORMA Group SE thus currently consists of two members. Dr. Friedrich Klein, Chief Operating Officer (COO), is the other member of the Management Board. In November 2019, the Supervisory Board initiated the search for a suitable candidate for the position of Chief Financial Officer and will most likely decide on the position in the months to come.

In accordance with the Articles of Association, the Supervisory Board of NORMA Group SE consists of six independent members elected by the shareholders at the Annual General Meeting. Lars Magnus Berg is the Chairman of the Supervisory Board. Erika Schulte is the Deputy Chairwoman. Mark Wilhelms was elected a member of the Supervisory Board by the Annual General Meeting on May 21, 2019. Mark Wilhelms had already been appointed a member of the Supervisory Board of NORMA Group SE by court order in August 2018 after the Supervisory Board temporarily consisted of only five members following the dismissal of Dr. Stefan Wolf, who had served as Chairman of the Supervisory Board for many years.

Mark Wilhelms has been a member of management of Stabilus S.A., Luxembourg, since 2009. In 2014, he was appointed Chief Financial Officer (CFO) of Stabilus S.A. and Managing Director of Stabilus GmbH. Mark Wilhelms has many years of experience and expertise in both finance and information technology (IT), for which he was responsible at management level in the international automotive industry.

Detailed information on the composition of the Management Board and the Supervisory Board, as well as the distribution of responsibilities among themselves, can be found in the Corporate Governance Report, which forms part of the Annual Report. The Statement of Corporate Governance pursuant to Section 289f HGB, including the Declaration of Conformity pursuant to Section 161 AktG, a description of the procedures of the Management Board and the Supervisory Board, relevant information on corporate governance practices and a declaration regarding the concept of diversity to be disclosed under the CSR Directive Implementation Act are also part of the Corporate Governance Report. → CORPORATE GOVERNANCE REPORT, P. 37

Operative segmentation by regions

NORMA Group's strategy is based, among other considerations, on regional growth targets. In order to achieve these, the operative business is managed by the three regional segments EMEA, the Americas and Asia-Pacific. All three regions have networked regional and cross-company organizations with different functions. The internal Group reporting and control system that Management uses is also therefore quite regional in nature. Distribution Services is based on regional and local priorities.

Products and end markets

Product portfolio

The products that NORMA Group offers can for the most part technologically be divided into the three product categories water management (WATER), fluid systems and connectors (FLUID) and clamps and joining elements (FASTEN). These functions have been established globally and inter-regional in fiscal year 2019 to improve the supraregional collaboration.

The WATER product portfolio includes solutions for applications in the sectors of storm water management and landscape irrigation, but also joining components for infrastructure solutions in the area of water.

The FLUID products are single or multiple layer thermoplastic plug-in connectors and fluid systems that reduce installation times, ensure reliable flow of liquids or gases and occasionally replace conventional products such as elastomer hoses. NORMA Group's fluid products are used in thermal management systems in hybrid and electric vehicles, among other applications.

The product group FASTEN includes a wide range of clamp products and connecting elements that are made from standard or stainless steel and are mainly used to clamp and seal hoses as well as to connect and to fix metal and thermoplastic pipes.

NORMA Group's advanced Engineered Joining Technology is used in all applications in which pipelines, tubes and other systems need to be connected together. Because joining technology plays a role in nearly all industries, NORMA Group serves many different end markets. Besides the automotive, commercial vehicle, and aviation industry, NORMA Group is also active in the construction and mechanical engineering industry, the pharmaceutical and biotechnology fields, agriculture and the drinking water supply and irrigation industry. NORMA Group products are also used in consumer products such as home appliances.

Two complementary distribution channels

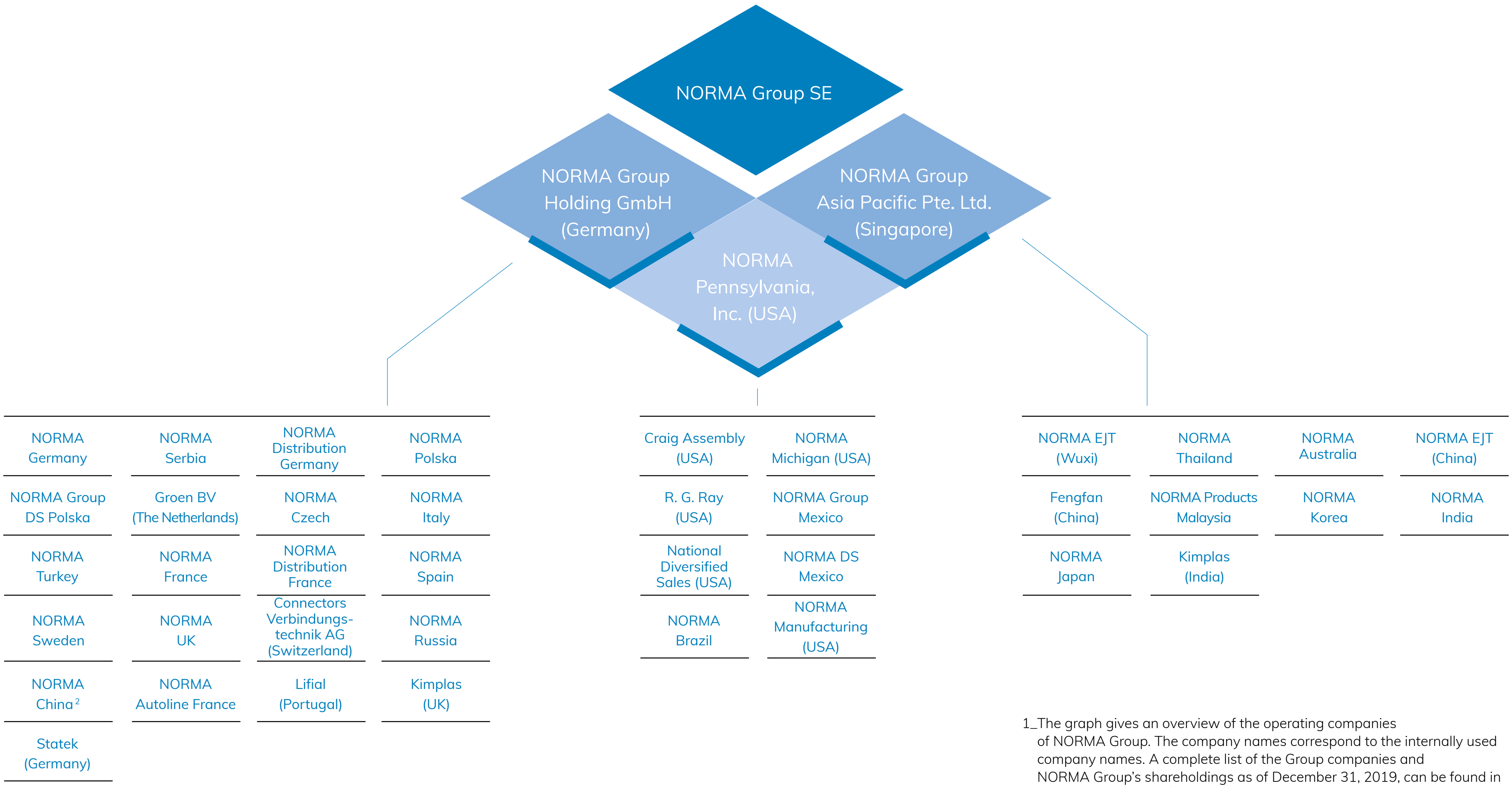
NORMA Group supplies its customers via two different sales channels,

Engineered Joining Technology – EJT
and
Distribution Services – DS.

The two distribution channels differ in terms of the degree of specification of the products, while having intersections in production and development. This enables cost benefits and ensures the highest quality standards.

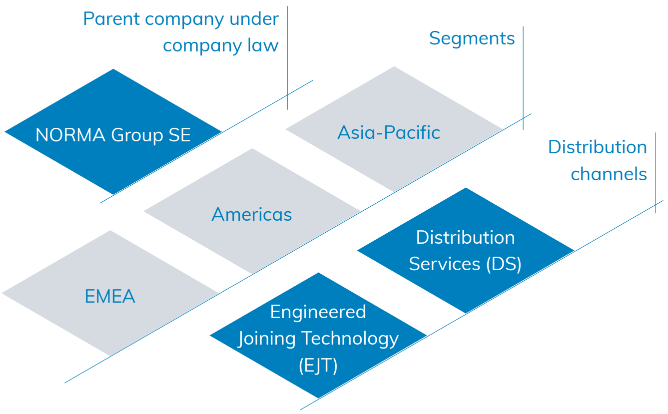
The area of **EJT** includes sophisticated, individually customized joining technology and is particularly characterized by close development partnerships with OEMs (original equipment manufacturers). NORMA Group's central development departments and resident engineers work together with the customer on developing solutions for specific industrial challenges. Due to the constant proximity to customers in the area of EJT, NORMA Group's engineers gain comprehensive knowledge and a deep understanding of the various challenges their end markets and customers face. As a result, they generate substantial added value for the customers and contribute to their economic success. Such development partnerships result in high-technology products that are designed not only to meet the needs of customers with respect to efficiency and performance, but that also take aspects such as weight reduction and quick installation into consideration.

NORMA Group (simplified structure) [1] G006



1_The graph gives an overview of the operating companies of NORMA Group. The company names correspond to the internally used company names. A complete list of the Group companies and NORMA Group's shareholdings as of December 31, 2019, can be found in the corresponding → NOTES ON P. 139.
2_NORMA China is organizationally assigned to the Asia-Pacific segment. In terms of company law, it belongs to NORMA Group Holding GmbH.

Organizational structure of NORMA Group G007



Via its **Distribution Services (DS),** NORMA Group markets a broad range of high-quality, standardized brand products. In addition to its own global distribution network, the Company also relies on multipliers such as sales representatives, retailers and importers. Its customers include, among others, distributors, specialized wholesalers, OEM customers in the aftermarket segment, do-it-yourself stores and applications in smaller industries. The brands ABA®, Breeze®, Clamp-All®, CONNECTORS®, FISH®, Five Star®, Gemi®, NDS®, NORMA®, Raindrip®, R.G.RAY®, Serflex®, TORCA® and TRUSTLENE® exemplify technological know-how, high quality and reliability and meet the technical standards of the countries in which they are sold.

NORMA Group combines its expertise in developing tailor-made solutions for industrial customers (EJT) with its global sales of high-quality standardized brand products (DS) to realize not only cross-selling effects, but also numerous synergies in production, logistics and sales. The Company also benefits from significant economies of scale and scope thanks to the diversity and high volumes of its product offerings, a clear distinction from its smaller, generally more specialized competitors.

Market and competitive environment

With its products, NORMA Group provides solutions for numerous industrial applications. Its expertise covers thermoplastic materials (WATER and FLUID) as well as metal-based connection solutions and products (FASTEN). Thanks to the unique combination of expertise in both metal and plastics processing and the broad diversification of its product portfolio, NORMA Group can offer its customers a wide range of solutions to different problems from a single source and thus distinguishes itself from its competitors who mainly specialize in individual product segments.

In the area of Engineered Joining Technology, especially in the area of FASTEN and FLUID, NORMA Group operates in a highly fragmented market, which is characterized by a very heterogeneous structure due to the abundance of specialized industrial companies. In this environment, NORMA Group sees itself as a provider of tailor-made, value-creating solutions that are geared to the specific needs of the customer and are the result of long-term development partnerships. With its international business alignment and its cross-industry customer base, NORMA Group distinguishes itself from its mostly regional competitors. Thanks to its strong focus on innovation, NORMA Group offers its customers especially temperature and pressure resistant products, as well as weight and assembly time optimized products that clearly stand out from the competition.

In the much more standardized sales channel Distribution Services, NORMA Group operates in mass markets and competes primarily with providers of similar standardized products. It differentiates itself from them particularly through its strong brands that are the result of a deliberate brand policy that focuses on the regional needs of its customers. In addition, customers appreciate the high quality of service. NORMA Group offers its trade customers a complete range of products that meets all of their end users' needs as well as short delivery times and permanent availability.

Goals and strategy

Increase in value

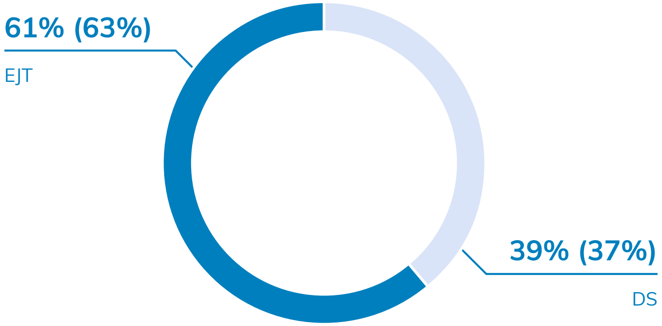
The long-term strategy of NORMA Group is based on the 'Vision 2025', which was launched by the Management Board in 2018. The Vision 2025 includes increasing the value creation of NORMA Group as its central objective, building on NORMA Group's successful entrepreneurial development and focusing on sustained sales growth, profitability above the industry average and the efficient deployment of capital. On its way to achieving these goals, NORMA Group is pursuing a stakeholder-oriented approach that is geared both toward the demands of its customers for innovative and value-creating solutions and to the interests of its shareholders and suppliers. In order to achieve these goals, NORMA Group seeks to offer its employees an environment geared toward continuous improvement, thereby strengthening its position as the employer of choice. At the same time, NORMA Group regards it as a central component of its corporate responsibility to reconcile the effects of its business activities with the expectations and needs of society. For this reason, the Management Board`s goal is to base all entrepreneurial decisions on the principles of responsible corporate management and sustainable action. Corporate Responsibility (CR), NORMA Group's responsibility towards people and the environment, is therefore regarded as an integral part of the Company strategy. → 2019 CR REPORT

NORMA Groups' strategy for the long-term increase in value is based on the following key objectives and strategic measures:

Profitable growth

Increasing the Company's value is the primary objective of NORMA Group. In each regional segment and in both sales divisions (EJT and DS), the focus is on the ongoing profitable expansion of business activities and increasing market share. At the heart of NORMA Group's growth strategy is the expansion of its product portfolio and regional presence, as well as the opening up of new end markets. The continuous expansion of application solutions for current EJT customers, the identification and acquisition of new EJT customers, the deepening of the customer base in Distribution Services (DS) and the identification of new markets with attractive growth potential will all be used to expand business activities and further strengthen the Group's international presence. In identifying new end markets, NORMA Group places a strategic focus on niche markets with attractive margins, advanced products, strongly growing sales potential and a fragmented competitive structure. The goal is to achieve broad diversification in the end markets through the targeted transfer of knowledge to new, high-growth industries. This will strengthen the sustainable earnings profile, the independence from economic influences and the stability of the business. Global megatrends such as climate change and resource scarcity offer NORMA Group attractive growth potential. The strategic focus is therefore on future-oriented applications in the fields of water management and electromobility. → PRODUCTS AND END MARKETS, P. 47

Sales by distribution channel [1] G008



1_Previous year's values in brackets.

Selective product portfolio

The technological requirements placed on the end products of NORMA Group customers are constantly changing. Increasing environmental awareness, scarcity of resources and growing cost pressures play a major role in almost every sector of industry. Furthermore, the automotive and commercial vehicle industries, in particular, are subject to stricter emission regulations and special requirements for the materials used. This is also accompanied by increasing technological change, away from conventional combustion engines towards alternative powertrain techniques such as hybrid or electromobility. → LEGAL AND REGULATORY INFLUENCING ASPECTS, P. 60 These form the starting point for the development of new products. NORMA Group focuses on value-enhancing solutions that support its customers in reducing emissions, leaks, weight, space and assembly time. Furthermore, NORMA Group helps its customers to optimize the use of scarce resources, for example in water management. Innovations play an important role in meeting the increasing customer demands that accompany each new production cycle. This is why NORMA Group's more than 300 engineers and developers are constantly working on developing new products and optimizing the currently used processes and systems. An important focus here is on the development of solutions for electromobility. This offers NORMA Group numerous opportunities, particularly in the field of vehicle thermal management. In order to sustainably strengthen its innovative strength, the Group plans to invest around 5% of its EJT sales in research and development activities each year. → RESEARCH AND DEVELOPMENT, P. 55

Although the joining products that NORMA Group sells make up a relatively small value proportion of the final product, they are often mission-critical. Sticking to the highest quality standards and stringent quality management throughout the entire Group therefore play a crucial role. → QUALITY MANAGEMENT, P. 75 A strong brand strategy geared toward regional growth targets, as well as ensuring first-class service quality and product availability at all times, are also important success parameters. NORMA Group ensures this through its worldwide sales network.

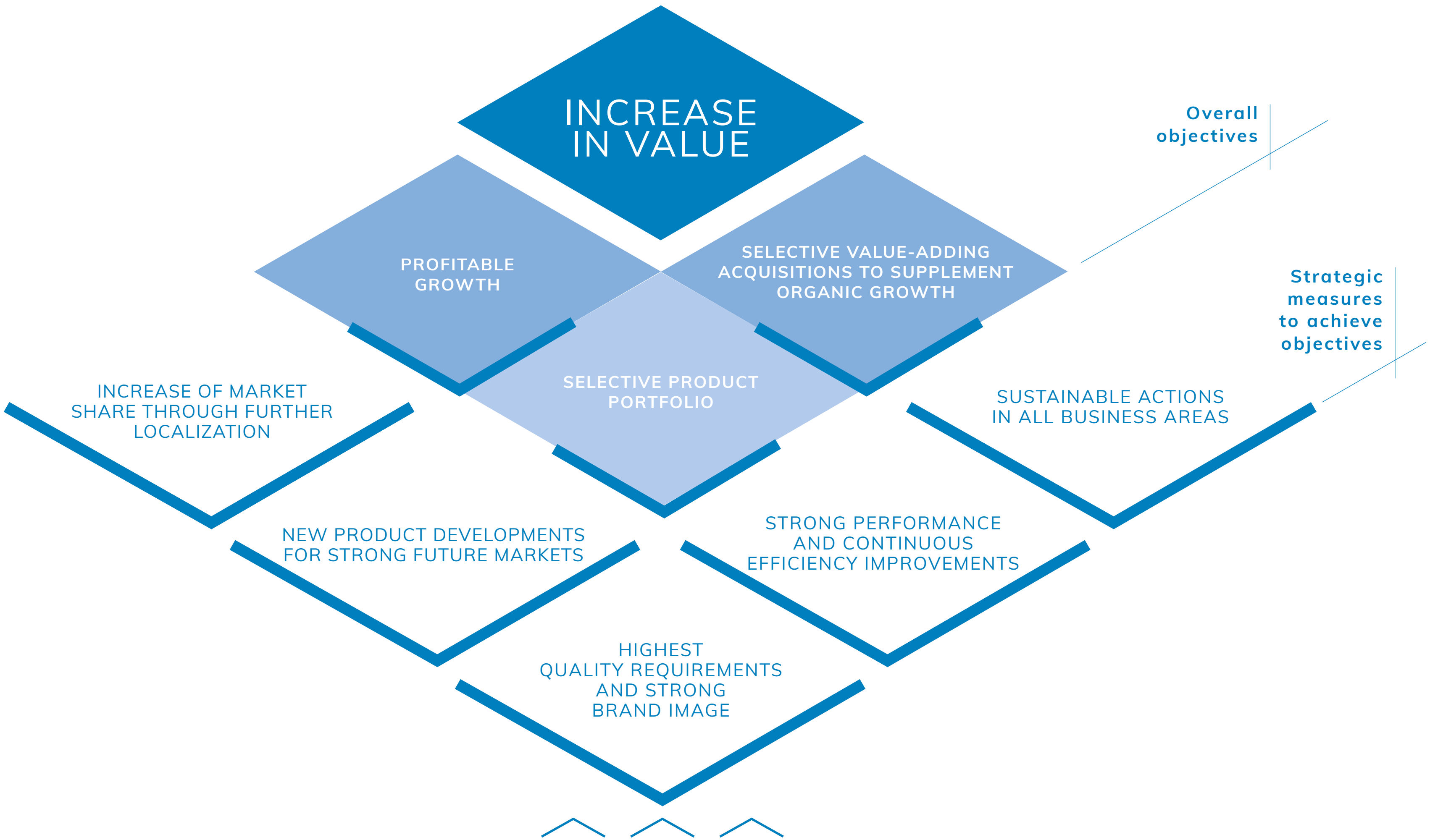
Selective acquisitions to supplement organic growth

By making select acquisitions, NORMA Group contributes to the diversification of its business and strengthens its growth. Acquisitions are therefore an integral part of the Company's long-term growth strategy. NORMA Group observes the joining technology market continously and contributes to its consolidation through targeted acquisitions. In total, NORMA Group has acquired 14 companies since the IPO in 2011 and integrated them into the Group. The main focus of M&A activities is always on companies that help to realize the diversification objectives of NORMA Group, to strengthen its competitive position and / or to generate synergies. The preservation of growth and high profitability also play an important role. The search for suitable companies focuses on the automotive and water management sectors. Since acquiring the US water specialist National Diversified Sales (NDS) in fiscal year 2014, NORMA Group has built up an established market position in the fast-growing water industry, which is to be expanded through further acquisitions in this area.

Strategic goals of NORMA Group

G009

MARKET LEADER IN CONNECTING AND FLUID HANDLING TECHNOLOGY FOR EXISTING AND FUTURE MARKETS



CLIMATE CHANGE AND SCARCITY OF RESOURCES ARE GLOBAL MEGATRENDS WHICH FORM THE BASIS FOR NORMA GROUP'S BUSINESS MODEL

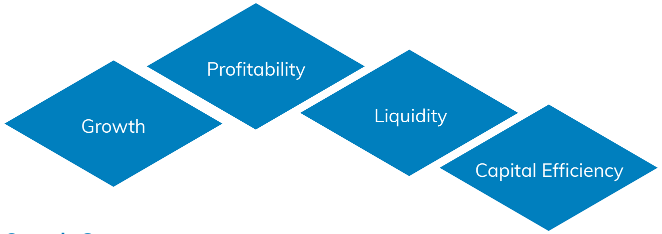
Control system and control parameters

The consistent focus on the Group objectives mentioned is also reflected in the internal control system at NORMA Group, which relies on both financial and non-financial control parameters.

Important financial control parameters

The following value-based indicators, which have a direct impact on value creation at NORMA Group, are among the Company's most important financial performance indicators: organic Group sales growth, profitability (adjusted EBITA margin) and net operating cash flow. These key figures form NORMA Value Added (NOVA), a central strategic target figure. Since NOVA is also a reference value for the long-term remuneration of the Management Board, it was added to the control system in fiscal year 2018.
→ REMUNERATION REPORT, P. 102

Important financial control parameters G010



Organic Group sales growth
(adjusted for acquisitions and currency effects)

Adjusted EBITA margin
Adjusted EBITA in relation to Group sales

Net operating cash flow
Adjusted EBITDA + Δ working capital – investments

NOVA
Adjusted EBIT – Taxes – Capital costs (WACC x capital employed)

Organic sales growth

As a growth-oriented Company, NORMA Group attaches particular importance to profitable sales growth. The Group seeks to achieve short- and medium-term growth above the market average. This refers to internal growth excluding currency effects. In addition, sales revenues from newly acquired companies are reported separately within the first 12 months of initial consolidation (sales revenues from acquisitions).

Due to the broad market structure in the area of joining technology, the Management Board is guided by internal analyses as well as studies by leading economic research institutes on the development of the gross domestic product of the respective regions and on the production and sales figures of the relevant customer industries in developing the forecast on the expected development of sales. In addition, the Management Board observes certain early indicators, such as customer order patterns in the retail business (Distribution Services) and the order book in the area of Engineered Joining Technology (EJT).

Adjusted EBITA and adjusted EBITA margin

The adjusted EBITA (EBITA before special influences) is the most important internal and external performance indicator for ongoing operations. In order to be able to make a long-term comparison and for a better understanding of how the business is developing, NORMA Group adjusts the operating result by certain expenses, for example those that are related to acquisitions.
→ NOTES, P. 148

Adjusted EBITA margin (EBITA as a percentage of sales) as another key indicator for the NORMA Group provides information on the profitability of its business activities. In order to maintain the adjusted EBITA margin and thus the Group's profitability at its high level, NORMA Group continuously works on optimizing its business processes and structures.

To determine the EBITA target margin, both the historic performance and the planning of individual business units are taken into consideration. The target margin for the Group is determined as the weighted average of the divisions. Price development of the raw materials that are most important to the NORMA Group serves as an early indicator of changes in major cost items, such as material costs. For this reason, the respective markets and raw material prices are constantly monitored and the prices of key materials are contractually fixed.

Net operating cash flow

In order to maintain the Group's financial independence and solvency at all times, NORMA Group is guided by net operating cash flow in addition to the aforementioned key figures. Net operating cash flow includes the most important cash-effective items that can be influenced by the individual business units and provides information on whether NORMA Group can finance its operating business out of its cash flow. It is calculated on the basis of the adjusted EBITDA plus changes in working capital minus capital expenditures. The key approaches to improving net operating cash flow are therefore to increase sales, to improve the adjusted operating result (adjusted EBITDA) and to engage in sustained value-enhancing investment activity. In addition, consistent management of working capital also has a positive effect on net operating cash flow.

NORMA Value Added (NOVA)

NORMA Group's goal is to use the capital provided by its shareholders and lenders as efficiently as possible in order to secure the Group's long-term positive development. In order to manage this, NORMA Group determines the annual value creation in the form of NORMA Value Added (NOVA), which is calculated on the basis of adjusted EBIT, the tax rate and the cost of capital. The cost of capital is defined by the weighted average cost of capital (WACC) and capital employed (equity plus net debt).

NOVA =
(adjusted EBIT x (1 – t)) – (WACC x capital employed)

Adjusted EBIT after taxes[1] T008

	2019	2018
Adjusted EBIT (in EUR million)	135.0	164.5
Group tax rate (in %)	27.1	24.9
Taxes (in EUR million)	36.7	41.0
Adjusted EBIT after taxes (in EUR million)	**98.4**	**123.5**
– WACC x capital employed	81.1	62.8
NOVA (in EUR million)	**17.3**	**60.8**

Capital employed as of beginning of the year (Jan 1)[1] T009

	2019	2018
Equity (in EUR million)	602.4	534.3
Net debt (in EUR million)	400.3	344.9
Capital employed (in EUR million)	**1,002.8**	**879.2**

The cost of capital rate is calculated on the basis of the following assumptions and calculations:

Assumptions for the calculation of the WACC[1] T010

in %	2019	2018
Risk-free interest rate	0.20	0.39
Market risk premium	7.50	6.50
Beta factor of NORMA Group	1.33	1.28
Cost of equity rate	11.01	9.41
Borrowing cost rate after taxes	1.79	1.85
WACC after taxes	**8.09**	**7.14**

The base interest rate is derived from the interest rate structure data of Deutsche Bundesbank (three-month average: October 1 to December 31). The market risk premium represents the difference between the expected return of a risky market portfolio and the risk-free interest rate. NORMA Group uses the recommendation of the Institut der Wirtschaftsprüfer (IDW) to determine this risk premium. The betafactor represents the individual risk of a share compared to a market index. It is first determined as the average value of the unindebted beta factors of the peer group and then adjusted to NORMA Group's individual capital structure. The cost of equity is calculated by adding the risk-free interest rate and the weighted country risk of NORMA Group with the product of the market risk premium and the indebted beta factor of the peer group. The credit spread used to calculate the cost of debt was determined on the basis of the terms of the current external financing of NORMA Group. Invested capital is calculated from consolidated equity plus net financial liabilities as of January 1 of the fiscal year.

The financial control parameters are planned and continuously monitored in the Group, but also for the most part at the segment and Group company levels. Deviations between planned and actually achieved values are tracked in the local companies and aggregated at the regional segment level as part of the monthly analysis. Business development is regularly forecast on the basis of available monthly and quarterly results and under the assumption of various scenarios.

Important non-financial control parameters

The most important non-financial control parameters for NORMA Group include the extent of market penetration, the Group's power of innovation, the problem-solving behavior of its employees and the sustainable overall development of NORMA Group as a whole.

1 The values considered for the calculation of NOVA are shown without the effects of IFRS 16 as these are relevant for the management remuneration.

Market penetration

NORMA Group always pursues the objective to sustainably expand its business and achieve sales growth and profitability that are higher than average by industry comparison. Particularly by offering innovative solutions, NORMA Group is able to create value creation potential in various areas of application and numerous industries. The Group's organic growth is thus a sign of NORMA Group's market penetration.

Invention applications

The Group considers ensuring an environment of sustainable innovation a key driver of future growth. NORMA Group therefore measures the number of annual invention applications. NORMA Group employees submit invention applications as part of an internal formalized process upstream of the external process of new patent applications. By establishing targeted internal incentive systems, NORMA Group promotes its employees' innovative thinking.

Quality KPIs

NORMA Group stands for the highest possible reliability and quality of service. The reputation of its brands and reliability of its products are key factors in the Company's success. In developing and manufacturing products, the Group therefore relies on the highest quality standards. In order to minimize production losses and maximize customer satisfaction, NORMA Group measures and manages the problem solving behavior of its employees by using two performance indicators: the average number of customer complaints per month and defective parts per million of manufactured parts (parts per million / PPM). The two metrics are collected and aggregated at Group level on a monthly basis. → QUALITY MANAGEMENT, P. 75

Other non-financial performance indicators

Other non-financial performance indicators include employee and environmental indicators and indicators on occupational safety and healthcare within the Group. More information can be found in the → 2019 CR REPORT.

The target figures for the financial and non-financial control parameters for 2020 and the assumptions underlying the forecast are presented in the → FORECAST REPORT, P. 82

Financial control parameters T011

	2019	2019 (excl. IFRS 16 effects)	2018	2017	2016	2015	2014	2013
Group sales (in EUR million)	1,100.1	1,100.1	1,084.1	1,017.1	894.9	889.6	694.7	635.5
Adjusted EBITA margin (in %) [1]	13.2	13.1	16.0	17.2	17.6	17.6	17.5	17.7
Net operating cash flow (in EUR million)	122.9	111.6	124.4	132.9	148.5	134.7	109.2	103.9
NORMA Value Added (in EUR million)	17.3	17.3	60.8	54.9	53.1	48.3	n/a	n/a

1_The adjustments are shown in the → NOTES, P. 148

Non-financial control parameters T012

	2019	2018	2017	2016	2015	2014	2013
Number of invention applications [1]	22	32	33	n/a	n/a	n/a	n/a
Defective parts per million (PMP) [2]	6	7	16	32	21	17	24
Quality-related customer complaints per month [2]	6	7	9	8	8	8	9

1_The number of invention applications has served as a key control parameter for measuring the Group's innovative ability since mid-2016, replacing the number of patent applications, a figure that had lost significance in light of changes in the patent strategy. Since the number of invention applications was recorded for the first time for fiscal year 2017, there are no comparative figures for the previous years.
2_Statek, which was acquired in 2018 and the newly established plant in Tijuana are not yet included here.

Goals regarding finance and liquidity management

NORMA Group's objectives with respect to central finance and liquidity management have not changed since the previous year and are as follows:

I. Ensuring solvency at all times

The main financial objectives are maintaining the necessary liquidity for the Group's operating business at all times, maintaining sufficient strategic liquidity reserves and thus ensuring NORMA Group's long-term solvency. This also includes maintaining sufficient liquid funds for short- to medium-term acquisitions.

Rolling, regular, currency-differentiated liquidity planning for all major Group companies, which is analyzed and aggregated by the centrally organized Group Treasury, forms the main strategic cornerstone of NORMA Group's financial management.

Financing flexibility is ensured by maintaining the appropriate credit lines. These are negotiated loan commitments, which can be utilized within a very short period of time and thus can compensate for liquidity peaks. NORMA Group has a revolving credit line within its syndicated bank loan. This credit lines can be used in different currencies and terms. NORMA Group uses Asset Backed Securities (ABS), factoring and reverse factoring programs to manage liquidity, optimize working capital and make its cash flows more predictable.

The financing measures conducted in fiscal year 2019 are described in detail in the notes to the financial position.
→ FINANCIAL POSITION, P. 69

II. Limiting financial risks

The Group Treasury division constantly identifies and assesses interest rate and currency risks and selects suitable hedging instruments to reduce these risks. Here, not only derivatives, but also the appropriate foreign currency financing, are used to reduce currency risks. The overall goal is to optimize the assets and liabilities side of the balance sheet with regard to currency risks. In addition, operating currency risks are reduced by using derivative financial instruments in the Group companies as of a defined threshold. Here, Group-wide, currency-differentiated liquidity planning is crucial to identifying and managing such risks.

To limit interest rate risks, NORMA Group's objective is to devise a relatively high proportion of financing measures in such a way that they are subject to interest rates on a fixed-interest basis or use interest rate swaps. On December 31, 2019, around 41% of all debt instruments had variable interest rates and were not hedged by interest rate swaps. In addition, existing risk positions are monitored regularly by Group Treasury and assessed for their risk-bearing capacity. Group Treasury initiates appropriate countermeasures if the defined risk parameters are exceeded.

Key elements of the policy on limiting financial risks are the clear definition of process responsibilities, multi-stage approval processes and regular risk assessments.

III. Optimizing the Group's internal liquidity

NORMA Group Holding GmbH assumes central liquidity management and is responsible in particular for investing surplus liquidity as well as for intra-Group financing. The Group Treasury of NORMA Group constantly works on improving internal financing opportunities and bundling the Group's liquidity in order to make it available for a wide variety of funding purposes. This is achieved by optimizing the allocation of cash and cash equivalents in NORMA Group Holding and at the same time ensuring that the respective individual companies are solvent at all times. This is done by using a professional treasury management system that provides a daily overview of the cash holdings of the most important subsidiaries. Regional cash pools have been installed to enable the technical implementation of liquidity centralization. Further cash concentrations are carried out at regular intervals. Manually pooling funds makes it possible to guarantee an optimized cash balance for all Group companies, whereby the local terms for international payments must be taken into account here, in particular.

Research and development

Research and development activities at NORMA Group are aimed at further expanding the Group's power of innovation and detecting and addressing technological trends, such as electromobility and digitalization, as early as possible. The focus is on opening up new markets, winning new customers and developing new products and system solutions. That includes evaluating new technologies, especially in terms of their ability to optimize existing processes, minimizing the use of materials and improve the functionality of end products. Research is mainly focused on finding solutions for the global industrial challenges of the respective end markets. By concentrating on the megatrends of importance to its customers, particularly reflected in increasing environmental awareness and the economical use of resources, NORMA Group is able to initiate technology developments at an early stage and serve the market by offering appropriate product solutions and services. Another strategic focus is also on water management.

In the context of the implemented reorganization of the product group structure (WATER / FLUID / FASTEN) in fiscal year 2019, smaller organizational restructurings in the R&D department as well as adjustments within the idea evaluation process and the team composition were undertaken.

Focus on innovations

The focus of NORMA Group's R&D department is on strengthening the Company's power of innovation. The focus is therefore on early identification of new technological trends and the systematic planning and implementation of product developments. The Foresight Manager is responsible for observing the relevant end markets, bundling the knowledge acquired and integrating it into the internal innovation management process.

In addition, NORMA Group makes use of new methods and innovation management processes, such as 'Innovation Roadmapping' and employs so-called 'Innovation Scouts.' As part of 'Innovation Roadmapping,' long-term technology development schedules are drawn up that take into account the industrial megatrends that have been identified as well as their impact on the relevant markets and resulting requirements for potential new products. 'Innovation Councils' are driving the implementation of the projects identified. For example, the Innovation Council 'E-Mobility' is responsible for coordinating all information and global activities on electromobility, developing a strategy geared to all regions and business sectors, and pressing ahead with its implementation. Another Innovation Council is also working on the subject of digitalization. Innovation Scouts – dedicated NORMA Group employees who collect ideas on future trends across the Group and evaluate their feasibility – are intensively involved in the innovation process.

In an effort to promote innovative thinking within the Group, NORMA Group measures the number of invention applications submitted by its employees. An invention application takes place as part of a formalized internal process in which NORMA Group employees are given the opportunity to submit their ideas to the R&D department. The process of reporting an invention is upstream of the external process of applying for a new patent and is specifically supported by internal incentive systems such as the annual Innovation Excellence Award.

Thanks to these measures, NORMA Group expects to not only be able to focus on innovations better in the years to come, but also to increase its efficiency in the areas of product and customer development.

Strategic collaboration with customers and research institutes

In the area of EJT, NORMA Group works closely with its end customers, but also with research and development institutes, suppliers and other external partners. This allows for customer demands to be identified immediately and seamlessly turned into new technologies and product ideas. This, in turn, allows for fast marketing of product innovations. For competitive reasons, however, the Company does not disclose the specific nature of these research partnerships.

As the Distribution Services division is purely a commercial unit, the market does not demand the same level of technological research from it. Moreover, customers of NORMA Group in this business division expect a strong brand image, constant availability of products, and the most complete product range. Therefore, the focus in the DS area lies on making useful additions to the product range and targeted marketing activities.
→ MARKETING, P. 80

Development focuses in 2019

R&D activities in fiscal year 2019 were again dominated by the three major trend themes of electromobility, digitalization and water management. In electromobility, the thermal management of batteries is currently a key topic. To this end, NORMA Group is developing special fluid systems that ensure even temperature distribution inside the battery and maintain the optimal operating condition of the cells. Factors such as flow cross-sections, flow resistance and heat transfer play a key role in optimized thermal management. In fiscal year 2019, NORMA Group successfully supported several customer projects in finding individual solutions.

In addition, the R&D department is currently working on concepts for the development of intelligent fluid systems that are capable of automatically and wirelessly recording, evaluating and communicating assembly conditions and operating parameters. The first concepts on this have already been developed.

NORMA Group has also been active in the area of fuel cells since 2018 and is already supplying line systems for a fuel cell vehicle in series production. This activity resulted in a fundamental project as well as follow-up projects for further vehicle platforms from the same manufacturer in fiscal year 2019. In addition, a project involving a major supplier of hydrogen vehicles was also initiated in 2019.

Know-how protected by patents

The Company's specific know-how in the area of joining technology represents a key success factor for NORMA Group. For this reason, the Group protects its innovations with patents. As of December 31, 2019, 1,094 patents and utility models (2018: 1,038) were held. In 2019, 46 new patent rights (2018: 65) were filed.

R&D expenses

EJT research and development expenditure in 2019 amounted to EUR 31.2 million (2018: EUR 30.5 million), representing approximately 4.7% (2018: 4.5%) of EJT revenue. The capitalization ratio, which is the proportion of own work capitalized in relation to R&D expenses, during the reporting year amounted to 9.0% (EUR 2.8 million).

R&D employees

As of December 31, 2019, 345 employees (2018: 365) worldwide worked for NORMA Group in the R&D department, which represents unchanged to the prior year approximately 5.3% of all permanent employees of the Group. Most of the employees who work in R&D are engineers, technicians and technical draftsmen.

R&D key figures [1] T013

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of R&D employees	345	365	344	305	271	250	205	190	174
R&D employee ratio in relation to permanent staff (in %)	5.3	5.3	5.6	5.6	5.3	5.2	5.0	5.1	5.1
R&D expenses in the area of EJT (in EUR million)	31.2	30.5	29.4	28.8	25.4	25.7	21.9	22.1	16.8
R&D ratio in relation to EJT sales (in %)	4.7	4.5	4.6	5.4	4.7	5.3	4.9	5.1	4.1

1_The multi-period overview shows the development of the most important R&D indicators since NORMA Group's IPO. No data was collected prior to the IPO.

Inspired by nature

The loss in pressure inside the cooling systems that is caused by the many coils and constricted areas inside these systems poses one of the biggest challenges in the thermal management of batteries in electric vehicles.

To solve this problem, NORMA Group uses the findings from the field of bionics and is oriented towards existing role models in nature, such as shark skin. Its special grooved structure with movable scales along the shark's entire body significantly reduces flow resistance. This 'shark skin effect' is to be applied to thermal management systems in the future, by giving the interiors of the lines longitudinal grooves, for example. This will allow liquids to flow through them more quickly and easily to maintain the pressure and improve the battery's performance and range. The flow shapes of rivers have also inspired us to take new approaches. Read more about it at BLOG.NORMAGROUP.COM

The information in the above box is not part of the Consolidated Management Report and therefore is not subject to the audit.

Economic Report

External factors of influence

Economic factors

NORMA Group is active in many different industries and regions. Seasonal and economic fluctuations in individual countries or industries can have varying effects on customer demand and the order situation at NORMA Group. At the same time, NORMA Group is less vulnerable to temporary declines in demand in individual industries or countries thanks to its diversified product portfolio and broad customer base. Temporary production peaks can be absorbed due to flexible production structures and the use of temporary workers.

Trade conflicts put the global economy under considerable pressure in 2019

After a slight downturn just a year earlier, the global economy began a sharp descent in 2019. The main negative factors were the escalation of the trade conflict between the superpowers USA and China as well as the outcome of the Brexit negotiations, which could not be predicted for a long time. As a result, both global trade and investment activity weakened noticeably. By contrast, strong domestic demand and the continued easing of monetary policy by the world's central banks supported the economy. These measures included the turnaround in interest rates initiated by the US Federal Reserve (FED) at the end of July 2019 and the European Central Bank's (ECB) continued zero-interest policy and related bond repurchases. Overall, according to the International Monetary Fund (IMF), the global economy grew by 2.9% in 2019 (2018: + 3.6%).

At country level, growth momentum flattened further in 2019, especially in China, as a result of US restrictions and subdued international trade. Although industrial production grew relatively strongly by 5.7% (2018: 6.2%), the production of automobiles and industrial robots declined significantly overall. According to official figures, economic growth in China was 6.1% in 2019 (previous year: 6.6%). In the emerging markets of Southeast Asia (ASEAN-5), the gross domestic product fell to 4.7% (2018: 5.2%). In India as well, the economy came to a standstill due to massive liquidity problems in the financial sector and managed to grow by only 4.8%, following a strong performance the previous year (2018: + 6.8%). Brazil (+ 1.2%) and Russia (+ 1.1%) also showed only moderate growth. Against this backdrop, the expansion rate of the emerging and developing countries declined to 3.7% in 2019 (2018: 4.5%).

The difficult environment also became clearly evident in the US. The domestic economy there lost momentum in 2019, although private consumption remained buoyant and government consumption increased. The main reason for this was the lack of follow-up impetus following the 2019 tax reform, even despite several key interest rate cuts by the US Federal Reserve (FED). Although US industrial production was supported by the energy sector and in particular the high-tech industries (communications equipment, semiconductors), it remained weak overall in 2019 (– 0.8%), with capacity utilization falling by an average of 90 basis points to 77.8%. Production also declined significantly in the automotive and consumer goods sectors. In contrast, the economy in Japan, for example, grew moderately by 1.0% (2018: 0.3%) according to the IMF, and economic growth in the United Kingdom also increased by another 1.3% despite the Brexit negotiations that continued throughout the year

GDP growth rates (real) T014

in %	2019	2018	2017
World [1]	+ 2.9	+ 3.6	+ 3.8
USA [2]	+ 2.3	+ 2.9	+ 2.4
China [3]	+ 6.1	+ 6.6	+ 6.9
Euro zone [4]	+ 1.2	+ 1.9	+ 2.4
Germany [5]	+ 0.6	+ 1.5	+ 2.5

Sources: 1_IMF; 2_US Trade Ministry; 3_National Bureau of Statistics (NBS); 4_Eurostat, 5_German Federal Statistical Office (Destatis)

Noticeable economic slowdown in the euro zone, domestic demand remained strong in 2019

The negative international environment in 2019 was also reflected in a further economic slump in Europe. This had a particularly negative impact on the export-oriented industrial sectors in the euro zone. Nevertheless, domestic demand remained stable, primarily supported by low inflation, attractive interest rates, high employment figures and, to some extent, fiscal policy stimuli. As a result, consumer-related and service sectors as well as the construction industry proved to be quite strong. According to the statistical office Eurostat, the euro zone economy grew by 1.2% overall in 2019 (2018: 1.9%). Ireland and the Eastern European countries again recorded the strongest growth. The economy also developed strongly in Scandinavia, the Netherlands and Belgium. In France and Spain, economic momentum remained largely stable, especially as industry is heavily geared towards consumer goods, whereas the economy in Italy stagnated, particularly due to structural deficits.

Industrial production in the euro zone declined in 2019, with the downward trend intensifying from June 2019 onwards and leading to a noticeable slump. This is attributable on the one hand to weak exports and subdued domestic demand in Europe and on the other to a declining willingness to invest. The effects of this were felt above all by manufacturers of intermediate goods, energy and capital goods, whereas the production of durable and non-durable goods increased. All in all, capacity utilization in the euro zone deteriorated significantly within a year. It fell by 230 basis points to 81.3% in the final quarter of 2019.

German economy showed a mixed picture in 2019: lively domestic demand combined with weak industry

Due to its close ties to the economies of other world markets, Germany was hit harder than other euro zone countries by the global weakness in demand and uncertainties that repeatedly flared up. Particular pressure was felt in the capital goods, intermediate goods and the automotive sector. In this environment, the German economy grew only very weakly at 0.6% according to the Federal Statistical Office (Destatis) (2018: + 1.5%). Economic development was divided: On the one hand, domestic demand proved lively and resilient, so that with an average of 45.3 million people (+ 0.9%) in 2019, a new record in employment was achieved, which meant that private consumption, but also government consumption and construction investments regained momentum compared to the previous year. On the other hand, investments in equipment lost considerable momentum compared to the previous year by posting growth of only + 0.4% (2018: + 4.4%), and exports lost considerable momentum at + 0.9% (2018: + 2.1%).

Industrial production also continued to decline at an accelerated pace in 2019, after a significant decline at the end of the previous year, and slid into a deep recession. Thus, production output in each month was up to 6.0% (June) below the level of the respective month of the previous year. As a result, according to Eurostat, capacity utilization declined noticeably in the fourth quarter to 82.7% (Q4 2018: 87.1%).

Currency rate effects

Due to NORMA Group's international activities, exchange rate fluctuations also influence its business. While fluctuations between non-euro currencies have only little impact on the operating result of the NORMA Group as a result of regional production, exchange rate fluctuations against the euro as the reporting currency may have a greater impact on its results. Due to high US dollar exposure, fluctuations in the EUR / USD exchange rate in particular affect earnings. → RISK AND OPPORTUNITY REPORT, P. 89

In fiscal year 2019, NORMA Group generated around 44% of its sales in US dollars. The development of the US dollar against the euro resulted in a positive sales effect in fiscal year 2019. Furthermore, changes in the exchange rates of the following currencies had a negative effect on sales development: British pound, Swiss franc, Indian rupee, Chinese renminbi, Malaysian ringgit, Thai baht and Russian rubel.

Industry-specific factors

Mechanical engineering in a recession almost worldwide, China also clearly in a downturn

The global mechanical engineering industry is experiencing a cyclical downturn which, according to the German Engineering Federation (VDMA), is being exacerbated and overshadowed by a variety of obstacles and structural changes. Examples of these changes include the upheaval within the automotive industry, China's economic reorientation and increasing protectionism. As a result, global machinery sales stagnated in 2019 (2019: + 5%; 2018: + 5%). China was also hit by global obstacles. In fact,- industrial growth declined by half to around + 4%. Excluding China, the world market shrank by 2% in real terms in 2019 and was thus in a recession. The sales trend in the ASEAN-5 countries was weak and, in some cases, declined even further. Development was also negative in Japan (– 6%) and South Korea (– 3%). The picture in Latin America was noticeably heterogeneous: Sales in Argentina collapsed massively due to the recession, while the market in Chile grew at double-digit rates. The economies of Brazil and Mexico improved slightly. In the US, the headwind became stronger due to weak industrial growth, with industrial sales dropping by a total of 1% after two strong years.

In Europe, the strongly export-oriented mechanical engineering sector also came under noticeable pressure in 2019, with industry sales shrinking by 1% in both Europe as a whole and the euro zone according to the VDMA. Italy (– 1%), Spain (– 2%), Portugal (– 15%) and the United Kingdom (– 4%) suffered losses, some of which were substantial. This contrasted with positive trends in Scandinavia and the EU countries in Eastern Europe. In Germany, the order situation for mechanical engineering companies was significantly worse in 2019, with orders down by around 9% (domestic – 9%, foreign – 9%). According to VDMA estimates, this resulted in a 2% decline in both German mechanical engineering output and sales in 2019.

Automotive industry 2019 with massive production losses for cars and trucks in some areas

The profound technological upheaval has continued at an even faster pace. The pressure on vehicle original equipment manufacturers (OEMs) and suppliers is noticeable, particularly as high development input is required in conjunction with growing pressure on margins and falling sales. In addition, the merger of PSA and FCA initiated in 2019 further drove market concentration. According to LMC Automotive (LMCA), global sales of light vehicles (LV, up to 6 t) fell by around 4.5% to just under 90.2 million vehicles in 2019. According to the Association of German Automobile Manufacturers, a total of 80.1 million passenger cars were sold in the smaller global passenger car market. The resulting market decline of 5% reached a new high and was thus more pronounced than the decline during the financial and economic crisis ten years ago. As a result, LV production was cut by 5.0% worldwide. With the exception of Japan (+ 0.1%), all major regions recorded significant losses, including China (– 7.7%), the US (– 3.9%), Mexico (– 3.3%) and India (– 10.6%). Due to the economic situation, truck and bus manufacturers also felt the effects of headwinds in many regions, especially in Asia. According to the latest data from LMCA, 3.2% fewer trucks were manufactured worldwide than in the previous year, with the US (+ 6.7%) and Japan (+ 4.9%) increasing their truck production against the prevailing negative trend.

In Europe (EU28 + EFTA), sales increased by 1.2% to 15.8 million passenger cars (West: + 0.7%, East: + 6.2%), according to the European Automobile Manufacturers Association ACEA (Association des Constructeurs Européens d'Automobiles), despite continuing market pressure. The most significant increase was recorded in Germany (+ 5.0%). Sales also rose in France (+ 1.9%) and Italy (+ 0.3%), while demand declined noticeably in the United Kingdom (– 2.4%) and Spain (– 4.8%). In contrast, according to the LMCA, production in Europe's export-oriented automotive industry was cut back by 3.3% to just under 21.4 million LV due to global market weakness. Production of light vehicles in Germany dropped by as much as 7.2%. Production figures also declined in the UK, France and Italy, in some cases massively. Due to the lower export figures, the production of commercial vehicles in Europe also declined slightly by 1.7% according to the LMCA. According to the ACEA, around 2.6 million trucks were sold in the truck segment in Europe (+ 2.5%), with sales in Western Europe increasing (+ 2.8%) and stagnating in Eastern Europe. In contrast, demand was lively in Germany (+ 6.1%), France (+ 4.3%) and the UK (+ 3.0%). More trucks were also shipped in Italy (+ 1.9%) and Spain (+ 0.3%). Demand was particularly strong for light trucks (up to 3.5 t) and especially for buses, while sales of heavy trucks (>16 t) stagnated.

Construction industry in Asia and Europe experiences strong tailwind in 2019, Germany booming

The construction industry in China, India and Southeast Asia is benefiting strongly from urbanization and political impulses, including infrastructure expansion. According to the statistics office NBS, China's investments in buildings grew nominally by 9.9% (of which residential construction: + 13.9%), and investments in the water industry by 1.4%. The construction industry in Europe continued its upswing thanks to a high demand for new construction and renovation as well as the favorable financing environment. According to estimates by the industry network Euroconstruct (including the ifo Institute), construction output in Europe rose by 2.3% in real terms in 2019 (2018: 3.2%). Nearly all of the 19 key individual markets for the sector recorded growth, with construction activity in Ireland and Hungary even showing double-digit increases. Finland and Sweden were the only exceptions. Construction output in Western Europe thus increased by 2.0% in real terms (2018: 2.6%), while Eastern Europe's construction industry even grew by 7.3% in 2019 (2018: 12.8%).

In Germany, construction investments in 2019 rose by 3.8% in real terms, after an increase of 2.5% the previous year (Destatis). According to the German Institute for Economic Research (DIW), the volume of residential construction grew by a total of 7.6% to EUR 247 billion (2018: + 8.6%). The volume of new construction grew by 7.4%. Construction work on existing buildings (extension / conversion, modernization, maintenance), which accounts for roughly two-thirds of the construction volume of apartments, increased by 7.7% (2018: + 7.9%). The construction volume of other building construction (excluding dwellings) rose by 6.6% (2018: + 6.2%). In civil engineering, too, construction output grew vigorously by posting an 8.0% increase (2018: + 8.7%), driven in particular by a positive development in public civil engineering (+ 9.0%).

US construction industry and water management experience tailwind in 2019 for infrastructure and renovation

In 2019, a total of 5.6% more private residential units were completed in the US than in the previous year. Nevertheless, the picture for the construction industry was mixed: private construction spending shrank by 2.5% in nominal terms, with a very significant decline in the sub-segment of private residential construction (– 4.7%), while public construction spending rose sharply (+ 7.1%). The increase mainly concerned the highways and roads segment (+ 8.8%) and the water supply sector (7.2%) and was mainly driven by a high demand for renovation and modernization. Investments in the infrastructure of sewage and rainwater plants also benefited from this development. Supported by lower mortgage interest rates, demand for irrigation systems for agriculture, sports facilities, parks and gardens also benefited. According to the industry experts at JBREC (John Burns Real Estate Consulting), demand in the market segments relevant to NORMA Group's NDS activities increased by 6.5% overall.

Legal and regulatory influencing aspects

In the context of the international focus of its business and against the backdrop of its acquisition strategy, various legal and tax-related regulations are relevant to NORMA Group, which include product safety and product liability laws, construction, environmental and employment-related regulations as well as foreign trade and patent laws. → RISK AND OPPORTUNITY REPORT, P. 89

In addition, NORMA Group's product strategy is influenced by increasing density of regulations in environmental law and ongoing discussion on emission-reducing drive technologies in the automotive industry. New regulations on emissions and fleet management provisions, as well as the strong trend towards hybrid and fully electric drive models have a positive impact on NORMA Group's business. After all, the increasing complexity of systems in vehicles – due to downsizing or hybrid vehicles, for example – also increases the number of interfaces and thus the demand for reliable joining technology. In addition, the increasing electrification of the automotive industry presents OEMs with new challenges and opens up new opportunities and business fields for NORMA Group, especially in the area of thermal management. → RESEARCH AND DEVELOPMENT, P. 55

With the acquisition of National Diversified Sales (NDS) in 2014 and the acquisition of the Indian water company Kimplas in 2018, the various regulatory initiatives in the field of water management as well as public measures to improve the supply of water to the population have also gained considerable influence for NORMA Group.

Significant developments in fiscal year 2019

Personnel changes in the Management Board

Bernd Kleinhens, Chairman of the Management Board of NORMA Group, resigned from the Management Board by mutual agreement effective July 31, 2019. Dr. Michael Schneider then took over the duties of Chairman of the Management Board in addition to his role as Chief Financial Officer.

The Supervisory Board appointed Dr. Schneider new Chairman of the Management Board of NORMA Group SE in November 2019. Besides serving as Chairman of the Management Board, Dr. Michael Schneider will retain his role as Chief Financial Officer until further notice. In November 2019, the Supervisory Board initiated the search for a suitable candidate for the position of Chief Financial Officer and will most likely decide on the position in the months to come.

Strategic measures aimed at optimizing Group structures

NORMA Group has grown rapidly in recent years, both organically and through acquisitions. This has also been accompanied by rapid growth in the production landscape and organizational structures. These will be optimized in order to enable the Company to respond promptly and flexibly to changing conditions. In order to further streamline processes and systems within the Group and thus lay the foundations for further growth levels, the Management Board of NORMA Group announced the implementation of a rightsizing program back in February 2019 aimed at the long-term optimization of Group structures. The program includes optimization measures in all regions – EMEA, the Americas and Asia-Pacific – and is designed to focus NORMA Group's business model on the demands of the future strategic growth fields of electromobility and water management. The measures that have either already been implemented or are planned are expected to make a positive contribution to annual earnings (adjusted EBITA) of around EUR 10 million to EUR 15 million from 2021 on. Total costs of the project are currently EUR 15 million.

In light of the persistently difficult market environment and as a consequence of NORMA Group's – weaker than expected – sales and earnings performance in fiscal year 2019, the Management Board in its new composition also launched the "Get on Track" change program in November 2019 that was approved by the Supervisory Board. This program includes extensive improvement measures and addresses the following three main aspects in particular: optimizing site capacities in all regions, streamlining the product portfolio, mainly through more active portfolio management, and improving structures and processes along the entire value chain.

The change program is expected to lead to cost savings from 2020 on that are expected to increase to between EUR 40 million and EUR 45 million annually by 2023. A cumulative total cost volume of around EUR 45 million to EUR 50 million is expected for the implementation and realization of the measures by 2023. The costs of this project will not be adjusted.

Optimiziation of Group financing

NORMA Group managed to refinance its credit lines in fiscal year 2019, thereby creating financial security and flexibility for the future. The new credit agreement has an initial volume of EUR 250 million. Furthermore, a revolving facility of EUR 50 million and an accordion facility were also concluded, whereas the accordion facility does not have a maximum threshold. In addition, for the first time, the financing agreements also include a sustainability component that links the financing terms to NORMA Group's activities in the area of Corporate Responsibility. By further improving its sustainability rating, the Company now has the chance to reduce the interest burden of its financing. The credit agreement was concluded for a term of five years and includes the option to extend it twice for a further year each time. The financing is comprised of tranches denominated in euros and US dollars. → FINANCIAL POSITIONS, P. 69

Comparison of target and actual values

NORMA Group published a forecast in its 2018 Annual Report on the development of the Group's most important financial figures in fiscal year 2019. In the course of the fiscal year under review, the Management Board was forced several times to concretize or adjust its forecast for Group sales growth, the adjusted EBITA margin and the net operating cash flow due to changes in the general economic conditions. The following explanations provide an overview of the forecast adjustments and a comparison of the projected values with the Group's actual results.

Adjustments to the forecast during the year

The Management Board of NORMA Group concretized the forecast for the Group's adjusted EBITA margin in April 2019 on the basis of sales in the first quarter of 2019 and the expected results for the full year. At that time, the Management Board still expected the adjusted EBITA margin to be within the range of 15% to 17% as forecasted in March 2019, although this figure was expected to be at the lower end of the range. This was due to the difficult economic and political environment, which proved to be much more volatile than expected, especially in the EMEA and Asia-Pacific regions.

The market environment in the global automotive business continued to deteriorate in the summer of 2019. The negative impact from the global trade disputes and sanctions and the resulting reluctance to invest were reflected in a continued decline in business, particularly in the EMEA and Asia-Pacific regions. In addition, the costs for the introduction of an ERP system at a site in Latin America also had a negative impact on Group earnings. These developments prompted the Management Board to revise its forecast for organic sales growth, earnings development and net operating cash flow downwards in July 2019. Instead of organic growth of around 1% to 3%, the Management Board now expected organic growth within a corridor of around – 1% to around 1%, an adjusted EBITA margin of over 13% (previous forecast: at the lower end of the corridor between 15% and 17%) and net operating cash flow of EUR 90 million (previous forecast: EUR 100 million). In the course of the reporting on the second quarter of 2019, the Management Board also revised its forecast for NOVA and adjusted earnings per share and now assumed NOVA of EUR 30 million to EUR 40 million (previous forecast: EUR 50 million to EUR 60 million) and a sharp decline in adjusted earnings per share (previous forecast: moderate increase).

In October 2019, the Management Board lowered its forecast for organic sales growth for the regions and the Group and has since then expected an organic decline in Group sales of around 4% to 2%. The main reason for this was the sharp downturn in the EJT business in the US, which was partly due to strikes at key customers in the passenger car and truck industries. In addition, the EMEA and Asia-Pacific regions also fell slightly short of expectations. With regard to NORMA Value Added (NOVA), the Management Board now expected a bandwidth of between EUR 20 million and EUR 30 million for the full year 2019.

The → TABLE 015 on P. 63 provides an overview of the target and actual values as well as the forecast adjustments during the year.

Deviations from the target values

NORMA Group's organic growth in Group sales of – 2.0% is within the range of – 4% to – 2%, which was revised downwards in October 2019, but significantly below the original forecast of around 1% to 3% published in March 2019.

Development was mixed with regard to cost factors. While adjusted cost of materials ratio and adjusted other operating income and expenses as a percentage of sales improved, the adjusted personnel cost ratio deteriorated significantly due to the increased number of employees, severance payments to a former member of the Management Board and lower sales revenues. Among other factors, other operating expenses positively reflect the effects of the first-time application of IFRS 16.

The adjusted EBITA margin for fiscal year 2019 was at 13.2% (excluding IFRS 16: 13.1%), which was also significantly below the initially forecast range of 15% to 17%, but within the forecast of over 13% that was revised downwards in July 2019.

This development was also reflected in adjusted earnings per share, which, at EUR 2.76, were within the range of the forecast adjusted over the course of the year (sharp decline), but thus contrary to the original expectations (moderate increase).

Net operating cash flow amounted to EUR 122.9 million (without IFRS 16: EUR 111.6 million) in fiscal year 2019 and was thus above the original forecast of around EUR 100 million (without IFRS 16), whereas this was also revised downwards to around EUR 90 million (without IFRS 16) in fiscal year 2019.

NOVA amounted to EUR 17.3 million (without IFRS 16: EUR 17.3 million) in fiscal year 2019 and clearly failed to meet the original forecast of EUR 50 million to EUR 60 million as well as the forecast adjusted in October 2019 to EUR 20 million to EUR 30 million. One of the reasons for this was the increase in the market risk premium that was given exogenously on the recommendation of the German Institute of Public Auditors (IDW).

The other key financial figures were in line with the forecast published in the 2018 Annual Report.

Actual business development compared to the forecast [1]

T015

	Results in 2018 [1]	March 2019 [2]	April 2019	July / Aug. 2019	Oct. / Nov. 2019	Results in 2019 (without IFRS 16) [2]
Group sales	EUR 1,084.1 million	n/a	n/a	n/a	n/a	EUR 1,100.1 million.
Organic growth of Group sales	7.7% organic growth, additionally EUR 16.5 million from acquisitions	moderate organic growth of around 1% to 3%, additionally around EUR 13 million from acquisitions	no adjustment	organic growth of – 1% to 1%	organic decline of around – 4% to – 2%	– 2.0% organic growth, additionally EUR 13.3 million from acquisitions
Organic sales growth EMEA	2.0%	moderate organic growth	no adjustment	no adjustment	moderate organic decline	– 2.3%
Organic sales growth Americas	12.4%	moderate organic growth	no adjustment	moderate organic decline	noticable organic decline	– 3.1%
Organic sales growth Asia-Pacific	14.9%	strong organic growth	no adjustment	moderate organic growth	moderate organic decline	2.3%
Sales growth EJT	7.3%	moderate growth	no adjustment	noticable decline	no adjustment	– 2.8%
Sales growth DS	5.8%	moderate growth	no adjustment	no adjustment	no adjustment	9.2%
Adjusted cost of materials ratio	43.6%	roughly at the same level as in previous years	no adjustment	no adjustment	moderate decline	43.4%
Adjusted personnel expense ratio	25.9%	roughly at the same level as in previous years	no adjustment	moderate increase	noticable increase	27.5%
Adjusted EBITA margin	16.0%	between 15% and 17%	the lower end of the range of 15% to 17%	moren than 13%	no adjustment	13.2% (13.1%)
NOVA	between EUR 50 million and EUR 60 million	no adjustment	no adjustment	between EUR 30 million and EUR 40 million.	between EUR 20 million and EUR 30 million.	EUR 17.3 million. (EUR 17.3 million)
Financial result	EUR – 11.7 million	up to EUR – 15.0 million	no adjustment	no adjustment	no adjustment	EUR – 15.5 million (EUR – 14.2 million)
Adjusted tax ratio	24.9%	around 25% to 27%	no adjustment	no adjustment	no adjustment	27.1%
Earnings per share	EUR 3.61 (adjusted) EUR 2.88 (reported)	moderate increase	no adjustment	strong decline	no adjustment	EUR 2.76 (adjusted) EUR 1.83 (reported)
Net operating cash flow	EUR 124.4 million	around EUR 100 million	no adjustment	around EUR 90 million	no adjustment	EUR 122.9 million (EUR 111.6 million)
Investments in R&D (related to EJT sales)	4.5%	around 5% of EJT sales	no adjustment	no adjustment	no adjustment	4.7%
Investment rate (without acquisitions)	5.8%	operational investments of around 5% of Group sales	no adjustment	no adjustment	no adjustment	5.0%
Dividend / Payout ratio	EUR 1.10 [2] 30.5%	approx. 30% to 35% of adjusted annual Group earnings	no adjustment	no adjustment	no adjustment	EUR 0 [3] 0 [3]
Number of invention applications	32	more than 20	no adjustment	no adjustment	no adjustment	22
Number of defective parts per million (PMP)	7	less than 20	no adjustment	no adjustment	no adjustment	6
Average number of quality-related customer complaints per month	7	less than 8	no adjustment	no adjustment	no adjustment	6

1_The adjustments relate to adjustments for acquisitions as well as the initiated “Rightsizing” program announced in February 2019. → NOTES, P. 148
2_Changes in key figures resulting from the first-time application of IFRS 16 were not taken into account in the forecast for the 2019 fiscal year. The deviations in the key figures due to the first application of IFRS 16 is shown in brackets in the table.
3_In accordance with the Management Board's proposal for the appropriation of net profit, subject to the approval by the Annual General Meeting on June 30, 2020.

General statement by the Management Board on the course of business and economic situation

For NORMA Group, fiscal year 2019 was a year with many unforeseeable challenges, which had a negative impact on some parts of the Group and thus a negative impact on the Group's sales and earnings in the past year. These contrary developments affected the automotive industry in particular, which suffered significant production and sales losses worldwide in fiscal year 2019. This development had a particularly negative impact on NORMA Group's EJT business, which consequently showed an organic decline in sales of 4.5%. Despite the relatively good development of the DS business – and in particular of the water business – this could not be compensated for by organic sales growth of 2.7%. With the additional sales revenues from the acquisitions of Kimplas and Statek, which contributed 1.2% to total sales growth and positive currency effects of 2.3%, Group sales growth in fiscal year 2019 amounted to 1.5%. In addition to this sales growth that was significantly lower than initially expected, additional cost increases in the areas of personnel and materials had a negative impact on earnings. These circumstances led to an adjusted EBITA margin of 13.2% (2018: 16.0%) and adjusted earnings per share of EUR 2.76 (2018: EUR 3.61). This development was significantly below the Management Board's expectations and meant the forecast needed to be revised over the course of the year.

The Management Board is cautious for the current year due to the continuing risks and difficult conditions in some of the industries that are important to NORMA Group and expects a noticeable decline in organic sales for fiscal year 2020. In addition, the Management Board expects an adjusted EBITA margin of more than 13% as a result of the change program that has been introduced. → FORECAST REPORT, P. 82

Earnings, assets and financial position

Adjustments

NORMA Group adjusts certain expenses for the operational management of the Company. The following adjusted results shown reflect the Management Board's view.

In fiscal year 2019, net expenses of EUR 13.4 million in total were adjusted within EBITDA (2018: EUR 4.4 million). These relate primarily to other operating expenses (EUR 2.9 million) and employee benefit expenses (EUR 9.9 million) as well as to the cost of materials (EUR 0.2 million) from the "Rightsizing" project initiated in the fourth quarter of 2018 in order to optimize the Group's structures. The adjustments within expenses for employee benefits relate to costs for project hours of internal employees of the core workforce, costs for project employees who were hired temporarily and costs for severance payments. The adjustments in fiscal year 2018 are described in the Notes to the Consolidated Financial Statements. → NOTES, P. 148

Furthermore, expenses for integration in connection with the acquisitions of Kimplas and Statek were adjusted within other operating expenses (EUR 0.3 million) and within employee benefits (EUR 0.1 million).

In addition to the adjustments described above, depreciation on property, plant and equipment from purchase price allocations of EUR 3.4 million (2018: EUR 3.9 million) was shown as adjusted within EBITA and amortization of intangible assets from purchase price allocations of EUR 22.5 million (2018: EUR 21.1 million) was shown as adjusted within EBIT. An impairment loss of EUR 1.4 million in the area of capitalized customer relationships was adjusted in fiscal year 2018 within amortization of intangible assets. This related to the Chinese company Fengfan.

Notional income taxes resulting from the adjustments are calculated using the tax rates of the respective local companies concerned and included in adjusted earnings after taxes.

The following table shows the result adjusted for these effects:

Adjustments [1] T016

in EUR million	2019 adjusted	Adjustments	2019 reported
Group sales	1,100.1	0	1,100.1
EBITDA	187.2	13.4	173.8
EBITDA margin (in %)	17.0		15.8
EBITA	144.8	16.9	127.9
EBITA margin (in %)	13.2		11.6
EBIT	136.1	39.4	96.7
Financial income	– 15.5	0	– 15.5
Profit for the period	87.8	29.4	58.4
EPS (in EUR)	2.76	0.93	1.83

1_Deviations may occur due to commercial rounding.

Effects from the first-time application of IFRS 16

The effects of the first-time application of IFRS 16 on the Consolidated Statement of Financial Position as of January 1, 2019 and the effects on the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows for the period from January 1 to December 31, 2019 are presented in the Notes to the Consolidated Financial Statements.
→ NOTES, P. 119 FF.

The following table shows the effects on key performance indicators of NORMA Group.

Effects from the first-time adoption of IFRS 16 on key financial control parameters [1] T017

in EUR million	2019 adjusted	Effects of IFRS 16	2019 adjusted without IFRS 16
Adjusted EBITA	144.8	**1.0**	143.8
Adjusted EBITA margin (in %)	13.2	0.1	13.1
Net operating cash flow	122.9	**11.3**	111.6
in % related to sales	11.2	1.1	10.1
NORMA Value Added (NOVA)	17.3	**0**	17.3

1_Deviations may occur due to commercial rounding.

Earnings position

The development described below explains the changes in the main items of the income statement in the year under review, adjusted for the above-mentioned special effects. → NOTES, P. 148

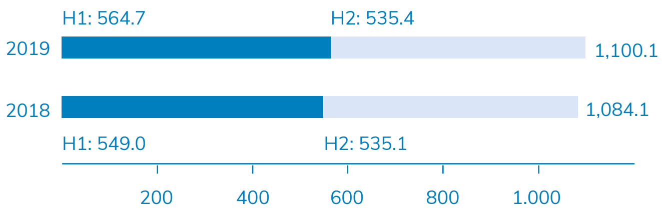
Sales development

Slight growth in Group sales, organic sales down
In fiscal year 2019, NORMA Group's sales increased by 1.5% to EUR 1,100.1 million (2018: EUR 1,084.1 million). This figure includes a 2.0% decline in organic sales (2018: + 7.7%) and acquisition-related growth of 1.2% (2018: 1.6%). Currency effects in connection with exchange rate changes had a positive effect of 2.3% (2018: – 2.8%).

The decline in organic sales growth is mainly due to the weak development of the global automotive industry and the resulting drop in demand for joining technology. The main reasons for this were the WLTP issue in Europe, which still persisted at the beginning of the year, the ongoing trade dispute between the US and China and the restructuring in the industry caused by the technological changes. In addition, the negative development of the truck business in the US towards the end of the past fiscal year also had a dampening effect.

The Distribution Services (DS) business unit was the main growth driver in fiscal year 2019, which was positively influenced in particular by the good development of the US water business. In addition, the companies Kimplas and Statek, which were acquired in fiscal year 2018, made a positive contribution to sales growth.

Development of sales 2019 G011
in EUR million



Effects on Group sales [1] T018

	in EUR million	Share in %
Group sales 2018	1,084.1	
Organic growth	– 21.6	– 2.0
Acquisitions	13.3	1.2
Currency effects	24.4	2.3
Group sales 2019	**1,100.1**	**1.5**

1_Deviations may occur due to commercial rounding.

Heterogeneous growth in the three regional segments
Growth in the individual regional segments varied greatly in fiscal year 2019.

The Asia-Pacific region recorded the strongest growth in fiscal year 2019, with sales of EUR 163.4 million (2018: EUR 147.8 million), an increase in sales of 10.5% and organic growth of 2.3%. This was primarily due to the strong growth in the second half of the year, which was characterized by a revival of business and obtaining new orders in China. Additional revenues from the acquisition of Kimplas (EUR 10.3 million) and positive currency effects also contributed to growth in the region.

The Americas region achieved slight growth of 2.1% year-on-year by posting sales of EUR 450.8 million (2018: EUR 441.5 million). This was driven in particular by the good development of the NDS water business in the US as well as positive currency effects in connection with the development of the US dollar.

The EMEA region recorded a 1.8% decline in sales to EUR 486.0 million (2018: EUR 494.8 million) in fiscal year 2019 due to the weak development in both the European automotive business and stagnation in the DS segment. → SEGMENT REPORTING, P. 71

EJT business affected by weakness in the automotive sector, DS business grows significantly

Sales in the EJT segment amounted to EUR 665.5 million in fiscal year 2019 (2018: EUR 684.6 million), down 2.8% on the previous year. The main reason for this was the poor conditions in the automotive sector with declining production and sales figures in all three regional segments. While the EJT business in the Asia-Pacific region recovered noticeably in the second half of the year and showed organic growth for the year as a whole, the situation in the EMEA and Americas regions essentially remained unchanged in the third and fourth quarters. The collapse of the US market for commercial vehicles and strikes by key customers in the passenger car and truck sectors placed additional pressure on the business.

Distribution Services revenues amounted to EUR 430.2 million in 2019, an increase of 9.2% over the previous year (2018: EUR 393.8 million). The strong US water business as well as the companies Kimplas and Statek acquired in fiscal year 2018 contributed to DS sales growth. Acquisition-related sales growth in the DS segment amounted to 3.3%.

Development of sales channels T019

	EJT		DS	
	2019	2018	**2019**	2018
Group sales (in EUR million)	665.5	684.6	430.2	393.8
Growth (in %)	– 2.8	7.3	9.2	5.8
Share of sales (in %)	61	63	39	37

Development of earnings

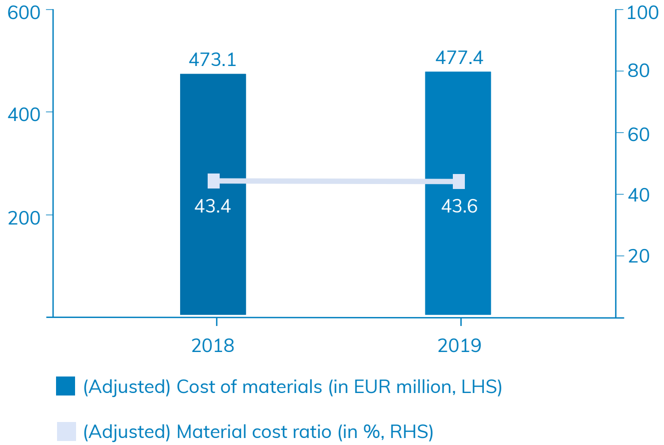
Adjusted cost of materials ratio slightly improved

Adjusted cost of materials amounted to EUR 477.4 million in fiscal year 2019, up 0.9% year-on-year (2018: EUR 473.1 million). The adjusted cost of materials ratio (cost of materials in relation to sales) was 43.4%, a slight improvement over the previous year (2018: 43.6%). Taking into account the change in inventories of finished goods and work in progress (2019: EUR 3.0 million; 2018: EUR 10.4 million), the cost of materials ratio was 43.1%, representing a year-on-year increase (2018: 42.7%).

Adjusted gross margin decreased

Adjusted gross profit amounted to EUR 630.6 million in fiscal year 2019, an increase of 0.6% from EUR 626.6 million the previous year. At 57.3%, the adjusted gross margin was 50 basis points below the level of the previous year (2018: 57.8%).

Adjusted cost of materials and cost of materials ratio G012



Adjusted personnel cost ratio increased

Adjusted personnel expenses amounted to EUR 302.4 million in fiscal year 2019, a 7.7% increase over the previous year (2018: EUR 280.8 million). Besides an increase in the number of employees, severance payments to a former member of the Management Board also contributed to the increase in personnel expenses compared to the previous year. Furthermore, the reduced allocations to provisions for bonus payments for employees in fiscal year 2018 led to a lower basis of comparison in the previous year. The adjusted personnel cost ratio resulting from the ratio of adjusted personnel expenses to sales amounted to 27.5% in fiscal year 2019 and was thus significantly higher than in the previous year (2018: 25.9%).

Adjusted other operating income and expenses decreased compared to sales

The balance of adjusted other operating income and expenses amounted to EUR – 141.0 million in fiscal year 2019, representing a decline of 2.3% over the previous year (2018: EUR – 144.4 million). This was due in particular to the effects of the first-time application of IFRS 16. In relation to sales, the balance of adjusted other operating income and expenses fell to 12.8% (2018: 13.3%) compared to the previous year.

Other operating income includes in particular currency gains from operating activities of EUR 6.1 million (2018: EUR 7.6 million) as well as income from the release of liabilities and provisions in the amount of EUR 4.0 million (2018: EUR 3.9 million). → OTHER OPERATING INCOME, P. 152

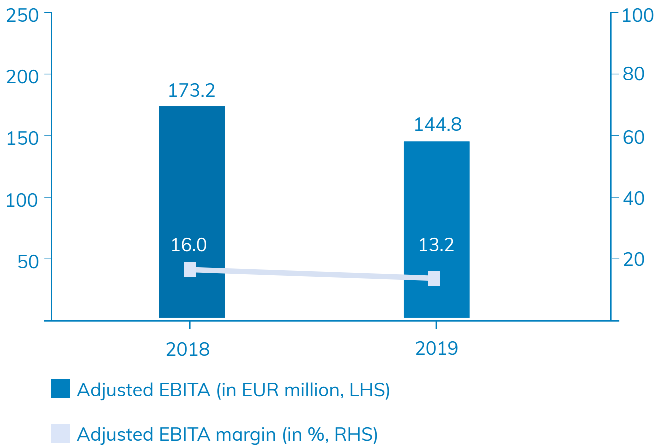
Other operating expenses include currency losses from operating activities of EUR 6.3 million (2018: EUR 8.5 million). In addition, IT and telecommunications costs (+ 9.7%) and freight costs (+ 7.7%) in particular increased compared to the previous year, while expenses for rents and building costs fell by 57.2% due to the first-time application of IFRS 16. → OTHER OPERATING EXPENSES, P. 152

Adjusted operating earnings impacted by weak sales growth and a high personnel cost ratio

Adjusted operating earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) amounted to EUR 187.2 million in fiscal year 2019 and were thus 7.0% below the previous year's level of EUR 201.4 million, despite the positive effects of IFRS 16 (EUR 11.4 million). The weaker sales growth and the higher personnel cost ratio had a negative effect on the adjusted EBITDA. The adjusted EBITDA margin resulting from the ratio to sales amounted to 17.0% and was thus significantly below the level of the previous year (2018: 18.6%).

Adjusted EBITA amounted to EUR 144.8 million in 2019, a decrease of 16.4% compared to the previous year (2018: EUR 173.2 million). The resulting underlying EBITA margin was 13.2% (16.0%).

Adjusted EBITA and adjusted EBITA margin G013



Return on capital employed (ROCE) T020

in EUR million	2019	2019 (without IFRS 16)	2018
Adjusted EBIT	136.1	135.0	164.5
Average capital employed	1,043.8	1,008.3	941.0
	13.0%	**13.4%**	**17.5%**

Return on capital employed (ROCE)

The return on capital employed (ROCE), which is calculated by dividing adjusted EBIT by the average capital employed during the year, amounted to 13.4% in fiscal year 2019 and thus decreased compared to the previous year (2018: 17.5%).

NORMA Value Added significantly lower

NORMA Value Added (NOVA), the relevant benchmark for the long-term remuneration of the Management Board, amounted to EUR 17.3 million in fiscal year 2019, a significant decrease compared to the previous year (2018: EUR 60.8 million). The reasons for this were the weak operating result (adjusted EBIT), higher invested capital than in the previous year due to the acquisitions of Kimplas and Statek, and a higher tax rate. In addition, the calculation of NOVA is based, among other factors, on a higher weighted average cost of capital (WACC) of 8.1% in fiscal year 2019 (2018: 7.1%) as a result of an increased market risk premium.
→ CONTROL SYSTEM AND CONTROL PARAMETERS, P. 52

Financial result impacted by the effects of IFRS 16

The financial result was down on the previous year at EUR – 15.5 million (2018: EUR –11.7 million) in fiscal year 2019, mainly influenced by the first-time application of IFRS 16 and the associated increase in interest expense from leasing liabilities by EUR 1.3 million. In addition, the financial result includes net currency gains / losses (including income / expenses from the measurement of currency hedging derivatives) of EUR – 0.2 million (2018: EUR 0.7 million), as a result of the hedging of the financial liabilities denominated in US dollars and the year-on-year development of this currency. At EUR 13.3 million, the net interest expense was at the the prior-year's level (2018: EUR – 13.3 million). → NOTES, P. 152

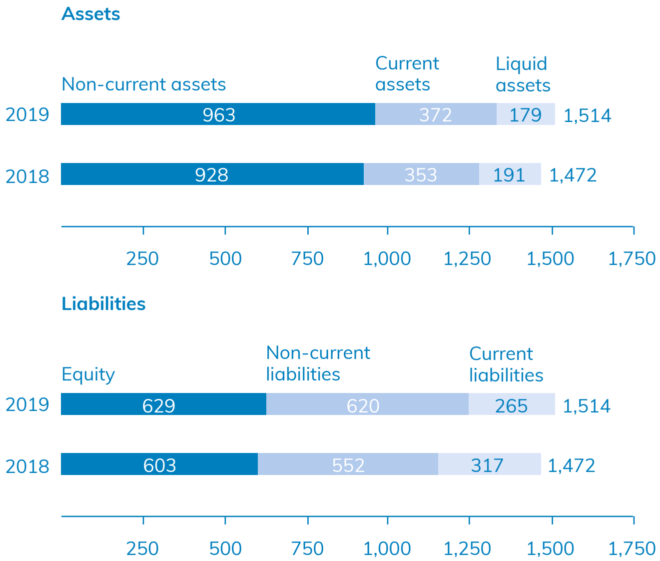
Higher revised and adjusted income tax rate
Revised income taxes amounted to EUR 32.7 million in fiscal year 2019 (2018: EUR 38.0 million), resulting in a revised and adjusted tax rate of 27.1% (2018: 24.9%). The increase in the tax rate compared to the previous year is mainly due to additional income taxes ("state taxes") to be paid in some US states as well as taxes paid retroactively for previous years in the US and non-creditable withholding taxes in Singapore.

Lower adjusted profit for the period
Adjusted profit for the period after taxes amounted to EUR 87.8 million in fiscal year 2019 and thus decreased by 23.5% compared to the previous year (2018: EUR 114.8 million). Based on the unchanged number of shares of 31,862,400 compared to the previous year, adjusted earnings per share after deduction of the profit for the period for non-controlling interests amounted to EUR 2.76 (2018: EUR 3.61).

Asset position

Higher total assets
Total assets as of December 31, 2019 amounted to EUR 1,514.3 million and were thus 2.9% higher compared to the previous year (Dec 31, 2018: EUR 1,471.7 million). A major reason for this was the first-time application of IFRS 16, which led to an extension of the balance sheet due to the rights of use from operating leases that had to be capitalized for the first time and the corresponding lease liability.

Asset and capital structure [1] G014
in EUR million



1_Deviations may occur due to commercial rounding.

Assets increased
NORMA Group's non-current assets amounted to EUR 962.8 million as of December 31, 2019, up 3.7% on the previous year (Dec 31, 2018: EUR 928.3 million). In particular, the effect of the first-time application of IFRS 16 was reflected in an increase in property, plant and equipment.

A total of EUR 54.8 million was invested in fixed assets in fiscal year 2019 (2018: EUR 63.3 million). Moreover, EUR 31.4 million were additionally recorded to fixed assets for the capitalization of the rights of use from leased assets for leased land and buildings.

The share of non-current assets to total assets amounted to 63.6% as of the balance sheet date (Dec 31, 2018: 63.1%). → NOTES, P. 157

Current assets amounted to EUR 551.5 million as of the balance sheet date, up 1.5% on the previous year (Dec 31, 2018: EUR 543.4 million). Trade receivables (including other receivables) increased by EUR 19.2 million to EUR 162.4 million. This increase is partly due to the reduction of ABS and factoring programs compared to the previous year's reporting date.

In contrast, cash and cash equivalents declined by EUR 10.7 million or 5.6% to EUR 179.7 million. At 36.4%, the share of current assets in total assets remained nearly unchanged from the previous year's reporting date (Dec 31, 2018: 36.9%).

Working capital increased
(Trade) working capital (inventories plus receivables less liabilities, both primarily from trade payables and trade receivables) amounted to EUR 192.5 million as of December 31, 2019, which was 7.4% higher than in the previous year (Dec 31, 2018: EUR 179.2 million). It was mainly influenced by a disproportionately high increase in trade receivables as a result of the ABS and factoring programs that were scaled back in fiscal year 2019.

The working capital ratio in relation to sales was 17.5% as of December 31, 2019 (Dec 31, 2018: 16.5%).

Increased equity ratio
Consolidated equity amounted to EUR 629.5 million as of December 31, 2019, an increase of 4.5% compared to the previous year (2018: EUR 602.4 million). The increase in equity was largely due to the result for the period of EUR 58.4 million, but also positive currency translation differences of EUR 9.0 million. The dividend payment of EUR 35.0 million in the second quarter of 2019 reduced equity. The first-time application of IFRS 16 resulted in a reduction of EUR 2.0 million in the opening balance sheet value

of equity. The equity ratio was 41.6% (2018: 40.9%) at the end of fiscal year 2019, an increase over the previous year.

Higher net debt
Net debt (financial liabilities, including derivative hedging instruments in the amount of EUR 0.9 million, less cash and cash equivalents) amounted to EUR 420.8 million at the end of the reporting period and thus rose by 5.1% compared to the previous year (Dec 31, 2018: EUR 400.3 million).

This was mainly due to the first-time application of IFRS 16, while the cash neutral currency effects on foreign currency loans and current interest expenses increased net debt in the first six months of 2019.

Financial liabilities
Financial liabilities increased by 1.7% to EUR 600.5 million (Dec 31, 2018: EUR 590.7 million). In the area of financial liabilities, loan liabilities declined to EUR 541.9 million (Dec 31, 2018: EUR 569.1 million). This decline is mainly due to the net repayment in connection with the refinancing in December 2019. Leasing liabilities increased by EUR 38.6 million due to the liabilities from capitalized leases recognized for the first time in 2019 in accordance with IFRS 16. → NOTES, P. 171 FF.

Gearing (net debt in relation to equity) as of the 2019 balance sheet date was 0.7 and thus unchanged from the previous year.

Leverage (net debt without hedging derivatives in relation to adjusted EBITDA of the last twelve months) increased to 2.2 compared to the previous year (Dec 31, 2018: 1.9).

Unrecognized assets
NORMA Group's rights to its brands and patents on the brands it owns, but customer relationships, if acquired externally, are also recognized in the balance sheet as intangible assets. However, the reputation of these brands and how well known they are among the NORMA Group's customers also play important roles in the success of its business. Well-established customer relationships that are based on NORMA Group's long-standing distribution network are equally important. The know-how and experience of NORMA Group employees also play important roles in the Company's success. The many years of research and development expertise and project management know-how are also seen as competitive advantages for NORMA Group. These values are not recognized in the balance sheet.

Financial position

Financing measures

NORMA Group monitors risks from changes in exchange and interest rates on a regular basis and aims to limit them by using derivative hedging instruments among other tools. Furthermore, NORMA Group generally strives to achieve a diversification of its financing instruments in order to reduce risks. These also include prolongation of repayment obligations and an even distribution of the maturity profile. Most of the supply and service relationships between individual currencies are simultaneously hedged over the course of the year.

NORMA Group successfully refinanced its bank credit lines in fiscal year 2019, thereby creating additional financial security and even greater flexibility for the future. The new credit agreement has an initial total volume of EUR 300 million. This includes a revolving facility of EUR 50 million and a flexible accordion facility. The refinancing was concluded with a bank consortium consisting of ten international banks. A sustainability component links the financing conditions to NORMA Group's commitment to corporate responsibility. The new financing was used to repay maturing promissory note tranches and refinance the existing bank loan agreement, significantly reducing NORMA Group's overall gross debt (liabilities to financial institutions). In addition, a commercial paper program was established that can be used for short-term liquidity management. As of December 31, 2019, EUR 15 million of this program had been utilized.

As of the reporting date December 31, 2019, the revolving line of credit in the amount of EUR 50 million in the syndicated loan had not been used. The accordion facility that was negotiated as part of this loan agreement had also not been drawn as of the reporting date of December 31, 2019. Both instruments are available to NORMA Group at least until 2024, which ensures a maximum of financing flexibility.

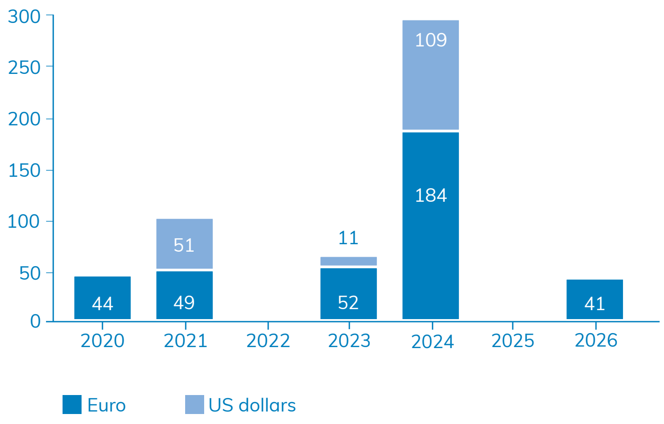
NORMA Group uses interest rate hedges to reduce interest rate risks that could result from the external financing components.

As of December 31, 2019, the average interest rate on total gross debt was 2.1%. NORMA Group's maturity profile for all three promissory notes I (2013), II (2014) and III (2016) and the syndicated credit line (2019) on December 31, 2019, are shown in the → GRAPHICS 015 AND 016 ON P. 70.

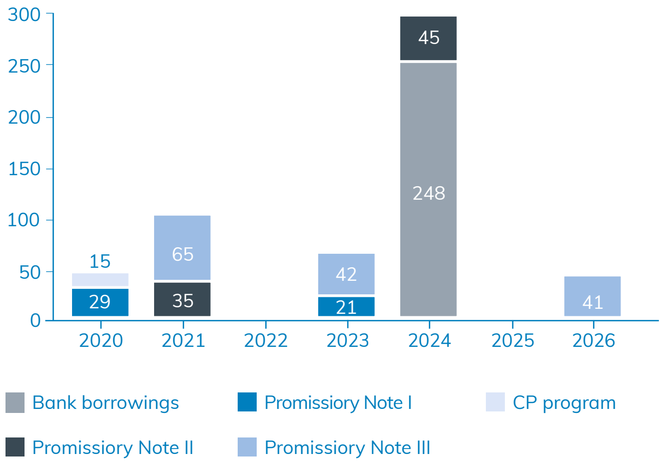
As of the balance sheet date in 2019, NORMA Group complied with all of the conditions contained in the loan contracts (financial covenants: debt in relation to consolidated EBITA).

Future concrete financing steps will depend on the current changes in the financing markets and acquisition potential.

Maturity profile by currency G015
in EUR million



Maturity profile by financial instrument G016
in EUR million



Development of cash flow

Net operating cash flow declined slightly

In fiscal year 2019, NORMA Group generated net operating cash flow (adjusted EBITDA less changes in working capital and operating expenses) of EUR 122.9 million (2018: EUR 124.4 million). This includes a positive effect of EUR 11.3 million from the first-time application of IFRS 16. Without this effect, net operating cash flow would have been EUR 111.6 million. In contrast, the reduction of factoring activities in the amount of EUR 10.4 million had a negative effect.

Cash flow from operating activities

Cash flow from operating activities, which is derived indirectly from the net profit for the period, amounted to EUR 137.1 million in fiscal year 2019 (2018: EUR 130.8 million) and is thus higher than in the previous year. Among other factors, this is due to the first-time application of IFRS 16, which resulted in a change in the presentation of the cash flows attributable to capitalized leases from cash flow from operating activities to cash flow from financing activities. The total effect of the first-time application of IFRS 16 on cash flow from operating activities amounted to EUR 11.3 million. → NOTES, P. 195

NORMA Group participates in a reverse factoring program, a factoring program and an ABS program. The corresponding cash flows are presented under cash flow from operating activities as this reflects the economic substance of the transactions. Liabilities under the reverse factoring program are reported under trade payables and similar liabilities.

As of December 31, 2019, liabilities of EUR 21.3 million (Dec 31, 2018: EUR 19.2 million) from reverse factoring programs were recognized. The total amount of cash flow relevant trade receivables sold under the factoring and ABS programs amounted to EUR 48.7 million as of December 31, 2019 (2018: EUR 61.2 million). → NOTES, P. 169 FF.

The cash inflow from operating activities also includes payments for share-based payments of EUR 1.0 million (2018: EUR 3.5 million) resulting from the cash remuneration under the Long-Term Incentive plan (LTI) for employees of NORMA Group (2018: cash remuneration of the 2014 tranche of the MSP and LTI for employees of NORMA Group).

Cash flow from investing activities

Net cash used in investing activities was EUR 57.0 million in 2019 (2018: EUR 129.5 million). Cash flow from investing activities in 2019 was particularly influenced by the outflow of funds for the procurement of non-current assets in the amount of EUR 57.8 million (2018: EUR 60.8 million). This includes expenses for the expansion (2019: EUR 33.0 million; 2018: EUR 42.8 million) and expenses for the maintenance and improvement of operating capacities (2019: EUR 21.8 million; 2018: EUR 20.5 million). In the previous year, the cash flow from investing activities was mainly impacted by net payments for acquisitions (Kimplas and Statek) amounting to EUR 69.8 million.

NORMA Group's investing activities in fiscal year 2019 (tangible and intangible assets) in the amount of EUR 54.8 million (2018: EUR 63.3 million) represents a reduced investment ratio of 5.0% (2018: 5.8%) of sales.

NORMA Group is investing the funds from the operating cash flow in further growth, among other areas. The investments made in the 2019 reporting year related to production facilities and capacity expansion, mainly in the US, Mexico, Poland, Serbia, the Czech Republic, France and China. → PRODUCTION AND LOGISTICS, P. 74

Cash flow from financing activities

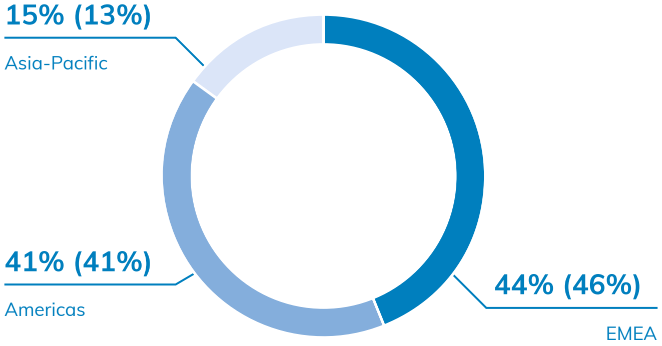
Cash flow from financing activities was EUR – 93.2 million in 2019 (2018: EUR 31.3 million). It mainly includes net loan payments (EUR – 32.9 million), dividend payments to the shareholders of NORMA Group SE (EUR – 35.0 million) and interest payments (EUR – 15.1 million). Furthermore, due to the first-time application of IFRS 16, payments for leasing liabilities (EUR – 10.1 million) are reported under cash flow from financing activities.

Segment reporting

As a result of acquisitions and developing new markets in line with NORMA Group's continuing strategy of internationalization, the share of sales realized internationally increased from 81.2% to 83.0%.

Due to the fact that financing as a whole is controlled centrally and exclusively made available through approved external credit facilities by the central functions of NORMA Group, the Company forgoes publishing a separate list of financing by segment. In every segment, the aim is to achieve an investment ratio and cash generation that is in line with the Group average in the medium-term. → GOALS AND STRATEGIES REGARDING FINANCE AND LIQUIDITY MANAGEMENT, P. 55

Breakdown of sales by segments [1] G017



1_Previous year's figures in brackets.

EMEA

Effects from the first-time application of IFRS 16 in EMEA [1] T021

in EUR million	2019 adjusted	Effects of IFRS 16	2019 adjusted without IFRS 16
Adjusted EBITDA	90.8	3.8	87.0
Adjusted EBITDA margin (in %)	17.4	0.7	16.7
Adjusted EBITA	73.6	0.2	73.4
Adjusted EBITA margin (in %)	14.1	0.1	14.0
Assets (Dec 31, 2019)	632.0	8.3	623.7
Liabilities (Dec 31, 2019)	204.6	8.8	195.8
CAPEX	25.0	1.6	23.4

1_Deviations may occur due to commercial rounding.

External sales in the EMEA region amounted to EUR 486.0 million in 2019, down 1.8% compared to the previous year (2018: EUR 494.8 million). Organic sales decreased by 2.3%, which is mainly due to the poor conditions in the European automotive industry with declining production and sales figures. Acquisition-related revenues from the acquisition of Statek contributed 0.6% (EUR 3.0 million) to growth, while currency effects had a slightly negative impact of – 0.1% on sales growth.

The EMEA region accounted for 44% of total sales in fiscal year 2019 (2018: 46%).

Adjusted EBITDA in the EMEA region declined by 4.9% to EUR 90.8 million in fiscal year 2019 (2018: EUR 95.5 million). At 17.4%, the adjusted EBITDA margin was slightly below the level of the previous year (2018: 17.6%). The main reason for the decline is the higher personnel cost ratio in relation to sales, but this was nearly offset by the effect of the first-time application of IFRS 16 and is reflected negatively in adjusted EBITA only. Adjusted EBITA amounted to EUR 73.6 million (2018: EUR 82.4 million), a decrease of 10.6% compared to the previous year. The adjusted EBITA margin was 14.1% (2018: 15.2%).

Assets increased slightly by 1.2% to EUR 632.0 million compared to the previous year (Dec 31, 2018: EUR 624.4 million). Capital expenditure amounted to EUR 25.0 million (Dec 31, 2018: EUR 28.3 million) and mainly related to investments in new machinery and production facilities in the Czech Republic, Serbia, Poland and France. Debt increased by 3.2% to EUR 204.6 million in 2019 (Dec 31, 2018: EUR 198.3 million).

Americas

Effects from the first-time application of IFRS 16 in Americas [1] T022

in EUR million	2019 adjusted	Effects of IFRS 16	2019 adjusted without IFRS 16
Adjusted EBITDA	79.6	5.8	73.8
Adjusted EBITDA margin (in %)	17.3	1.3	16.0
Adjusted EBITA	64.0	0.7	63.3
Adjusted EBITA margin (in %)	13.9	0.1	13.8
Assets (Dec 31, 2019)	655.3	23.4	631.9
Liabilities (Dec 31, 2019)	271.9	25.5	246.4
CAPEX	18.0	0.1	17.9

1_Deviations may occur due to commercial rounding.

External sales in the Americas segment rose by 2.1% to EUR 450.8 million in 2019 (2018: EUR 441.5 million). Organic sales declined by 3.1%. This was due to the generally weak development in the US car and truck market with declining production and sales figures and strikes at key NORMA Group customers. Growth impulses came mainly from the US water business of the subsidiary National Diversified Sales (NDS). Currency effects in connection with the development of the US dollar also had a positive effect on sales growth (5.2%).

Adjusted EBITDA for the Americas region amounted to EUR 79.6 million in 2019, down 8.7% year-on-year (2018: EUR 87.2 million). The adjusted EBITDA margin amounted to 17.3% (2018: 19.3%). Adjusted EBITA declined by 18.2% to EUR 64.0 million (2018: EUR 78.3 million), while the adjusted EBITA margin was 13.9% (2018: 17.4%). The margin in the Americas region was negatively impacted, among other factors, by the unplanned additional extraordinary costs resulting from the introduction of an ERP system at a Latin American site. The effects of the first-time application of IFRS 16 had a positive impact on adjusted EBITDA (EUR 5.8 million) and adjusted EBITA (EUR 0.7 million).

Assets increased by 0.9% year-on-year to EUR 655.3 million (Dec 31, 2018: EUR 649.8 million).

Investments in the region amounted to EUR 18.0 million, down 14.5% on the previous year (Dec 31, 2018: EUR 21.1 million). Investment focused on the plants in the US and Mexico. → PRODUCTION AND LOGISTICS, P. 74

Liabilities in the Americas region amounted to EUR 271.9 million, down 6.6% compared to the previous year (Dec 31, 2018: EUR 291.2 million).

Asia-Pacific

Effects from the first-time application of IFRS 16 in Asia-Pacific [1] T023

in EUR million	2019 adjusted	Effects of IFRS 16	2019 adjusted without IFRS 16
Adjusted EBITDA	28.0	1.6	26.4
Adjusted EBITDA margin (in %)	16.8	1.0	15.8
Adjusted EBITA	20.1	0.1	20.0
Adjusted EBITA margin (in %)	12.1	0.1	12.0
Assets (Dec 31, 2019)	258.9	3.8	255.1
Liabilities (Dec 31, 2019)	53.7	4.1	49.6
CAPEX	12.4	0.3	12.1

1_Deviations may occur due to commercial rounding.

External sales in the Asia-Pacific region amounted to EUR 163.4 million in 2019, an increase of 10.5% over the previous year (2018: EUR 147.8 million). Organic growth amounted to 2.3% and was positively influenced in particular by the resurgence of demand in China in the second half of 2019, despite continued market weakness. Reasons for this included the start of several series production runs and effects from the early introduction of the China 6a standard in some Chinese provinces. In addition, the recent acquisition of the Indian water specialist Kimplas contributed 7.0% or EUR 10.3 million to sales growth. Currency effects had an additional positive impact of 1.2% on sales growth.

Adjusted EBITDA in the Asia-Pacific region increased by 21.9% to EUR 28.0 million (2018: EUR 23.0 million). The adjusted EBITDA margin was 16.8% (2018: 15.2%), exceeding the previous year's figure. Adjusted EBITA increased by 10.1% to EUR 20.1 million (2018: EUR 18.3 million), resulting in a constant adjusted EBITA margin of 12.1% compared to the previous year. The first-time application of IFRS 16 had a positive effect on adjusted EBITDA (EUR 1.6 million) and adjusted EBITA (EUR 0.1 million).

Assets increased by 3.4% to EUR 258.9 million in the reporting year (Dec 31, 2018: EUR 250.4 million). Investments, which amounted to EUR 12.4 million in 2019 (Dec 31, 2018: EUR 11.7 million), were mainly used to expand the sites in China. → PRODUCTION AND LOGISTICS, P. 74

Liabilities in the Asia-Pacific region were EUR 53.7 million, down 2.0% compared to the previous year (Dec 31, 2018: EUR 54.8 million).

Development of segments T024

	EMEA			Americas			Asia-Pacific		
in EUR million	2019[3]	2018	Δ in %	2019[3]	2018	Δ in %	2019[3]	2018	Δ in %
Total segment sales	523.2	543.1	– 3.7	460.3	451.2	2.0	166.6	151.3	10.1
External sales	486.0	494.8	– 1.8	450.8	441.5	2.1	163.4	147.8	10.5
Contribution to consolidated sales (in %)	44	46		41	41		15	13	
Adjusted EBITDA [1]	90.8	95.5	– 4.9	79.6	87.2	– 8.7	28.0	23.0	21.9
Adjusted EBITDA margin (in %) [2]	17.4	17.6		17.3	19.3		16.8	15.2	
Adjusted EBITA [1]	73.6	82.4	– 10.6	64.0	78.3	– 18.2	20.1	18.3	10.1
Adjusted EBITA margin (in %) [2]	14.1	15.2		13.9	17.4		12.1	12.1	

1_The adjustments are described in the Notes. → NOTES, P. 148
2_In relation to segment sales.
3_Including the effects of the first time adoption of IFRS 16.

Production and logistics

NORMA Group manufactures and markets more than 40,000 different products and has 29 production sites all over the world. Furthermore, the Company has a network consisting of numerous distribution, sales and competence centers that supply to its customers in the respective regions.

Production and capacity utilization

The capacity utilization of NORMA Group's manufacturing and distribution facilities varies from site to site. In markets such as the emerging countries, where NORMA Group's business is still being developed, the area-related utilization of production plants is still relatively low. This can be attributed to the fact that investment decisions are planned in advance to ensure that sufficient production space is available to be able to expand production capacity in a flexible manner. In industrial nations and the markets in which NORMA Group already has a long-term market position and the plants are largely working to capacity, an attempt is made to avoid investing in additional manufacturing space whenever possible. Instead, the goal is to optimize the current manufacturing processes by improving efficiency in order to be able to use the existing space to create additional capacity.

The capacity utilization of manufacturing plants can be ramped up flexibly to suit customer demand and the order situation. Within each product category, a wide variety of different products with different specifications can be manufactured at the existing plants by performing only minor conversion measures. Thus, production can be optimally adapted to suit customer demand.

Investment in capacity expansion

NORMA Group once again invested in expanding its capacity during the reporting year. The most important strategic investments are shown in the following table.

Strategic investment highlights 2019 T025

Region	Country	City	Investment
EMEA	Czech Republic	Hustopece	Investment in a new transfer press system to increase capacity for V-profile clamps
	Serbia	Subotica	Further expansion of new production capacities for a newly developed SCR system to fill additional large orders from leading European automobile manufacturers Modernization of how tools are designed in component production in the area of fluid systems Installation of manufacturing capacities to expand the product range with respect to corrugated pipes
	France	Guichen	Automation in the area of connector assembly
	Poland	Pilica	Expansion of manufacturing capacities in the area of fluid systems for the e-mobility sector to manage new customer orders
Americas	USA	Lindsey, California	Significant expansion of production capacities in the area of water management
		Saltsburg, Pennsylvania	Completion of the full automation of the CTH product line Investment in the in-house production of clamp components
	Mexico	Monterrey	Setup and localization of manufacturing facilities for the production of PS3 connectors for an international customer Expansion of assembly and heat treatment capacities as a result of several major orders from major international customers Installation of a new multilayer extrusion line for the manufacture of new products in the fluid and e-mobility sector
Asia-Pacific	China	Changzhou	Investment in two new transfer press systems to increase capacity for V-profile clamps
		Wuxi	Continuation of the structural expansion of the manufacturing site for fluid components

Continuous optimization of the entire value chain

At NORMA Group, all internal processing steps in the value chain are constantly analyzed for optimization potential. The Global Operational Excellence Management System represents an essential tool here that helps to analyze existing processes, identify potential for improvements, introduce the appropriate measures for implementation and realize cost saving projects. As a result, many processes have already been automated and standardized in recent years, so that significant economies of scale have been achieved.

NORMA Group is introducing the NORMA Group Production System (NPS) in all of its plants since 2014. The goal of the NPS is to increase operational performance, safety, delivery reliability and quality in the plants and to identify and realize further cost savings. NORMA Group uses a “toolbox” of lean methods. These include the 5S methodology, the daily Gemba walk, setup time optimization using SMED (Single Minute Exchange of Die) and TPM (Total Productive Maintenance). In addition, a standardized problem-solving process ensures that internal and external customer complaints are processed faster and more effectively.

As a result of the rightsizing program initiated in the first quarter of 2019 to harmonize processes and systems within the Group, production and logistics were relocated in various regions in fiscal year 2019. Against this backdrop, the warehouse in Moscow and the production and logistics activities at the production facility in Togliatti, Russia, were closed in October 2019. Customers in Russia are now supplied directly from the production plants in Europe or from the distribution center in Poland. In addition, the Groen distribution center in the Netherlands was closed and the logistics activities were transferred to the warehouse and distribution center in Marsberg, Germany. The business development and sales organization will remain in place in both the Netherlands and Russia in order to remain close to the market and customers. The measures are intended to help bundle existing structures, streamline internal processes in a targeted manner and thus increase efficiency.

Customer focus and secure supply chain

In order to optimize its logistics costs, NORMA Group always strives to keep the geographical distances in the value chain as short as possible and avoid non value-adding intermediate steps via other NORMA Group sites. The goal is therefore to always manufacture in the regions that its customers are based in. This not only optimizes working capital and lowers logistics costs, but also minimizes delivery risks, reduces negative impacts on the environment and ensures the higher level of flexibility that is being increasingly demanded.

Despite these efforts, cross-border deliveries are indispensable for NORMA Group in many places in order to be able to respond flexibly to customer requirements. Optimized and secure customs processes are therefore indispensable. For this reason, NORMA Group participates in various customs trade partnership programs in the US, China and the EU, for example. NORMA Group ensures a fully compliant supply chain through the Supply Chain Security programs, especially Authorized Economic Operator (AEO) and Customs Trade Partnership against Terrorism (C-TPAT), which are part of the worldwide compliance program. By regularly reviewing all its business partners, NORMA Group excludes the supply of legally sanctioned third parties. In addition, internal organizational instructions and regular reviews ensure compliance with the relevant statutory export control regulations.

Quality management

The NORMA Group products are ‘mission-critical’ with regard to the end products of the customer. Any quality defects or functional failures could have a significant impact on customers or end users. Thus, it is a clear business imperative that NORMA Group consistently delivers products that meet and surpass all customers’ quality needs and expectations.

To support this objective and ensure a global and standardized approach to quality, all NORMA Group manufacturing locations (acquisitions have a nominal 12-month target for accreditation) are accredited in accordance with either ISO 9001 or IATF 16949. In addition, two manufacturing sites that supply the aerospace industry are accredited in accordance with EN 9100. Compliance with these industry-recognized standards ensures that NORMA Group continuously strives for improvement in every aspect of business and puts its customers at the center of all its activities.

NORMA Group has a global operating footprint. One key challenge refers to the recognizing and understanding customer diversity along with many different standards and market requirements. This is met by NORMA Group via localized manufacturing solutions and the application of standardized tools, such as the Quality Management software, which forms an integral part of the new Microsoft ERP system currently being rolled out across the entire Group.

NORMA Group uses several metrics to measure customer quality, satisfaction and delivery performance. The most important key performance indicators are the number of defective parts shipped, expressed in parts per million (PPM), and the average number of quality-related complaints reported by the customer. The number of defective parts per million (PPM) recorded in 2019 was six (2018: seven). This continues the year on year improvement trend and supports the customers’ ever more challenging targets. Additionally, the average number of quality – related customer complaints could be improved further to an average of six claims per month in fiscal year 2019 (2018: seven).

Purchasing and supplier management

The procurement costs of materials, goods and services have a significant impact on the earnings position of NORMA Group. By managing all procurement activities and the selection of suppliers, Purchasing can make an important contribution to the success of the Group. The central task here is to optimize the services purchased and minimize costs, taking into account Group-wide economies of scale.

Global purchasing organization

The purchasing activities of NORMA Group are divided into four main product groups:

- Steel and metal components (FASTEN)
- Technical granulates, plastic and rubber products (FLUID)
- Standard plastics, components and commodities (WATER)
- Capital goods, non-production materials and services (MRO)

The global purchasing organization is set up in a matrix structure. In addition to the product groups mentioned above, there is a subdivision into the regional segments EMEA, Asia-Pacific and the Americas. This organizational structure enables centralized control by the respective experts from the product groups and the integration of the knowledge of the regional or local purchasing teams about special local market conditions. NORMA Group thus ensures professional purchasing management and the achievement of competitive prices for goods and services. E-procurement solutions support the global organization in its work and enable efficient reporting.

This capable purchasing organization is to be further optimized as part of the “Get on Track” program. The goal is to leverage further savings potential through increased global cooperation within the product categories and across regional boundaries. One of the focal points is on inter-regional standardizing of local processes.

Development of material prices

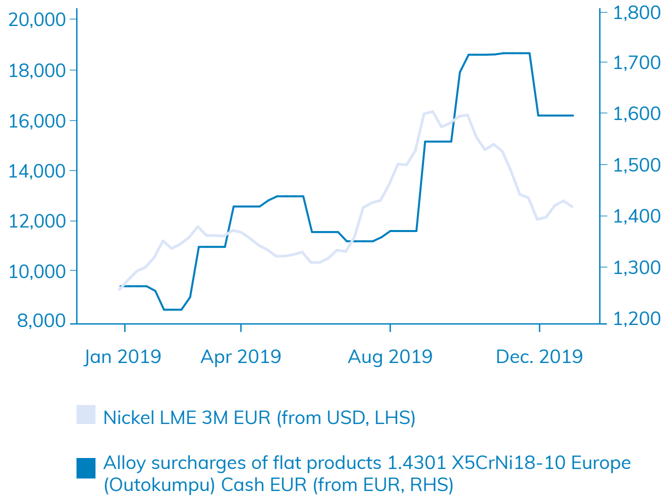
Adjusted costs of materials amounted to EUR 477 million (2018: EUR 473.1 million) or 43.4% (2018: 43.6%) of sales revenue in fiscal year 2019. As a result, the adjusted cost of materials ratio is thus nearly at the previous year’s level. → EARNINGS POSITION, P. 65 The purchasing volume, which is used for internal management purposes and adjusted for currency effects, amounted to around EUR 490 million (2018: EUR 498 million). Of this amount, EUR 335 million (68%) was attributable to sales of production materials.

Steel and metal components

For the stainless steel product group, the most important product group for NORMA Group, slight reductions in the base prices (basic purchase price for stainless steel excluding alloy surcharges) were achieved in the annual price negotiations for the EMEA and Asia-Pacific regions. The Americas region showed a different picture. The 25% penalty tariffs imposed by the US government in March 2018 on nearly all steel imports and fixed import quotas led to massive increases in the price of goods purchased in the region. In some cases, NORMA Group was confronted with price increases of up to 30% compared to the previous year. As a consequence, a contract term of only six months was chosen for some of the goods purchased, in order to be able to renegotiate flexibly in the event of a lifting of the tariffs. Due to the fact that the general conditions remained unchanged during the course of the year, however, high market prices had to be paid in the second half of 2019 as well. In addition, the punitive tariffs to be paid for goods purchased (steel, wire and metal components) from countries subject to the tariffs represented an additional financial burden for the entire Americas region.

Besides the market distortions in the steel sector caused by US customs policy, the prices for the alloy surcharges recurrently fixed on a monthly basis (market prices for nickel, scrap metal and ferrochrome, among other metals) also increased significantly in fiscal year 2019 and reached their peak in November 2019. In particular, the alloy metal nickel, used in all austenitic steels, acted as a price driver. → G 18: DEVELOPMENT OF NICKEL PRICES AND THE ALLOY SURCHARGE 1.4301

Development of nickel prices and the alloy surcharge 1.4301 G018



In the product group of surface-refined non-stainless steel, lower purchase prices were agreed in the price negotiations for European needs in both the first and second half of the year.

Technical granulates, plastic and rubber products

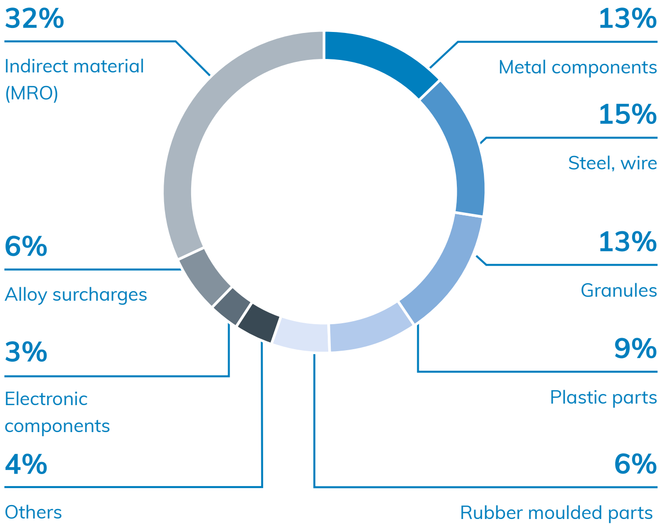
NORMA Group also recorded further price increases of up to more than 10 percent in the technical plastics product group in fiscal year 2019. The reason for this was the initially sustained high global demand for technical plastics, which led to further allocations by producers at the beginning of the year. However, thanks to many years of trustful cooperation with important suppliers and internal countermeasures, impending bottlenecks were successfully averted.

The market situation eased somewhat in the course of the year as the economy weakened, driven by the global automotive industry and other factors, so that the purchase prices of important technical plastics could be renegotiated in the fourth quarter. However, the annual average price level for this product group was significantly higher than in the previous year.

Standard plastics, components and commodities

The prices for granulates were stable in 2019 compared to the previous year, benefiting from the macro-political situation and a weaker economy. Prices for granulates used in water management were even at a historically low level in 2019 due to the ban on imports of recycled plastics to China and the resulting increased supply in the Americas region. NORMA Group was able to take advantage of this situation and recorded price reductions.

Purchasing turnover in 2019 by material groups G019



Supplier management

The purchasing organization continuously monitors the performance of suppliers. A key instrument in this respect is the annual implementation of detailed supplier evaluations. This involves the use of globally uniform criteria from the areas of quality, logistics, sustainability and commercial aspects. The relevant departments are involved in the assessments at local level. The evaluation process is mapped using e-procurement software. → 2019 CR REPORT

Supplier structure

The focus of NORMA Group's supplier selection is a balance of supplier consolidation to reduce complexity and avoid strong dependencies. This balance is continuously optimized by the purchasing department. The current supplier base is structured as follows: The share of the top 10 suppliers accounted for approximately 28% in fiscal year 2019. The top 50 suppliers accounted for around 53% of the total purchasing volume of production material, amounting to EUR 335 million.

Employees

Decentralized organization, common corporate culture that is lived

The employees of NORMA Group make an important contribution to its success. Human resource management and personnel development therefore play a major role.

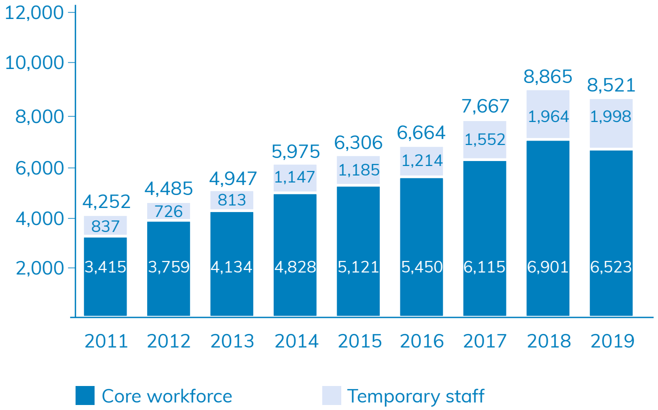
HR management at NORMA Group is organized in a decentralized manner to take the international nature of the business and the rapid growth of NORMA Group into account. The decentralized organization allows the individual sites to adapt flexibly to the local conditions and to contribute their specifications, particularly with regard to regional expertise in personnel development and recruiting.

In order to promote a uniform corporate culture, NORMA Group has formulated key guiding principles that reflect the fundamental convictions of the Company. These guiding principles are taught and lived at all sites. → 2019 CR REPORT

Development of personnel figures

As of December 31, 2019, NORMA Group employed 8,521 employees (core workforce including temporary staff) and thus around 4% fewer than in the previous year (December 31, 2018: 8,865). The number of temporary employees at the end of December was 1,998 (December 31, 2018: 1,964). This corresponds to around 23% of the total workforce.

Development of personnel figures at NORMA Group G020



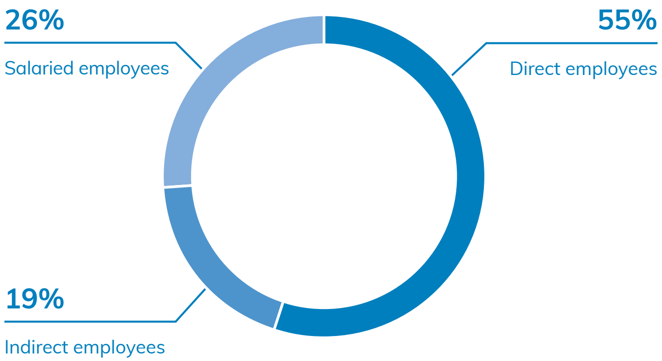
In the Americas region in particular, the number of employees was significantly lower than in the previous year. The core workforce in this region decreased by around 13% to 1,601 employees. This corresponds, in particular, to an adjustment of personnel structres in the context of sales losses in the EJT business.

In the EMEA region, the number of employees also declined by around 5% compared to the previous year, whereas the number of employees in the Asia-Pacific region rose by 4%.

Stable share of employee groups

The total number of employees (permanent and temporary) in the current reporting period was 4,672 direct employees (2018: 4,951), 1,630 indirect employees (2018: 1,626) and 2,219 salaried employees (2018: 2,289). While direct employees are individuals who are involved in the manufacturing process, indirect employees are persons who work in production-related areas such as the quality department, for example. The group of salaried employees is mainly assigned to administrative functions.

Breakdown of employees by group G021



Core workforce by segments T026

	2019	In %	2018	In %
EMEA	3,549	54	3,744	54
Americas	1,601	25	1,842	27
Asia-Pacific	1,373	21	1,315	19
Total	6,523		6,901	

Well-trained and qualified workforce

The employees of NORMA Group are well trained and obtain their qualifications by earning school and university degrees and by participating in professional and supplementary training courses. In order to maintain the high degree of employee qualification and ensure the successful development of the Group in the future, NORMA Group believes it is important to invest in the training and further education of its employees. The goal is to recruit as many specialized employees as possible from one's own junior staff, thereby becoming more independent of the external labor market. NORMA Group also cooperates closely with renowned universities.

Focus on uniform global talent promotion

In order to identify, retain and develop talents within the Group, NORMA Group set up the 'Learning & Development' competence center a couple of years ago. The competence center acts as an internal consultant to the local HR departments, executives and employees. The focus of the initiative is on the conception and supply of development processes and programs that can be used worldwide, which are aligned with NORMA Group's Company values and growth targets. In order to promote learning at the workplace and the individual development of its employees in a targeted manner, direct supervisors as well as internal mentors and coaches are made available. As part of the project, various local and regional human resource development methods have been integrated into a global portfolio. This ensures uniform global talent promotion for all NORMA Group employees.

Numerous training opportunities for career entrants

Besides accompanying courses of studies in the areas of business engineering, mechanical engineering, mechatronics and business administration, NORMA Group also offers internships for students in all departments and regions. Furthermore, quite a few young people are trained in various technical and commercial areas at NORMA Group each year.

**Exchanges of personnel:
more communication, better understanding**

NORMA Group will seek to continue to grow internationally in the future both organically as well as through targeted acquisitions. In order to be able to integrate new parts of the Group, the individual sites need to work together efficiently. Thus, communication that functions well is essential. To encourage this, NORMA Group offers several exchange programs for its employees, from one- to three-month 'Bubble Assignments' 'Long-Term-Assignments'. Expert personnel and managers who participate in this initiative bring special skills and experience to the new sites and, at the same time, benefit from the know-how of their local colleagues. Through these projects, NORMA Group promotes the internal transfer of knowledge, inter-cultural awareness, the establishment of networks and the individual development of the participants.

Good performance is rewarded

NORMA Group strives to attract and retain qualified and committed employees. In order to encourage employee interest in a positive development of the Company's value and permit them to participate in its economic success, the remuneration system at NORMA Group includes a fixed salary as well as a performance-related variable remuneration component. For tariff and non-tariff employees in Germany, this is based on important financial performance indicators or other factors. Moreover, the personal achievements of employees also play a role in remuneration.

**Feedback culture –
employee opinions are always welcome**

In the interest of a continuous analysis and improvement process, NORMA Group conducts regular employee surveys. The focus of this central feedback tool is on the Company's strengths and weaknesses from an employee perspective, employee satisfaction, as well as the quality of leadership and cooperation. Further information can be found in the → 2019 CR REPORT.

Healthy team – healthy company

A productive company like NORMA Group depends on having healthy and satisfied employees. For this reason, NORMA Group supports its employees' health by conducting various activities. Activities are offered at the site in Maintal, for example. In 2019, these included cardio scans, functional movement analyses, spinal column screenings, vein checks and nutritional advice.

Internal "Train the Trainer" program launched

Whether it's on change management, communication strategies or conflict management – knowledge at the NORMA Group is quite comprehensive and already available at the Group's various sites. In order to share its current expertise even better throughout the Company, NORMA Group has launched a "Train the Trainer" program in the EMEA region that focuses on leadership skills. Representatives from various European sites attended a training course where they learned more about the expectations of the management culture at NORMA Group and the strategies and tools for implementing it. The trained trainers then held their own workshops at their respective sites where they passed on this knowledge to the local managers.

The program supports the global initiative "LeadershipCulture@NORMA" and will be expanded in the years to come.

The information in the above box is not part of the Consolidated Management Report and therefore is not subject to the audit.

Occupational health and safety is of the highest priority

NORMA Group places great importance and emphasis on the topics of health, safety and the wellbeing of its employees. The Company complies with the existing legislative and regulatory requirements relating to health and safety, but also goes further with a number of activities and initiatives to proactively manage and minimize potential risks. NORMA Group fully endorses the industry-recognized occupational health and safety management system OHSAS 18001 and is currently in transition to the new integrated standard ISO 45001.

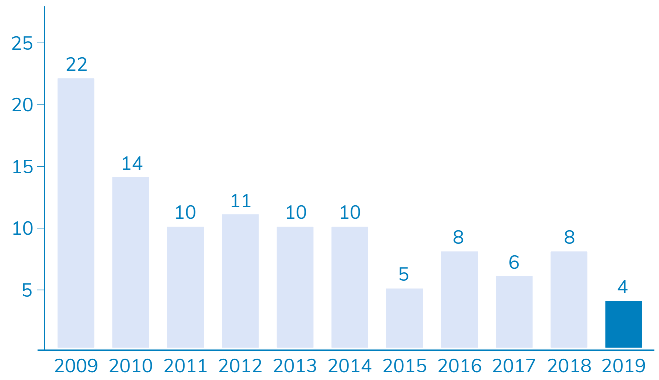
As part of its value-based safety program, NORMA Group analyzes the actions of its employees in the workplace and identifies potentially dangerous behaviors as part of regular safety reviews and instructions. Furthermore, NORMA Group carries out regular inspections of its plants and facilities and develops action plans based on the results, the implementation of which is monitored locally and at the Group level.

Incident rate improved significantly

NORMA Group constantly monitors and analyzes its accident statistics. The number of work-related accidents, ranging from near miss incidents to reportable accidents, are recorded and on a Group-wide basis each month and monitored at the local, regional and Group levels. All reportable accidents are communicated to Management Board level and any findings are systematically shared throughout the Group with the goal of preventing accidents in the future. NORMA Group's top priority is to ensure an accident-free, safe working environment in the long term.

The accident rate, which is the number of reportable accidents per 1,000 employees, represents one of the most important employee indicators. This figure was four for the 2019 reporting year, a significant improvement compared to the previous year (2018: eight). → G 22: INCIDENT RATE

Incident rate G022
Reportable incidents per 1,000 employees



Environmental protection and ecological management

As a manufacturing Company, NORMA Group is well aware of its environmental, economic, and social responsibility. Environmentally compatible and sustainable economic activity is therefore a central element of its corporate strategy. For this reason, the Company considers it important to systematically include environmental aspects in its business decisions. Therefore, NORMA Group has implemented a Group-wide environmental management system and certifies its production sites in accordance with ISO 14001.

NORMA Group's goal is to increase the efficiency of its production processes, lower its energy consumption over the long term, and reduce waste. The long-term cost savings associated with this contribute to the economic efficiency of the Group.

Since 2018, NORMA Group has set quantitative targets for the reduction of greenhouse gases, water consumption and waste generated at its production sites. Moreover, NORMA Group inclues environmental impacts resulting from the supply chain as welll as from the application of its products in its environmental strategy. These targets are published in the CR roadmap. Progress towards climate, water and waste targets is reviewed at the local level through regular management assessments and at the global level through the reporting of aggregated data to the Management Board. Further information on the environmental strategy can be found in the → 2019 CR REPORT.

Marketing

In order to further increase awareness of NORMA Group's products all over the world, boost product sales, strengthen its customer relationships and thus contribute to the Group's growth, NORMA Group's long-term marketing strategy is based on the following objectives:

- Building a strong NORMA Group brand image
- Focusing on marketing activities
- Optimizing of the brand portfolio
- Optimizing of the marketing tools
- Gaining a better understanding of market needs

In order to be able to focus on its end markets and customers as much as possible, NORMA Group aligns all of its marketing activities to address local market conditions and consumer habits in its respective regions and markets. The regional marketing units are responsible for executing the various activities and synchronizing them with NORMA Group's operative objectives.

Marketing focus in 2019

Key marketing activities in fiscal year 2019 included the following:

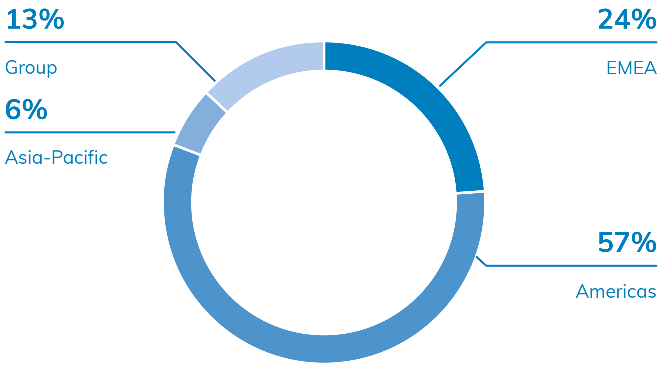
- Launch of a new corporate website and update of numerous microsites to increase user-friendliness and a better presentation of NORMA Group's value proposition
- Revision of the corporate identity to build a strong corporate image through various channels
- Introduction of a Product Information System (PIM) platform for the management and cross-system exchange of product information
- Marketing support for new product launches (among others, eM-Compact)

Furthermore, in 2019 another focus was on traditional marketing activities such as organizing fairs and exhibitions in order to promote NORMA Group's product solutions to their targeted markets.

Marketing expenditures 2019

Marketing expenditures amounted to a total of EUR 5.4 million in 2019 and were thus above the level of the previous year (2018: EUR 4.5 million). Marketing expenses as a percentage of sales amounted to 4.9% in fiscal year 2019 (2018: 4.2%).

Marketing expenses 2019 by segment[1] G023



1_Excluding personnel expenses.

Forecast Report

The sources of economic institutes used to prepare this Forecast Report were assuming the following economic forecasts for the year 2020 prior to the spread of COVID-19. Although the potential risk in connection with COVID-19 was addressed, the actual effects and extent of the spread of the virus could not be fully assessed at the time this report was prepared and are therefore not reflected in the original forecast prepared by the Management Board.

General economic and industry-specific conditions

Mixed picture in 2020: stabilization of the global economy and slight recovery possible but with high risks

In 2020, the global economy will most likely be supported by predominantly continuing loose monetary policy and, in part, expansive fiscal policy. According to the ifo Institute, the decline in incoming orders in the emerging markets has recently come to a halt. The decline has slowed noticeably, particularly in the industrialized countries. Based on this positive trend, the International Monetary Fund (IMF) expects global trade to pick up slightly (2020: + 2.9%). Furthermore, the IMF assumes that the global economy will stabilize, but will remain relatively weak for the time being, and therefore lowered its GDP growth forecasts again in January and February 2020 following the revision in the fall 2019. The global economy is now expected to grow by 3.2% in 2020 (previously 3.3%), and by 3.4% in 2021, which is in each case 20 basis points less than recently published. The IfW (Kiel) currently sees the spread of the coronavirus (COVID-19) since the beginning of 2020 as the greatest threat to the global economy and in extreme cases does not even rule out massive growth losses in China and the world. The standstill of everyday life and plant closures with substantial production losses are not only burdening the economy in China, but are also increasingly affecting many areas and industries in other countries due to the globally integrated value creation chains. If this epidemic cannot be halted promptly, it is increasingly unlikely that the production gaps can be closed as the year progresses. Uncertainties are also caused by the risk of a potential escalation of geopolitical tensions, especially between the US and Iran. Other negative factors include social unrest and a possible deterioration in the United States of America's relations with important trading partners, as well as the still unclear economic consequences of the Brexit in Europe. Consequently, the global economy is expected to be susceptible to disruptions in 2020, particularly in Europe.

China's economy is expected to grow by 5.6% (IMF) in 2020 and thus at a weaker rate than most recently. This takes the effects of the corona virus in the first quarter of 2020 into account, however the latest forecast assumes that the Chinese economy will return to normality again starting in the second quarter of 2020. The risk associated with this forecast is therefore quite high. Expected growth could be boosted even more by a further easing of the trade conflict with the US, although there are no signs yet of a complete withdrawal of the restrictions currently in place. In the meanwhile, China is continuing its structural change towards more high technology and services and stronger domestic demand. Although this situation is dampening the rate of expansion, it is making a significant contribution to stabilizing the country's economy. Growth of around 4.8% is also expected for the ASEAN-5 countries, particularly benefiting from high infrastructure investments and lower interest rates. For India, Brazil and Russia, the IMF even expects a higher increase in economic momentum. Thus, a noticeable economic revival can be expected for the emerging and developing countries, with an increase in economic output of 4.4% in 2020 (IMF; 2021: + 4.6%).

In contrast, the economic prospects in the industrialized countries remain subdued. Due to high uncertainties and potential risks, a noticeable recovery in industrial production and investment activity in 2020 is hardly feasible. For this group of countries, the IMF expects the pace of growth to stabilize at only 1.6% in 2020 and 2021 respectively. For the US in particular, the momentum is expected to decline significantly, especially as exports and investments tend to be weaker. By contrast, the Federal Reserve's (FED) expansionary monetary policy and the robust labor market are supporting private consumption in the US. Taking into account the prevailing conditions, the IMF expects the US economy to grow by 2.0% in 2020 and by 1.7% in 2021. Canada's economy is also growing at expected rates of 1.8% in 2020 and 2021 respectively. The UK also remains on a moderate but robust course, while very weak growth is forecast for Japan.

Although the economy is stabilizing in Europe, the pace of expansion remains slow and subject to risk. The shape of the future trade rules of the European Union with the UK continues to be an incalculable factor. A problem that should not be underestimated could also arise from the trade agreement to be concluded with the US, especially as the US administration could impose new trade restrictions on Europe at any time. In conjunction with the structural problems Italy and France are having, the potential in Europe remains limited for the time being. On the other hand, the European Central Bank's (ECB) loose monetary policy and a predominantly expansive fiscal policy are having a stimulating effect. Private and public consumption and the flourishing construction industry are therefore likely to remain the main pillars of the euro zone economy in 2020. A slight recovery in exports is also expected. In this environment, while the IMF expects moderate growth for the euro zone in the next two forecast years (2020: + 1.3%, 2021: + 1.4%). The cyclical recovery in Germany is still delayed (IfW, Kiel), primarily due to continuing weak industry. In 2020, for example, investments in equipment will shrink, while private and public consumption and construction investments will continue to increase. All in all, GDP growth of 1.1% is expected in Germany in 2020. Adjusted for possible calendar effects, however, growth is again expected to be only 0.6%, according to the German Central Bank (Deutsche Bundesbank).

Forecasts for GDP growth (real) T027

in %	2019	2020e	2021e
World [1]	+ 2.9	+ 3.2	+ 3.4
USA [2]	+ 2.3	+ 2.0	+ 1.7
China [3]	+ 6.1	+ 5.6	+ 5.8
Euro zone [4]	+ 1.2	+ 1.3	+ 1.4
Germany [5]	+ 0.6	+ 1.1	+ 1.4

Sources: 1_IMF; 2_US Department of Commerce; 3_National Bureau of Statistics (NBS); 4_Eurostat, 5_German Federal Statistical Office (Destatis)

Partly clouded environment for NORMA Group's key customer industries

Despite the expected stabilization of the international economy in 2020 and 2021, the prospects for NORMA Group's key customer industries are also partly clouded in view of the restrained general growth momentum and high economic risks.

Mechanical engineering

In the course of a global economic stabilization in 2020, the downturn in the global mechanical and plant engineering industry should at least slow down, but without generating any new momentum. Many economic stimuli will stimulate mainly private consumption and the construction industry. In many other industrial segments, the brightening of the outlook is still to come. This is indicated by the fact that the utilization of industrial capacities in the US and Europe has deteriorated significantly. Coupled with the high level of uncertainty with regard to crises, trade restrictions and the unpredictable consequences of Brexit, there are also no signs of a real trend reversal in favor of more lively investment. Consequently, the German Engineering Federation (VDMA) expects 2020 to be a transitional year at best. Important industry drivers that are independent of cycles include automation, digitalization and, in many countries, environmental protection, but also the restructuring of the energy industry. The VDMA anticipates that real global machinery sales, excluding China, will decline by 1%. This assumption is made on the condition that no additional trade restrictions are imposed. At the level of individual countries, it should be noted that development in South East Asia and South Korea is picking up. Turkey, Russia and Latin America are also expected to recover moderately, while the outlook remains negative in Japan (– 1%), the US (– 1%), the UK (– 1%), the EU (– 1%) and the euro zone (– 2%). With regard to Germany's mechanical engineering industry, the VDMA is cautious and forecasts a further decline in production and sales of 2% in real terms for 2020.

Engineering: real change in industry sales T028

in %	2018	2019	2020e
China	8[1]	4	2
USA	5	– 1	– 1
Euro zone	4	– 1	– 2
World (excluding China)	5[1]	-2	-1

1_Revised data according to NBS (VDMA)
Source: Mechanical Engineering Industry Association (VDMA).

Automotive industry

The automotive industry is currently undergoing a major transition. The reduction of pollutant emissions, which is a political and social requirement in many countries, and the demand for climate-neutral means of transport continue to be the main drivers of the industry. This means that the next few years will be marked by an accelerated expansion of electromobility (including hybrid drives). The development of low-consumption combustion engines and additional, innovative drive technologies will also remain an important topic. No real trend reversal is expected for the global automotive market in 2020, especially as there is still a lack of demand impetus in the volume markets. For example, the German Association of Automobile Manufacturers (VDA) expects global passenger car sales to fall by 1% to 78.9 million units in 2020. For the somewhat more broadly defined market of light vehicles (LV, up to 6 t), the industry experts at LMC Automotive (LMCA) expect a stable sales level of LV 90.3 million (+ 0.1%) and are even slightly confident with regard to global production. After two weak previous years, this is expected to rise by 1.1% to close to 90.4 million LV in 2020. While recovery effects are expected in the US (+ 5.4%), India (+ 1.3%) and Germany (+ 2.5%), LMCA expects losses in Japan (– 3.4%) and stagnation in China and Europe (+ 0.5% each). A decline is forecast for the truck market in 2020. Global sales and production of trucks and buses are expected to shrink by 7.7% each. A recovery in the truck sector is then expected for 2021.

Automotive industry: global production and development of sales (light and commercial vehicles) T029

in %	2018	2019	2020e	2021e
Production of light vehicles	– 1.0	– 5.0	1.1	2.6
Sales of light vehicles	– 0.8	– 4.5	0.1	2.4
Sales of commercial vehicles	4.7	–2.3	– 7.7	3.8

Source: LMC Automotive

Construction industry

Asia's construction industry (China, India, Southeast Asia) is characterized by a positive trend. Key drivers are the extraordinarily high demand for residential construction and the rapid expansion and reconstruction of infrastructure. In addition, investments in environmental protection and water management are also gaining importance, particularly in China. For the construction industry in Europe, the industry network Euroconstruct (including the ifo Institute) forecasts a steady upswing, which will be favored by the continuing low interest rate level and the high construction demand in the housing and infrastructure sectors. Further impetus is also coming from stricter environmental regulations and higher subsidy programs. By contrast, companies are rather reluctant to invest in construction. Real construction output is thus forecast to increase by 1.1% in 2020 (2021: + 0.9%, 2022: + 1.1%). More lively construction activity in modernization and maintenance is replacing new construction as the main driver. In Eastern Europe, construction output will grow by 3.7% in real terms in 2020, and by 1.0% in Western Europe. Germany's construction industry remains on the upswing: construction investments in Germany are expected to increase by 2.2% in 2020 and by 2.5% in 2021 (IfW). The DIW (German Institute for Economic Research) forecasts growth of 6.8% to EUR 264 billion for the nominal residential construction volume in 2020, with the volume of new construction rising by 5.8% and construction work on existing buildings by 7.2%. Other building construction (excluding residential) is expected to grow by 6.5%, while civil engineering is expected to increase by 7.1%.

In the US, construction activity in the private sector in particular had recently lost momentum. In 2019, new construction starts (+ 3.2%) and building permits (+ 3.9%) rose more slowly than building completions (+ 5.6%). However, further declining mortgage rates could lead to a renewed revival of US residential construction. In addition, public construction in the US is experiencing a strong upswing, primarily driven by brisk investment in the renovation and modernization of infrastructure, including road construction, as well as in sewage and rainwater systems. According to the industry experts at JBREC (John Burns Real Estate Consulting), this will be offset by lower new construction activity in 2020. Overall, JBREC expects that demand in the market segments relevant to NORMA Group's NDS activities will stagnate in 2020 after a steep increase over several years, and will experience a short cyclical dip in 2021 with a decline of nearly 5%. New tailwind is then expected to set in again starting in 2022.

Construction industry: development of European construction output T030

in %	2018	2019	2020e	2021e
Western Europe	2.6	2.0	1.0	0.8
Eastern Europe	12.8	7.3	3.7	1.3
Europe	3.2	2.3	1.1	0.9

Source: Euroconstruct/ifo Institute (19 core markets in total)

The extent of the negative economic impact of the coronavirus had not yet been taken into account in the sources that were used for the macroeconomic outlook for 2020 at the time that the 2019 Annual Report was prepared. Due to most recent developments, the forecast risk has increased significantly. As a result, it is assumed that the further spread of COVID-19 will lead to negative deviations from the forecast for the future development of NORMA Group SE in fiscal year 2020, which is presented below.

Future development of NORMA Group

For NORMA Group, the main focus is on value creation. The primary objective is to achieve a sustainable increase in the value of the Company. → GOALS AND STRATEGY, P. 49 Based on this, profitable growth and the diversification of the business with regard to end markets, regions and customers will continue to be priorities in the future as well. Business activities focus in particular on the promising areas of water management and electromobility, which are also a main focus of NORMA Group's development activities. → RESEARCH AND DEVELOPMENT, P. 55

In addition, business activities will be selectively expanded through further acquisitions. M&A activities will focus mainly on companies that either convtribute to market consolidation or serve to enter new high-margin markets. In addition, internationalization and in particular the expansion of activities in the Asia-Pacific region will continue to be the focus. The goal is to take advantage of the opportunities in this important growth market and to use the added value to the respective regions or countries.

The long-term preservation of the Company's innovative ability continues to play an important role in research and development. The focus of development activities therefore remains focused on strengthening the Company's innovative strength and developing innovative products that help to solve customers' industrial challenges. A particular focus is also on developing solutions for the areas of water management and electromobility (including hybrid drives).

Furthermore, NORMA Group continues to work intensively on implementing the sustainability targets defined in the CR Roadmap 2020. One of the main focal points here is the quantification of environmental impacts in the supply chain. → 2018 CR REPORT

General statement by the Management Board on probable development

Sales growth in 2020

Based on the original estimates of the relevant economic research institutes and industry associations described above and the currently tense order situation caused by the ongoing difficult conditions in several of the industries and markets relevant to NORMA Group, the Management Board had assumed a noticeable decline in organic sales in fiscal year 2020 before the current spread of COVID-19 (coronavirus). At that time, this forecast took into account the fact that the negative effects of COVID-19 (coronavirus) will be particularly evident in the first half of 2020. The assumptions made were based on the premise that there will be no global spread of the virus that could lead to a significant impairment of the global economy beyond the first half of the year. Although it could not be assumed that the negative effects that became apparent in the course of the year would be fully compensated for, the Management Board did not assume such a dramatic worsening of the situation and the resulting economic consequences when preparing the original forecast. Nevertheless, due to its global business activities and broad diversification, the Management Board believes the Group is well positioned to deal specifically with the prevailing market trends in the various end markets and regions in the long-term. Prior to the spread of COVID-19, the Management Board of NORMA Group expected solid organic growth for the DS business, whereas it anticipated a noticeable organic decline in the EJT business in 2020, particularly due to the development in the area of commercial vehicles.

Based on the assumptions of a stabilizing economic environment and key interest rates that remain low and prior to the spread of COVID-19 the Management Board expected the difficult conditions in the European automotive industry to improve in the EMEA region in 2020. Against this backdrop, NORMA Group's relevant end markets in the EMEA region were expected to generate stable organic sales in the current fiscal year.

For the Americas region, the Management Board assumed prior to the spread of COVID-19 a noticeable year-on-year decline in organic sales in 2020, with the decline in the US commercial vehicle end market, which is important to the Group, expected to be particularly severe. By contrast, based on estimates by industry experts, the management expected the US passenger car market to recover in the current fiscal year. The Management Board also expects strong growth impetus in the water management segment, albeit slightly weaker than in the previous year. The Management Board saw risks for the region in the trade conflict between the US and China that has yet to be resolved and in the protectionist customs policy of the US government, in particular.

In the Asia-Pacific region, the Management Board of NORMA Group anticipated prior to the spread of COVID-19 slight organic decline. The main drivers which had been included in the forecast are the extremely high demand in residential construction and the rapid expansion and reconstruction of the infrastructure. For this reason, the Management Board expected the DS business in particular to develop very positively, whereas organic sales growth in the EJT segment was still forecast to decline slightly. The main burdening factors, as already described before, still remain the negative effects of the coronavirus as well as the ongoing trade conflict between the US and China especially since a complete withdrawal of the implemented restrictions is not yet in sight.

Besides the effects of the further spread of the coronavirus, the Management Board sees risks that could have a negative impact on NORMA Group's sales and earnings primarily in the uncertain effects of geopolitical crises. These include, for example, the trade agreement to be concluded between the European Union and the US.

Without considering the spread of COVID-19 and in light of the assumptions and uncertainties described, the Management Board of NORMA Group expected to see a noticeable organic decline in sales in the range of approximately – 2% to approximately – 4% for fiscal year 2020, and thus a similar sales development as in the previous year. The exact extent of the organic decline depends, in particular, on the further spread of the virus, the necessary containment measures, for example, the associated production interruptions. NORMA Group plans to present its forecast in more detail later this year, once the exact consequences of COVID-19 can be better assessed. Currency effects may have an additional positive or negative impact on growth, depending on the exchange rates against the euro.

On the basis of the uncertainties described in connection with the spread of COVID-19, the originally assumed forecasts with regard to the key figures listed below will result in noticeable deviations, which cannot yet be fully assessed at the time of publication of this report. The original assumptions of the management are presented below.

Development of the cost of materials ratio

As a result of the continuing difficult economic conditions in certain industries, in particular the automotive sector, coupled with a significant decline in global demand, the price level for engineering plastics had eased in 2019 – before the corona crisis – and the supply situation has therefore largely stabilized. The possibility of a recovery of the global economy, which could lead to supply bottlenecks for engineering plastics and related price increases, was not foreseeable to date and therefore has been considered to be unlikely.

With respect to procurement of steel and metal components, uncertainties remained with regard to possible further protectionist measures by the US. These were therefore considered a possible risk factor for price increases or a sustained higher price level overall. However, the resulting financial effects could have been mitigated without the corona crisis by pursuing a steady increase in the degree of professionalism in purchasing, the conclusion of long-term contracts, possibly passing on price fluctuations to the customer and achieving economies of scale within the Group. Thus, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – the adjusted cost of materials ratio to remain more or less unchanged compared to the previous year. This included the initial positive effects from the “Get on Track” change program implemented in the fourth quarter of 2019.

In the course of the corona crisis and the associated economic effects, supply bottlenecks can no longer be ruled out.

Development of the personnel cost ratio

The Management Board expected – prior to the spread of COVID-19 – personnel costs to remain stable in 2020, although the Management also expects inflationary costs. The cost level is likely to benefit from a reduction in additional temporary staff and additional savings from ongoing efficiency programs, however. The Management therefore expects the personnel cost ratio in the current fiscal year to remain at the same level as last year.

Expenses in research and development

To sustain its innovation and competitiveness in the long term, NORMA Group strives to achieve an annual investment rate of 5% of EJT sales in its R&D activities. These activities will continue to focus on its strong future markets and developing innovative products that solve the industrial challenges faced by customers with a particular focus on developing applications in the area of water management and for electromobility (including hybrid drives).

Adjusted EBITA margin

Maintaining its profitability represents an important focus for NORMA Group. Therefore, all business activities are strategically aligned to achieve this goal. In addition to the implementation of the rightsizing program adopted in the fourth quarter of 2018 and communicated in February 2019, the “Get on Track” program rolled out and publicly announced in November 2019 focuses on increasing profitability by optimizing site capacities in all regions, systematically revising structures and processes – in particular by optimizing purchasing – and streamlining the product portfolio. A cumulative total cost volume of around EUR 45 million to EUR 50 million is expected by 2023 for the implementation and execution of the change program. In contrast to the costs for the implementation of the rightsizing program, the costs incurred within the scope of this program are presented completely unadjusted. From 2020 on, the change program is expected to lead to cost savings, which will increase to EUR 40 million to EUR 45 million annually by 2023. The fact that, based on current information, no further extraordinary costs are expected in connection with the introduction of the ERP system in Latin America was assumed to have another positive effect on profitability. For this reason and taking the difficult market environment due to the uncertainties regarding economic and geopolitical conditions into account, the Management Board of NORMA Group basically viewed 2020 as an important transitional year in which the course would be set for a sustainable increase in profitability. As in the previous year, the Management Board therefore expected – prior to the spread of COVID-19 – the underlying EBITA margin for the current fiscal year to remain at the level of more than 13.0%. The unforeseeable consequences of the coronavirus will have a negative impact on NORMA Group’s adjusted EBITA margin as a result of the measures that have become necessary, including interruptions in production, for example, so that the adjusted EBITA margin in fiscal year 2020 will probably be below the previously assumed level of the previous year.

Adjusted EBIT margin

Based on the development and expectations outlined with regard to the adjusted EBITA margin, the Management Board of NORMA Group assumed – prior to the spread of COVID-19 – that the adjusted EBIT would also be at the level of the previous year and therefore expected an adjusted EBIT margin of more than 12% for fiscal year 2020. Similar to the forecast for the adjusted EBITA margin, the Management Board of NORMA Group SE now also expects the adjusted EBIT margin to deviate negatively from the original assumptions.

Financial result of up to EUR – 15 million expected

The Management Board expected – prior to the spread of COVID-19 – a financial result of up to EUR – 15 million in total for 2020. This includes interest charges on the Group’s gross debt with an average interest rate of approx. 2.4% as well as other expenses for currency hedges and transaction costs.

Tax rate of between 26% and 28%

The Management Board expected – prior to the spread of COVID-19 – a tax rate of between 26% and 28% for fiscal year 2020.

Slight decline in adjusted earnings per share

Based on the developments described above, in particular triggered by the organic sales decline, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – to see a slight decline in adjusted earnings per share in fiscal year 2020.

Adjustments to the result

In fiscal year 2020, like in the previous years, NORMA Group's Management Board expected – prior to the spread of COVID-19 – adjustments from the allocation of purchase prices to depreciable tangible and intangible assets from the acquisitions made in past years in the amount of around EUR 25 million. However, the total costs incurred by the "Get on Track" change program will not be adjusted. Moreover, no further adjustments related to the rightsizing program are expected in fiscal year 2020.

NORMA Value Added (NOVA)

For fiscal year 2020, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – NOVA of between EUR 10 million and EUR 20 million.

Investment rate of around 5%

For fiscal year 2020, NORMA Group's Management Board expected – prior to the spread of COVID-19 – investments (without M&A activities) of around 5% of Group sales. This covers both maintenance investments and investments in expanding the business. A particular focus will be on the expansion of activities aimed at future growth, projects on the integration of processes and functions (insourcing) as well as the expansion of capacities to localize production.

Net operating cash flow

Due to the expected noticeable decline in sales in fiscal year 2020 and the expected margin level, which is unchanged compared to the previous year, combined with an unchanged investment ratio, the payments for the "Get on Track" program as well as the optimization measures in the area of working capital and the further reduction of the factoring programs, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – net operating cash flow to be around EUR 110 million.

Sustainable dividend policy

If the future economic situation permits, NORMA Group will pursue a sustainable dividend policy, which is based on a dividend ratio of approx. 30% to a maximum of 35% of the adjusted Group annual earnings. Due to the current economic developments in connection with COVID-19, the proposal will be made to the Annual General Meeting, which has been postponed from May 14 to June 30, 2020, to suspend the dividend for fiscal year 2019.

Market penetration and innovation capability

The degree of market penetration is reflected in medium-term organic growth. Ensuring the ability to innovate is essential for the future competitiveness of NORMA Group. NORMA Group records the number of invention applications per year as an indicator for measuring and managing the Company's innovative strength. More than 20 new invention applications are targeted each year for the Group.

Employee problem-solving behavior

NORMA Group measures and manages problem-solving behavior, among other topics, based on the number of customer complaints, by using the following two performance indicators: effective parts (parts per million, PPM) rejected by the customer and the number of quality-related complaints. For the PPM indicator, a value of less than 20 is the target each year until the end of 2020 depending on the product group. Customer complaints are also to be further reduced to fewer than 8 per month on an annual average.

Sustainable company development

NORMA Group has published its CR Roadmap 2020. The objective of the Group is to continue to achieve the goals and measures stated therein in a consistent manner and lay even more important milestones for managing the Company more sustainably in the current year.

This forecast for fiscal year 2020 was made before the spread of COVID-19. The Management Board assumes that the consequences and after-effects of the further spread of the virus, which are currently still difficult to assess, will result in negative deviations from the forecast originally made here regarding the future development of NORMA Group SE in fiscal year 2020.

Forecast for the fiscal year 2020 T031

Organic group sales growth	Noticeable decline in organic sales of – 2% to – 4% EMEA: stable organic sales Americas: noticeable organic decline APAC: slight organic decline DS: solid organic growth EJT: noticeable organic decline
Adjusted cost of materials ratio	Roughly at the same level as in previous year
Adjusted personnel cost ratio	Roughly at the same level as in previous year
Expenses in R&D (in relation to EJT sales)	Around 5% of EJT sales
Adjusted EBITA margin	More than 13%
Adjusted EBIT margin	More than 12%
NOVA (NORMA Value Added)	Between EUR 10 million and EUR 20 million
Financial result	Up to EUR – 15 million
Tax rate	Between 26% to 28%
Adjusted earnings per share	Slight decline
Investment rate (without acquisitions)	Operative investments of around 5% of Group sales
Net operating cash flow	Around EUR 110 million
Dividend/dividend ratio	Approx. 30% to 35% of adjusted net profit for the period
Number of invention applications	More than 20
Number of defective parts (parts per million / PPM)	Below 20
Number of quality-related complaints per month	Below 8

Risk and Opportunity Report

NORMA Group is exposed to a wide variety of risks and opportunities, which can have a positive or negative short-term or long-term impact on its financial, assets and earnings position. For this reason, opportunity and risk management represents an integral component of corporate management for NORMA Group, at both the Group management level and at the level of the individual companies and individual functional areas. Due to the fact that all corporate activities are associated with risks and opportunities, NORMA Group considers identifying, assessing, and managing opportunities and risks to be a fundamental component of executing its strategy, securing the short and long-term success of the Company and sustainably increasing shareholder value. In order to achieve this over the long-term, NORMA Group encourages its employees in all areas of the Company to remain conscious of risks and opportunities.

Risk and opportunity management system

NORMA Group defines risks and opportunities as possible future developments or events that could have a positive or negative impact on the Group's ability to meet its targets and achieve its business objectives. Analogous to the medium-term planning, the Management Board's focus with respect to possible deviations in specific risks and opportunities covers a period of five years. Opportunities and risks that affect the Company's success beyond this period of time are recorded and managed at the Group management level and taken into consideration in the Company's strategy. Analogous to medium-term planning, the focus with respect to the valuation of specific risks and opportunities covers a period of five years, provided that no other period is specified in the individual categories.

The Management Board of NORMA Group is responsible for maintaining an effective risk and opportunity management system. The Supervisory Board is responsible for monitoring the effectiveness of the Group's risk management system. Compliance with the Group's risk management policy in the individual companies and functional areas is subject to the internal audit department's periodic reviews.

Risk management process

The risk management process at NORMA Group includes the core elements of risk identification, risk assessment and risk controlling and monitoring. The risk management process has been fully integrated into an integrated software solution. The respective legal units record the identified and assessed risks. Subsequently, the regional risk officers and, depending on the risk category, the functional managers at Group level, check and approve the respective risks with the help of the software. The process of identifying, evaluating and controlling risks is accompanied by continuous monitoring and communication of the reported risks by the risk managers.

Risk identification is carried out bottom-up by the individual companies as well as top-down by the individuals responsible for functions at the regional and Group level. Various methods that correspond to the structure of the organization are used to identify risks. Such methods include interdisciplinary workshops, interviews and checklists, but also market and competition analyses. In certain cases, analyses of the process workflows as well as results from internal and external audit reports are used.

Risk management system of NORMA Group G024

NORMA Group's risk managers are responsible for verifying on a regular basis whether all material risks have been recorded.

NORMA Group uses a systematic assessment procedure to evaluate the risks that were identified, both in terms of their financial impact and their probability of occurrence. All risks that can be adequately assessed and specified are reported regardless of their expected financial impact. The measurement of the gross expectation value of the risk, i.e. the expected value of the risk before considering countermeasures, must be based on the assumption of the most unfavorable outcome of the financial impact for the Company.

As part of the risk controlling, the appropriate risk mitigating measures are developed, implemented and their implementation is monitored. These include, in particular, strategies to avoid, reduce and secure risks, i.e. measures that minimize the financial impact of the risks as well as their probability of occurrence. Risks are managed in accordance with the principles of the risk management system as described in the Group risk management policy.

Risk reporting

Group-wide recording and assessment of risks as well as their reporting to the functional managers and individual companies by functional areas, the management of the segments, the Management Board and the Supervisory Board takes place on a quarterly basis. In addition, risks that are identified within a quarter and whose expected value have a significant impact on the results of subgroups of the Group are reported ad hoc to the Management Board and, if necessary, to the Supervisory Board.

In order to analyze NORMA Group's overall risk situation and initiate appropriate countermeasures, individual risks of local business units, segments and Group-wide risks are aggregated in a risk portfolio. Here, the scope of consolidation for risk management corresponds to the scope of consolidation of the Consolidated Financial Statements. In addition, risks are categorized according to type and the functional area they affect. This makes it possible to aggregate individual risks into risk groups in a structured manner. This aggregation can be used not only for individual risk management but also to identify and control trends in order to sustainably influence and reduce the risk factors with certain types of risks. If not indicated otherwise, the risk assessment applies to all regional segments.

Opportunity management process

Operational opportunities are identified during monthly meetings held at the local and regional level, but also by the Management Board, and then documented and analyzed. Measures aimed at capitalizing on strategic and operational opportunities through local and regional projects are approved during these meetings. Regular forecasts are developed as part of periodic reporting to record how successfully potential opportunities are taken advantage of. Strategic opportunities are recorded and evaluated as part of annual planning. NORMA Group uses a systematic assessment procedure to evaluate the opportunities and risks that were identified, both in terms of their financial impact, i.e. gross and net impact on planned financial indicators, and their probability of occurrence.

Internal control and risk management system with regard to the group accounting process

NORMA Group's internal control and risk management system with regard to the Group accounting process can be described using the following main characteristics: The purpose of this system is to identify, analyze, evaluate and manage risks as well as monitor these activities. The Management Board is responsible for ensuring that this system meets the Company's specific requirements. Based on the allocation of responsibilities within the Company, the CFO is responsible for the Finance and Accounting divisions. These functional areas define and review the Group-wide accounting standards within the Group and compile the information used to produce the Consolidated Financial Statements. The need to provide accurate and complete information within predefined timeframes represents a significant risk to the accounting process. Because of this, requirements must be clearly communicated and the affected units must be put in a position to meet these requirements.

Risks that may affect the accounting process arise, for example, from the late or incorrect recording of business transactions or non-compliance with accounting rules. The failure to enter business transactions also represents a potential risk. In order to avoid errors, the accounting process is based on the segregation of duties and functions and plausibility checks for reporting. The preparation of the financial statements of those entities to be included in the Consolidated Financial Statements as well as the consolidation measures based on this consolidated group are characterized by consistent observance of the 'dual-control principle' Comprehensive and detailed checklists must be completed before the respective reporting deadlines. The accounting process is fully integrated into NORMA Group's risk management system. This ensures that accounting risks are identified at an early stage, allowing the Company to implement measures for risk prevention and risk mitigation without delay.

The internal control system ensures the accuracy of NORMA Group's financial reporting with respect to its accounting processes. The internal audit department reviews the accounting processes on a regular basis to ensure that the internal control and risk management system is effective. External specialists also support these efforts. Furthermore, the financial statement auditor conducts audit procedures during the audit of the annual financial statements based on the risk-based audit approach, whereby material errors and violations will be uncovered with reasonable assurance.

The IFRS accounting standards as they are to be applied in the European Union are summarized in an accounting manual that includes an account assignment guideline (IFRS Accounting Manual). All companies in the Group must base their accounting processes on the standards described in the accounting manual. Important accounting and valuation standards, such as the recognition and measurement of fixed assets, inventories and receivables, as well as provisions and liabilities, are defined in a binding manner. The Group also has system-supported reporting mechanisms to ensure that identical situations are handled in a standardized way across the Group.

The Consolidated Financial Statements and Consolidated Management Report are prepared according to a uniform time schedule for all companies. Each company in the Group prepares its separate financial statements in accordance with the applicable local accounting guidelines and IFRS. Intra-Group deliveries and services are recorded in separately designated accounts by the Group companies. The net balances of Intra-Group offsetting accounts are reconciled on the basis of defined guidelines and schedules by means of balance confirmations. The companies in the Group use the COGNOS reporting system for financial reporting. In accordance with NORMA Group's regional segmentation, technical responsibility for the financial area is shared by both the financial officers in the Group companies as well as by the regional CFO for the respective segment. They are responsible for the quality assurance of the financial statements of the respective Group companies. The comprehensive quality assurance of the financial statements of the Group companies included in the Consolidated Financial Statements is carried out by Group Accounting, Tax & Reporting, which is responsible for preparing the Consolidated Financial Statements. In addition, the data and disclosures of the Group companies as well as the consolidation measures necessary for the preparation of the Consolidated Financial Statements are verified through audit procedures conducted by external auditors under consideration of the associated risks.

The various IT systems that individual NORMA Group companies use to perform financial accounting are gradually standardized. Tiered user access rights are defined for all systems. The type and design of these access authorizations and authorization policies are decided on by local management in coordination with NORMA Group's central IT department.

Risk and opportunity profile of NORMA Group

As part of the preparation and monitoring of its risk and opportunities profile, NORMA Group assesses risks and opportunities based on their financial impact and their probability of occurrence. The financial impacts of risks and opportunities are assessed based on their relation to EBITA. The following five categories are used here:

- Insignificant: up to 1% of current EBITA
- Minor: more than 1% and up to 5% of current EBITA
- Moderate: more than 5% and up to 10% of current EBITA
- Significant: more than 10% and up to 25% of current EBITA
- High: more than 25% of current EBITA

The impact of the risk or opportunity generally relates to the EBITA of the Group. Provided that an individual assessment relates solely to a specific segment, the EBITA of the respective segment is used instead. The assessment of opportunities and risks whose financial impact has an effect on line items in the Statement of Comprehensive Income below EBITA is also performed in relation to EBITA. The presented impact always reflects the effects of countermeasures initiated.

The probability of individual risks and opportunities occurring is quantified based on the following five categories:

- Very unlikely: up to 3% probability of occurrence
- Unlikely: more than 3% and up to 10% probability of occurrence
- Possible: more than 10% and up to 40% probability of occurrence
- Likely: more than 40% and up to 80% probability of occurrence
- Very likely: more than 80% probability of occurrence

Financial opportunities and risks

NORMA Group is exposed to various financial risks, including default, liquidity and market risks. The Group's financial risk management strategy concentrates on the identification, evaluation and mitigation of risks, focusing on minimizing the potential negative impact on the Company's financial, asset and earnings position. Derivative financial instruments are used to hedge particular risk items. Financial risk management is carried out by Group Treasury. The Group Management defines the areas of responsibility and necessary controls related to the risk management strategy. Group Treasury is responsible for identifying, evaluating and hedging financial risks in close consultation with the Group's operating units. In this context, various processes and organizational structures work together to measure and evaluate opportunities and risks on a regular basis, and to initiate appropriate measures if necessary. Group Treasury regularly conducts analyses of default risks, interest rate risks, currency risks and liquidity risks. The results are then discussed internally and actions are defined. Group Treasury also advises the management of relevant departments in monthly committee meetings and discusses how to handle these risks and the potential impact on NORMA Group → NOTES, P. 142

Capital risk management

NORMA Group's objective when it comes to managing its capital is primarily the long-term servicing of its debts and remaining financially stable. In connection with most of its financing agreements, the Company is obliged to maintain the financial covenant total net debt cover (debt divided by adjusted consolidated EBITDA). This key figure and its maintenance, but also net debt and the maturity structure of financial debt, are continually monitored. Changes in the value of the amounts included in this financial indicator are limited by employing long-term hedging strategies.

Default risks

Default risks are risks of contractual partners not meeting their obligations arising from business and financial transactions. Due to the nature of the respective assets and business relationships, as well as the soundness of its current banking partners, default risks with respect to deposits and other transactions concluded with credit and financial institutions currently do not represent a major risk category for NORMA Group. Nevertheless, the creditworthiness of contract partners is continuously monitored and discussed at regular senior management meetings.

Relevant default risks can arise, however, with respect to business relationships with customers and relate to outstanding receivables and committed transactions. NORMA Group reviews the creditworthiness of new customers to minimize the risk of default on trade receivables. Customers whose credit ratings are below Group standards or who have defaulted on payment are only supplied if they pay in advance. Additionally, a diversified customer portfolio reduces the financial repercussions of default risks. Default risks are still considered to be unlikely due to the measures referred to above. The potential financial effects of default risks are judged to be insignificant considering the relevant factors, such as bad debt losses experienced in the past, and due to the countermeasures taken.

Liquidity opportunities and risks

Prudent liquidity risk management requires holding sufficient cash funds and marketable securities, having sufficient financing from committed lines of credit and being able to close out market positions. Due to the dynamic nature of the underlying business, of NORMA Group, Group Treasury aims to maintain flexibility in financing by keeping committed credit lines available. Therefore, NORMA Group's primary objective is to ensure the uninterrupted solvency of all Group companies. Group Treasury is responsible for liquidity management and therefore for minimizing liquidity risks. As of December 31, 2019, NORMA Group's liquid assets (cash and cash equivalents) amounted to EUR 179.7 million (2018: EUR 190.4 million). Furthermore, NORMA Group has a high level of financial flexibility thanks to a committed revolving credit line with national and international credit institutions in the amount of EUR 50 million. This line was not drawn down at all as of December 31, 2019. In the course of the refinancing in 2019, a further flexible accordion line was negotiated, which has further increased NORMA Group's ability to take strategic action. Furthermore, a commercial paper program with a total volume of EUR 300 million was launched in 2019, which can be used flexibly to cover short-term liquidity requirements. These money market papers, which are equivalent to bearer bonds, are issued on a revolving basis for a short-term period of 1 to 24 weeks and thus allow the Group's own liquidity to be managed in line with requirements.

Financial opportunities are seen, among other areas, in NORMA Group's high creditworthiness as well as its solid financial, assets and earnings position, which enable the Company to gradually reduce its capital costs. Against this backdrop, NORMA Group successfully refinanced the maturing promissory note tranche from 2014 and the bank loan negotiated in 2015 in full in the past fiscal year. The new financing is characterized by even more committed degrees of freedom and lower interest costs. This new bank loan of EUR 250 million also includes a sustainability component linked to an external rating. By further improving its sustainability rating, NORMA Group has the opportunity to further reduce its external interest burden. In addition to the revolving credit line, which was not used at the end of the year, a flexible accordion line was negotiated, which grows with the success of NORMA Group. The liquidity-related opportunities are considered likely, in particular due to the positive assessment by the banking partners and the resulting reputation on the capital market. In light of the refinancing measures carried out in the recent past, by which the borrowing costs have already been reduced quite considerably, the potential financial effects of liquidity-related opportunities on NORMA Group's earnings are considered to be only minor. → FINANCIAL POSITION, P. 69

Most of the Group's financing agreements contain typical terms for credit lines (financial covenants). If NORMA Group does not adhere to these terms, the banks would be entitled to re-evaluate the agreements and demand early repayment. Failure to comply with these loan covenants would have high potential financial repercussions. For this reason, NORMA Group continuously monitors its compliance with the financial covenants in order to implement suitable measures in advance and prevent the terms from being violated. In order to hedge balance positions in foreign currencies whose valuation leads to fluctuations in the profit and loss account, NORMA Group partly uses rolling hedging transactions. Group Treasury ensures that sufficient liquidity or granted credit lines are available at all times to cover possible cash outflows related to these hedging measures. This is continuously monitored by means of risk simulation and discussed in senior management meetings. The probability of liquidity risks having a negative impact on NORMA Group's activities is very unlikely given the high level of financial flexibility provided by committed and unused bank credit lines. The risk of non-compliance with financial covenants is still considered very unlikely due to high profitability and a strong operating cash flow. In the event of (short-term) increased liquidity requirements that exceed currently negotiated lines, the possibilities of raising funds at market conditions, by issuing new bonds on the commercial paper capital market, for example, are considered to be very good.

Foreign currency trends

As an internationally operating company, NORMA Group is active in more than 100 countries and is thus exposed to foreign currency risks. The US dollar, British pound, Swiss franc, Chinese renminbi, Polish zloty, Swedish krona, Czech koruna, Singapore dollar, Indian rupee and Serbian dinar are regarded to be the main risk-prone currency positions.

Foreign currency risks that cannot be offset against each other are hedged using futures and options whenever reasonable. The high volatility of many major currencies and the particular influence of the US dollar on the Group's financial, assets and earnings position represent a considerable risk that can be only partially hedged for a short-term period. In the medium term, NORMA Group reduces foreign currency risks by increasing regional production. → PRODUCTION AND LOGISTICS, P. 74

Because the Group's subsidiaries operate in the most important countries with currencies other than the euro, it has sufficient cash-in and cash-out capabilities to absorb short-term exchange rate fluctuations via targeted income and expenditure management. The syndicated bank loan refinanced in fiscal year 2019 has further increased flexibility in foreign currency management. The syndicated bank loan provides for credit lines in various currencies to be utilized (e.g. US dollars and euro tranches). In addition, the US dollar promissory note tranches issued lead to a better congruence of the payment profiles in US dollars. The remaining foreign currency risks are continuously monitored within the Group and, in the event of any exceedance of risk limits, are transferred to the euro on a rolling basis using derivative hedging instruments. Translation risks are constantly monitored by Group Treasury, but are not hedged using derivative hedging instruments in the current environment. As a result, items in the Statement of Financial Position and Statement of Comprehensive Income of subsidiaries in foreign currency areas are translated into euros.

The potential financial effects of opportunities and risks related to exchange rate changes are considered to be moderate based on the sensitivity analyses that have been performed. The probability of the incidence of these risks and opportunities is assessed to be possible in light of recent exchange rate fluctuations and the uncertainties with regard to the further development of relevant exchange rates.

Changes in interest rates

Changes in global market interest rates affect future interest payments for variable interest liabilities and can therefore have an adverse effect on the Group's asset, financial and earnings position. NORMA Group's interest change risk arises in particular from long-term loans.

Many of the current loans have fixed interest rates and are therefore not subject to interest rate risk. → GOALS REGARDING FINANCE AND LIQUIDITY MANAGEMENT, P. 55

Loans that initially had variable interest rates were partly synthetically converted into fixed interest rate positions using derivative instruments. NORMA Group has hedged over 60% of its variable interest rate loans in USD valued at USD 171 million in total. On the other hand, variable rate loans denominated in euros in the amount of EUR 165 million are for the most part unhedged.

Due to the fact that there are currently no signs of a more restrictive monetary policy in the euro zone, NORMA Group views the risk of interest rate increases in the short term to be unlikely and in the medium term as possible. In view of the current low interest rate level in the euro zone, the chances of a further reduction in interest rates are considered unlikely in the short and medium term. In the US dollar zone, on the other hand, the probability of further interest rate cuts is considered possible in both the short and medium term, which would lead to corresponding opportunities for NORMA Group. NORMA Group considers the risk of rising US interest rates to be unlikely in the short term and possible in the medium term. Against the background of the measures already implemented to optimize the financing structures, the financial effects associated with these risks and opportunities are assessed as low.

In summary, NORMA Group assesses the opportunities and risks arising from interest rate changes as possible in principle, although risks from rising interest rates are even considered to be unlikely in the short term. The possible effects are classified as low in all scenarios, both in the short and medium term.

Economic and cyclical opportunities and risks

The success of NORMA Group largely depends on macroeconomic trends on its sales markets and its customers' sales markets. Therefore, important indicators of economic development worldwide are taken into account both in planning as well as in risk and opportunities management. In order to gauge the macroeconomic trend, NORMA Group mainly uses the forecasts of widely regarded institutions such as the IMF, the Bundesbank and reputable economic research institutes. Accordingly, global growth of 3.2% can be expected in 2020.

In the previous year, in addition to the uncertain outcome of the Brexit process and the consequences of a continuing rise in protectionism, the resulting geopolitical risks were identified as significant risk factors with regard to economic development. In addition, a flattening of the pace of expansion of the Chinese market and the high level of government debt in Italy and France and their negative impact on economic development in Europe are seen as further potential risks. For the current fiscal year, relevant risk factors include the negotiations on the design of future trade rules with the EU following the Brexit, protectionist activities in connection with the possible conclusion of a trade agreement between the US and the EU, and other geopolitical crises. In addition, the structural problems in Italy and France, among others, could have a negative impact on how the economy in Europe develops. In addition, NORMA Group considers the coronavirus (COVID-19), which first appeared in China, to be a major burden on the development of the global economy in fiscal year 2020. The further spread of the virus and the associated containment and quarantine measures could lead to substantial production losses due to plant closures and slumps in demand, particularly in the first half of the year, and increasingly affect areas and industries in countries outside China that are initially only indirectly affected due to globally integrated value chains. In this context, the global economy is not expected to be significantly impaired beyond the first half of 2020. However, if the further spread of this epidemic is not halted promptly, it is increasingly unlikely that the negative effects, such as production and demand gaps, can be closed as the year progresses.

In light of the possible overall economic impact of these developments, NORMA Group is of the opinion that a negative development of the global economy compared to the planning assumptions is currently classified as likely taking these risks into account. Should these factors lead to a deterioration in global demand, the financial deviations from planning are considered to be moderate. A positive development of the global economy that goes beyond the planning assumptions would represent an opportunity for NORMA Group. Thanks to its flexible production structures, NORMA Group is able to expand capacities in the short term and thus respond to a generally increased demand. The Company believes it is unlikely that the global economic situation and thus NORMA Group's earnings will improve beyond the

Climate change: an eye on opportunities and risks

Dealing with the consequences of climate change and the increasing scarcity of resources properly is becoming increasingly important. NORMA Group's main objective is to identify risks and opportunities arising from the changing environment and to recognize potential.

The growing electromobility market is a consequence of the ongoing demand for a reduction in greenhouse gas emissions. Opportunities have arisen for NORMA Group in this area, in the development of innovative systems in the fields of thermal management for batteries and water, for example, when it comes to landscape irrigation, rainwater management and infrastructure solutions.

Nevertheless, NORMA Group also keeps a close eye on the risks that could arise, an increase in the cost of production processes that could result if greenhouse gas emissions were to be priced, for example. Potential losses of business in the automotive sector in connection with conventional drives are also monitored closely on an ongoing basis and appropriate steps are taken in good time as required.

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planning assumptions. In the overall view of the current macroeconomic climate and the prospects based thereon, the potential financial impact of these opportunities is considered minor as in the previous year.

Industry-specific and technological risks and opportunities

Industry-specific and technological opportunities and risks for NORMA Group are closely linked to the conditions and developments in the respective customer industries. → PRODUCTS AND END MARKETS, P. 47 It should be borne in mind, however, that the customer industries in the regions relevant to NORMA Group, EMEA, the Americas and Asia-Pacific, have partly specific characteristics and challenges.

Business activities with OEMs for passenger cars and commercial vehicles as well as customers in the aftermarket segment still represent the most important end markets for NORMA Group. In this area, the ever-stricter emission standards as well as the increasing use of more environmentally friendly drive technologies represent a development that is associated with various opportunities and risks for NORMA Group. NORMA Group's current product portfolio includes a variety of solutions that help reduce emissions in passenger cars and commercial vehicles equipped with an internal combustion engine, including hybrid vehicles, and thus help customers meet ever-stricter emission requirements.

NORMA Group is also in a good position to meet the challenges of ever more relevant electromobility through its future-proof product portfolio. Accordingly, research and development activities relating to purely battery-powered electric vehicles as well as hybrid vehicles represent a strategic focus, within the framework of which new product solutions are being developed and existing products constantly enhanced. Regulatory measures such as stricter exhaust gas standards and the resulting increased demand for environmentally friendly products and technologies thus open up a variety of opportunities for NORMA Group.

On the other hand, risks for NORMA Group may arise from the ongoing discussion of compliance with emission standards for vehicles with combustion engines. NORMA Group counters these risks through continuous initiatives aimed at securing and expanding its technological and innovative leadership and by focusing on customers and markets. Accordingly, NORMA Group systematically analyzes current market developments in the area of future technologies and consistently develops new products based on this analysis. The first products for fuel cell powered vehicles have already been successfully launched on the market. For example, NORMA Group has already been supplying a line system for a fuel cell vehicle in series production since 2018, which could lead to further research and follow-up projects. Even in the context of a steadily increasing share of purely battery-powered electric vehicles, it will be important for NORMA Group to continue to be able to offer suitable innovative product solutions in this dynamic environment. → RESEARCH AND DEVELOPMENT, P. 55

The water management segment, which has been consistently strengthened by the acquisitions carried out in past years, represents another strategically important customer industry for NORMA Group. The increasing scarcity of water and the responsible handling of this important resource in this context are leading to business opportunities.

NORMA Group's strong diversification in terms of customers in different industries is another element of the Company's risk and opportunity management. NORMA Group counters long-term, industry-specific risks and opportunities through a consistent innovation policy and regular market analyses.

In summary, the industry-specific and technological opportunities and risks are assessed as possible with a moderate financial impact.

Risks and opportunities associated with corporate strategy

The strategic goal of NORMA Group is to achieve a sustained increase in the Company's value. In view of this goal, NORMA Group is pursuing the strategy of profitably expanding its business activities through organic growth as well as selective value-enhancing acquisitions and achieving broad diversification with respect to its products, regions and end markets, thus becoming less dependent on individual products, regions and end markets. NORMA Group's aim is to grow with innovations, superior product quality and strong brands in existing end markets, to open up new end markets and to continuously improve the efficiency of its business processes in all functional areas and regions. → GOALS AND STRATEGY, P. 49

Besides the Company's strategic activities aimed at continuing to develop the business organically, NORMA Group sees considerable opportunities to sustainably increase the Group's financial result, particularly through its strategy of profitably expanding its business activities by making selective, value-adding acquisitions. NORMA Group has been able to demonstrate the success of this strategy several times in the past by completing its acquisitions. If, however, in individual cases, the development of the acquired companies falls behind the expectations at the time of acquisition or if integration progresses more difficultly than assumed, risks could also arise from acquisitions for NORMA Group. However, NORMA Group believes that the Company's goals for the profitability of potential acquisitions, careful due diligence measures in the run-up to the acquisition, and agreed integration plans form the basis for mitigating these risks accordingly.

In addition, opportunities to achieve its financial targets arise for NORMA Group from the broad diversification with respect to its products, regions and end markets. Should the demand in individual regions and end markets or the demand for individual products temporarily lag behind planning, NORMA Group will have the chance to compensate for this via other regions, end markets or products. Nevertheless, the broad diversification with respect to products, regions and end markets also implies a certain complexity, which can be associated with risks for NORMA Group. Because NORMA Group's diversification efforts are being carried out step by step with regard to the regions and end markets as well as its products, these risks can be adequately limited by means of an appropriate adaptation of the organization to the changed circumstances. Accordingly, NORMA Group is addressing the reduction of complexity and streamlining of its current product portfolio via an independent field of action as part of its "Get on Track" change program.

With respect to the efficiency of its business processes, NORMA Group is able to settle production processes that require a higher degree of manual assembly effort in countries with lower labor costs, thus securing and further increasing its profitability. However, there are inevitably risks associated with making these types of decisions on locations and related investments if significant assumptions made in the investment decision are not fulfilled. NORMA Group addresses these risks by conducting careful analyses in the run-up to investment decisions and uses graded approval procedures. Future risks from the location decisions already made will be evaluated in fiscal year 2020 as part of the "Get on Track" program and be included in decisions on optimizing the capacities of Group sites.

When the corporate strategy initiatives of NORMA Group are combined, the financial impact of the opportunities associated with NORMA Group's Company strategy is assessed as moderate and a positive deviation from planning as possible. Based on the measures taken to limit the risks associated with NORMA Group's corporate strategy, the probability of the occurrence of strategic risks is considered unlikely, while the potential financial impact of corporate strategy risks is considered moderate.

The Company strategy is adapted to the individual market conditions in the individual segments. For instance, acquisitions are made particularly in those countries and regions that offer attractive growth opportunities for NORMA Group. Nevertheless, the general assessment of corporate strategy opportunities and risks in the regions is identical.

Operational risks and opportunities

Commodity prices

The materials that NORMA Group uses, in particular the raw materials steel and plastics, are subject to the risk of price fluctuations. The price trend is also influenced indirectly by the further development of the global economic situation as well as by institutional investors. NORMA Group limits the risk of rising purchase prices through systematic material and supplier risk management. Thanks to a powerful global Group purchasing structure, economies of scale are being used to purchase the most important commodity groups FASTEN, FLUID und WATER as competitively as possible. This Group purchasing structure also enables NORMA Group to balance out the risks of individual segments with each other. NORMA Group also constantly strives to secure permanently competitive procurement prices by continuously optimizing its selection of suppliers and applying the best-landed-cost-approach. The Company also tries to reduce dependency on individual materials through constant technological advances and tests of alternative materials. Protection against commodity price volatility is done by forming procurement contracts with a term of up to 24 months, whereby material supply risks are minimized and price fluctuations can be calculated more accurately.

The high price level for purchasing steel and metal components remained largely unchanged due to the increasing protectionist measures in the US. The steel procurement markets in Europe and Asia (China) showed a decline in prices due to the economic slowdown. The alloy surcharges relevant for stainless steel rose sharply during the year after the Indonesian government announced an early ban on nickel ore exports. As a result of weaker demand and high inventories, especially in China, prices declined again at the end of the year. Analysts continue to assume a risk of rising nickel prices and a volatile market in the future. This is due to the use of nickel in batteries for electromobility.

In the procurement market for plastics, NORMA Group recorded rising procurement prices at the beginning of the past fiscal year. This was initially due to the continuing high demand for engineering plastics. As a result, producers in some cases initially continued to allocate material. Due to the economic downturn, particularly in the automotive sector, this led to a significant global decline in demand for engineering plastics. As a result, the supply situation has eased to a large extent. The possibility of a recovery in the global economy, which could lead to supply bottlenecks for engineering plastics and the associated price increases, is not yet foreseeable. Taking into account NORMA Group's procurement portfolio, price increases for raw materials are considered likely overall. However, the associated financial impact is estimated to be minor. Similarly, the opportunities arising from declining raw material prices are also considered to be minor in terms of their financial impact. Against the backdrop of the complete procurement spectrum and taking into account the prevailing volatility on the raw material markets, potential price reductions are still considered unlikely overall.

Suppliers and dependencies on key suppliers

The loss of suppliers and dependencies on single suppliers can lead to material shortages and thus to negative impacts on the Group's activities. In order to minimize this risk, NORMA Group only works with reliable and innovative suppliers who meet its high quality requirements. In the area of production material, the ten most important suppliers are responsible for approximately 28% of the purchasing volume. → PURCHASING AND SUPPLIER MANAGEMENT, P. 76 These and other key suppliers are regularly observed and assessed as part of quality management. If the loss of a supplier appears imminent, NORMA Group evaluates alternatives immediately. As a result, the loss of suppliers is considered possible, but the potential financial impact is regarded as minor. However, NORMA Group also sees opportunities in this area as a result of its proactive approach both in terms of existing supplier relationships as well as identification of new suppliers and raw materials. Since further optimization in the area of purchasing can also be anticipated in the medium term due to the "Get on Track" change program rolled out in November, NORMA Group estimates the potential of the implemented measures for a positive deviation from planning to be possible with a minor impact.

Quality and processes

NORMA Group's products are often mission-critical with respect to the quality, performance and reliability of the final product. Quality defects can lead to legal disputes, liability for damages or the loss of a customer. Therefore, the reliable guarantee of product quality is a key factor to ensuring NORMA Group's long-term success, so that its products provide crucial added value for its customers. → QUALITY MANAGEMENT, P. 75 Maintaining the right balance between cost leadership and quality assurance is a constant challenge. To reduce this risk, far-reaching quality assurance measures and uniform Group-wide quality standards are used. Furthermore, NORMA Group focuses on innovative and value-added joining solutions tailored to meet customer requirements. For this reason, the Company believes that it is possible for quality risks to occur, while the potential financial repercussions would be minor due to the existing insurance coverage.

NORMA Group takes every opportunity to realize cost advantages to improve its competitive position. The Company develops and implements initiatives focused on cost discipline, the continuous improvement of processes in all functions and regions and the optimization of supply chain management and production processes. These initiatives are expected to have a positive impact on NORMA Group's business. → PRODUCTION AND LOGISTICS, P. 74 Since NORMA Group pursues a continuous process of improvement, there are opportunities over and above planning for positive deviations in the area of these processes. This applies for all regions in which NORMA Group is active. The Company estimates the likelihood of cost savings to be possible. Since planning already allows for continuous optimization of production processes and NORMA Group's processes are already extremely efficient, the short-term financial impact of a deviation from the plan as a result of improved production processes is minor.

Customers

Customer risks result from a company being dependent on important buyers for a significant proportion of its sales. They could take advantage of their bargaining power, which can lead to increased pressure on the Company's margins. Decreases in demand from these customers or the loss of these customers can have a negative impact on the Company's earnings. For this reason, NORMA Group continuously monitors incoming orders and customer behavior so as to identify customer risks early. Due to its diversified customer portfolio, financial repercussions of customer risks are reduced. Accordingly, no single customer accounted for more than 4% of sales in fiscal year 2019. Therefore, it is considered possible that customer risks could have a negative impact on NORMA Group's business, however the financial effects would be minor due to the diversified customer structure.

Based on NORMA Group's strategy and the goal of further expanding its markets, the Company managed to expand its customer portfolio compared to the previous year. Innovative solutions were used to gain new customers for NORMA Group products in all regions. Therefore, NORMA Group estimates the opportunities for positive deviations from planning to be possible with a minor impact on earnings based on a growing number of customers.

Risks and opportunities of personnel management

NORMA Group's success is largely dependent on its employees' enthusiasm, commitment to innovation, expertise and integrity. The Group's personnel management serves to retain and expand this core expertise. The resignation of employees with crucial skills as well as a shortage of suitable workers can have a negative impact on operations. The competition for the most talented employees as a result of demographic developments and the shortage of skilled labor in Western industrial nations is becoming more and more intense.

NORMA Group counters these risks with far-reaching basic and advanced training as well as employee development programs. NORMA Group also encourages its employees to focus on the Company's success through variable remuneration systems. In return, the employees contribute to the continuous further development of the Company in connection with employee surveys and improvement initiatives. Comprehensive representation rules and a division of responsibilities that promotes mutual exchange secure the Group from risks that can arise due to the departure of employees. When identifying potential new employees who can make a crucial contribution to performance, NORMA Group seeks the advice of external human relations advisors.

While the Company regards the probability of personnel risks occurring as possible overall, the potential financial impact is considered insignificant due to its sustainable personnel policy.

In addition, opportunities arise from the consistent further development of employees. NORMA Group fosters its employees and offers them incentives to further develop their personal expertise through educational and training opportunities as well as the targeted search for talent within the Group. Furthermore, NORMA Group offers its employees flexible and family-friendly working time models. Through the above-mentioned measures, NORMA Group actively supports the preservation and collection of knowledge within the Company, which will thus offer opportunities for the future development of NORMA Group. The occurrence of these opportunities is considered likely, whereby the associated financial success is considered to be minor.

IT-related risks and opportunities

The use of functional and high-performance IT systems is of central importance for an innovative and global Company such as NORMA Group with regard to the efficiency of its business processes. In this context, it is critical for the Company's success to support the business processes of NORMA Group, which are partly organized across corporate and national boundaries along the value chain with stable and powerful IT systems that provide the management at all levels with the necessary information in a timely manner and allow for efficient organization of workflows. For the exchange of information with customers and suppliers of NORMA Group, tailor-made IT solutions connected to the respective ERP systems are likewise of great importance. With regard to this business-critical IT infrastructure, there is a risk that an extensive computer system failure, e.g. due to technical malfunctions of the systems or attacks by hackers, could seriously disrupt the Company's operations.

In addition, NORMA Group sees the risk that external users could gain unauthorized access to sensitive Company information and misuse it. In this context, unauthorized access to information about production processes as well as financial, customer and employee data could have a negative impact on the Company.

For this reasons, NORMA Group has implemented appropriate measures to avoid and reduce this type of risk. These measures are embedded in the IT risk management process and are adjusted continously in this context to changing conditions. For example, NORMA Group manages the IT risks it identifies by arranging for redundant provision of business-critical applications and databases via physically separated data center areas, using decentralized data storage and outsourced data archiving to a certified external provider, and by using up-to-date firewalls and e-mail filters, including permanent network monitoring. The access of employees to sensitive information is ensured by means of authorization systems customized for the respective positions, taking into account the principle of segregation of duties. Finally, employees are trained to be more aware of data security aspects. The gradual transfer of old ERP systems into new, uniform Group systems, which will be further advanced in 2019, also harbors risks. During the necessary process changes in the respective plants and distribution centers, adjustment problems may arise at the process level that could result in additional shifts or special freight requirements, for example. If necessary, redundant internal and external resources are kept available to mitigate these risks.

NORMA Group estimates the probability of IT-related risks occurring in all regions despite the countermeasures implemented to be probable (possible in the previous year) and the potential financial impact to be moderate (low in the previous year).

The risks arising from the migration from the old ERP systems to uniform new systems for the entire Group are also offset in the medium term by opportunities arising primarily from the potential for process standardization and optimization across all companies in the NORMA Group. The opportunities that may result from this standardization are regarded as probable. The related financial effects are expected to be at a low level.

Legal risks and opportunities

Risks related to standards and contracts

Future changes to legislation and requirements, especially liability law, environmental law, tax law, customs law and labor law, as well as changes in related standards, could have a negative impact on NORMA Group's development. Violations of laws and regulations, but also of contractual agreements, can lead to penalties, regulatory requirements or claims from injured parties. Conversely, NORMA Group can be adversely affected by legal or contractual breaches by third parties. In addition, defective products may result in legal disputes and liability for damages. Likewise, the results of tax audits can lead to tax payments, including penalties and interest.

In 2019, litigations in most cases involved labor disputes. Here, the respective NORMA Group companies were sued in connection with the termination of employment relationships. Disputes with customers concerned both alleged product defects and payment claims of NORMA Group companies against customers. NORMA Group has asserted claims against suppliers in connection with defective deliveries. Another focus was on legal proceedings concerning its own- or third-party IP rights. In addition, NORMA Group was involved in proceedings relating to tax and customs law issues.

NORMA Group uses its current compliance and risk management systems to ensure that it complies with constantly changing laws and regulations and meets its contractual obligations. NORMA Group counters the risk of product defects through its Group-wide quality assurance program. In addition, NORMA Group is also insured against claims arising from certain defective products.

Due to the current significant changes in international tax law (e.g. the OECD BEPS Initiative), in particular, which can lead to unanswered legal questions, as well as the increased auditing intensity of tax audits that can be seen in many countries, the likelihood of risks related to standards and contracts is considered possible. However, due to the current risk management measures, the potential financial impact of risks in connection with standards and contracts is still considered to be moderate.

Known legal risks to which NORMA Group is exposed and whose occurrence is sufficiently specified are adequately taken into account by provisions in the Consolidated Financial Statements.

Social and environmental standards

Violating social and environmental standards could damage the reputation of NORMA Group and result in restrictions, claims for damages or disposal obligations. NORMA Group has therefore implemented Corporate Responsibility as an integral part of the Group strategy. In this context, a systematic Environmental Management System was introduced at NORMA Group so that corporate decisions can always be evaluated also considering the goal of avoiding emissions and conserving resources. The Company also invests in the area of occupational health and safety for its continuous improvement. → EMPLOYEES, P. 77

The probability of occurrence of negative developments due to social and environmental risks is still estimated as possible and their potential financial impact as moderate.

However investments in the area of Corporate Responsibility serve not only to ward off risks. The measures and initiatives are also seen as having the potential to positively impact both the business environment as well as NORMA Group and its stakeholders. Therefore, NORMA Group estimates the opportunities in this area to be possible and assumes that the measures and initiatives will have a minor impact on its planning.

Intellectual property

Violations of intellectual property rights could lead to lost sales and reputation. For this reason, the Company ensures that its technologies and innovations are legally protected. NORMA Group also minimizes the potential impact by developing customer-specific solutions and through its speed of innovation. At the same time, it is also possible for NORMA Group to violate the intellectual property of third parties. For this reason, developments for potential patent violations are reviewed at an early stage. Therefore, it is considered possible for the intellectual property to be violated. In view of the increase in IP disputes, the associated potential effects and possible other legal infringements are assessed as moderate in contrast to the previous year. In addition, NORMA Group also sees opportunities as possible that can lead to a minor deviation from the medium-term plan as a result of the consistent defense of the intellectual property and the expansion of legal unique selling points.

Assessment of the overall profile of risks and opportunities by the Management Board

The Group's overall situation results from the aggregation of individual risks and opportunities from all categories of the business units and functions. After assessing the likelihood of risks occurring and their potential financial impact as well as in light of the current business outlook, NORMA Group's Management Board does not believe that there is any individual risk or group of risks with the potential to jeopardize the continued existence of the Group or individual Group companies as a going concern. Taking the aggregated opportunities into account, NORMA Group is in a very good position with respect to both the medium and long terms to further expand its market position and grow globally. This assessment is reinforced by the good opportunities to cover the financing requirements. Therefore, NORMA Group has not made any effort to obtain an official rating from a leading rating agency.

General economic risks remain for NORMA Group in all areas, which is why setbacks on the way to long-term realization of the growth and profitability targets cannot be ruled out. In contrast, there are clear opportunities that NORMA Group is taking advantage of through its strategy and consistent opportunity management, so that it is possible that the Company might even exceed its profitability targets.

The changes in the individual opportunities and risks shown in the overview have no significant impact on NORMA Group's overall risk profile. NORMA Group has therefore concluded that the Group's overall profile has not changed significantly compared to the previous year.

Risk and opportunity portfolio of NORMA Group [1]

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		Probability of occurrence						Financial impact					
		very unlikely	unlikely	possible	likely	very likely	Change comp. to 2018	insignificant	minor	moderate	significant	high	Change comp. to 2018
Financial risks and opportunities													
Default risk			■				▶	■					▶
Liquidity	Risks	■					▶					■	▶
	Opportunities				■		▶		■				▶
Currency	Risks			■			▶			■			▶
	Opportunities			■			▶			■			▶
Change in interest rates	Risks			■			▶		■				▶
	Opportunities			■			▲		■				▲
Economic and cyclical risks and opportunities													
	Risks				■		▲			■			▶
	Opportunities		■				▶		■				▶
Industry-specific and technological risks and opportunities													
	Risks			■			▶			■			▶
	Opportunities			■			▶			■			▶
Risks and opportunities associated with corporate strategy													
	Risks		■				▶			■			▶
	Opportunities			■			▶			■			▶
Operational risks and opportunities													
Commodity pricing	Risks				■		▶		■				▶
	Opportunities		■				▶		■				▶
Suppliers	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Quality and processes	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Customers	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Risks and opportunities of personnel management													
	Risks			■			▶	■					▶
	Opportunities				■		▶		■				▶
IT-related risks and opportunities													
	Risks				■		▲			■			▲
	Opportunities				■		▶		■				▶
Legal risks and opportunities													
Risks related to standards and contracts	Risks			■			▶			■			▶
Social and environmental standards	Risks			■			▶			■			▶
	Opportunities			■			▶		■				▶
Property rights	Risks			■			▶			■			▲
	Opportunities			■			▶		■				▶

1_If not indicated differently, the risk assessment applies for all regional segments.

Remuneration Report

This Remuneration Report describes the basic principles of the remuneration system for the members of the Management Board and the Supervisory Board of NORMA Group SE in fiscal year 2019 and provides information on the remuneration granted and paid in 2019. In accordance with the recommendation of the German Corporate Governance Code, the Supervisory Board regularly reviews the amount of benefits granted to the members of the Management Board as well as the resulting annual and long-term expenses and adjusts the remuneration as necessary. In this context, attention is drawn in advance to the changes to the remuneration policy and remuneration system planned for 2020.

New remuneration system 2020

The Supervisory Board has initiated a complete revision of the remuneration system for the Management Board members following the predominantly negative vote on the approval of the remuneration system for the Management Board members at the 2019 Annual General Meeting and has therefore engaged in an open and cooperative dialogue with investors and voting rights advisors. In accordance with the Company's Rules of Procedure and applicable German law, the General and Nomination Committee of the Supervisory Board is responsible for drawing up the remuneration system, which includes both the remuneration of the Management Board and the Supervisory Board. The objective of the General and Nomination Committee is to provide the Supervisory Board with a well-founded proposal for a resolution that is appropriate in accordance with all relevant national and international standards. The recommendations of the German Corporate Governance Code (GCGC), the requirements of the German Commercial Code (HGB) and Stock Corporation Act (AktG) as well as the International Financial Reporting Standards (IFRS) are taken into account. The proposed resolution also takes into account the practice in the markets relevant to NORMA Group and the requirements of voting rights advisors and investors with regard to the remuneration of Management Board members. On the basis of this recommendation, the Supervisory Board decides on the Company's remuneration policy at its own discretion.

In addition to the criteria of the Company's performance and future prospects, the decision on the appropriateness of the remuneration is also based on the general levels of remuneration paid by comparable companies. NORMA Group's peer group complies with German law and the amended requirements of the German Corporate Governance Code and is composed of 15 companies whose size, industry and structure are comparable to those of NORMA Group. The peer group comprises Bertrandt AG, Deutz AG, DMG Mori AG, ElringKlinger AG, Gerresheimer AG, Jungheinrich AG, König & Bauer AG, Leoni AG, SAF-Holland S.A., Schaeffler AG, SGL Carbon SE, Stabilus S.A., Vossloh AG, Wacker Neuson SE and Washtec AG. The proposal for Management Board remuneration is approved by the Supervisory Board, which regularly reviews the appropriateness of the total remuneration of the Management Board, including the individual components, and makes adjustments it deems necessary. The Management Board and the Supervisory Board intend to submit the new 2020 compensation system to the Annual General Meeting on June 30, 2020 for approval.

The following content adjustments are part of the new compensation system 2020:

- Within variable remuneration, the share of long-term incentives has been increased compared to the share of short-term incentives.
- The members of the Management Board have a share purchase and retention obligation for an amount equal to 75% of the amount paid out from the LTI and 100% of the amount paid out from the ESG-LTI. The Company may also opt to paythis amount either completely or in part in shares of NORMA Group SE. As a result, more than 50% of the target amount of the payout of the variable remuneration is either invested in shares of NORMA Group SE by the members of the Management Board or granted by NORMA Group SE on a share-based basis.
- The short-term variable remuneration may be increased or reduced by up to 20% depending on the total shareholder return of NORMA Group SE compared to the total shareholder return of a predefined group of 15 other listed companies.
- Within the long-term variable compensation, a future amount of a maximum of 20% of the fixed annual salary depends on meeting sustainability goals, e.g. the reduction of CO_2 emissions.
- The Company has introduced a clawback regulation.
- The possibility of a special bonus being granted has been deleted from the employment contracts.
- The change of control clause that provides for a severance payment in the amount of three years' remuneration to be paid upon departure in the event of a change of control has been abolished for new members of the Board of Management.
- New members of the Management Board receive a defined contribution pension commitment instead of the previous defined benefit pension commitment.

Remuneration of the Management Board in 2019

Basic principles of the remuneration system

The purpose of NORMA Group's remuneration system is to provide the members of the Management Board with adequate remuneration for their activities and areas of responsibility. The remuneration of the Management Board members is based on the short and long-term success of the Company and rewards the Management Board members for their performance in accordance with the applicable legal regulations. In accordance with their roles and performance, the individual achievement of objectives is taken into account by distinguishing individually between the fixed remuneration of the Management Board members.

Due to the limited number of Management Board members, their performance is regarded as a joint effort and responsibility as a body and no further individual targets have been included in the remuneration system.

In accordance with the recommendations of the German Corporate Governance Code, the remuneration comprises a fixed component as well as a short-term variable and a long-term variable component.

Performance-independent components

Fixed salary

The basic remuneration consists of a fixed cash payment for the entire year based on the respective Management Board member's area of responsibility. This basic remuneration is paid in the form of a monthly salary.

Performance-related components

The performance indicators used for the short-term and long-term variable remuneration are derived from the corporate strategy of NORMA Group and are based on a three-year observation period. For Management Board members entering into service from 2015 onwards, or, in the case of new Management Board contracts, from 2015 onwards – this applies to Mr. Kleinhens (until July 31, 2019), Dr. Schneider and Dr. Klein – the variable remuneration consists of the following components:

Short-term variable remuneration

The short-term variable remuneration is a compensation component which refers to NORMA Group's average adjusted EBITA (adjusted for acquisitions) of the last three fiscal years. Each Management Board member receives an individually determined percentage of the amount of the three-year average. The short-term variable remuneration is limited to a maximum of 250% of the annual basic salary (Dr. Klein: 200% of the annual basic salary). The short-term variable remuneration for the past fiscal year is paid in the following year after the Supervisory Board approves the Consolidated Financial Statements. If the Management Board member has not worked for the Company for a full twelve months in a fiscal year, the annual bonus is reduced accordingly.

The following table provides an overview of the annual bonus:

Annual bonus T033

	Assessment basis	% rate	Cap
Dr. Michael Schneider	Adj. EBITA of last three years (arithmetic mean) Calculation: 0.35% x EUR 163.4 million = EUR 0.57 million	0.35	Two and a half times the fixed salary
Dr. Friedrich Klein	Adj. EBITA of last three years (arithmetic mean) Calculation: 0,25% x EUR 163.4 million = EUR 0.41 million	0.25	Two and a half times the fixed salary
Bernd Kleinhens	Adj. EBITA of last three years (arithmetic mean) Calculation: 0.60% x EUR 163.4 million x 7 / 12 = EUR 0.57 million	0.60	Two times the fixed salary

Long-term variable remuneration

The long-term variable remuneration is designed as a so-called NORMA Value Added Bonus and represents a part of the variable remuneration of the Management Board aligned toward sustained positive business development and value creation. This long-term variable remuneration component provides a long-term incentive for the Management Board to manage the Company successfully and in a value-enhancing and value-adding manner. The NORMA Value Added Bonus corresponds to the percentage defined for each member of the Management Board as a percentage of the average increase in value from the current and the two previous fiscal years. The annual increase in value is calculated according to the following formula:

NORMA Value Added =
(adjusted EBIT x (1 – t)) – (WACC x capital employed)

The calculation of the first component is based on the adjusted consolidated earnings before interest and taxes (NORMA Group EBIT) for the fiscal year and the average corporate tax rate. The second component is calculated from the Group WACC multiplied by the capital employed. The WACC is derived from the following assumptions:

Assumptions for calculating WACC T034

in %	2019	2018
Risk-free interest rate	0.20	0.39
Market risk premium	7.50	6.50
Beta factor of NORMA Group	1.33	1.28
Cost of equity	11.01	9.41
Cost of debt capital after taxes	1.79	1.85
Cost of capital (WACC) after taxes	8.09	7.14

The base interest rate is derived from the interest rate structure data of the Deutsche Bundesbank (three-month average – October 1 to December 31, 2019). The market risk premium represents the difference between the expected return on a risky market portfolio and the risk-free interest rate. NORMA Group relies on the recommendation of the Institute of Public Auditors in Germany (IDW) to determine this. The beta factor represents the individual risk of a share compared to a market index. It is initially determined as the average value of the unindebted beta factors of the peer group and is then adjusted to the individual capital structure of NORMA Group. The cost of equity is calculated as the sum of the following three components: risk-free interest rate, weighted country risk of NORMA Group, product of market risk premium and indebted beta factor of the peer group. The credit spread used to calculate the cost of debt was determined on the basis of the current external financing conditions of NORMA Group. Invested capital is calculated as Group equity plus net financial liabilities as of January 1 of the fiscal year.

The NORMA Value Added Bonus is limited to a maximum of 150% (or 100% in the case of Dr. Klein) of the fixed annual salary. 75% or 90 % of the amount attributable to the long-term incentive (LTI) is to be paid to the respective member of the Management Board the following year. The Company then uses the remaining 25% or 10% attributable to the long-term variable compensation to purchase shares of NORMA Group in the name and on behalf of the individual Board members. Alternatively, the Company may pay out the remaining balance to the Management Board member. In this case, the Management Board member obligates himself to purchase shares of NORMA Group with the balance of this amount within 120 days after the Annual Financial Statements are approved at the Supervisory Board meeting. The Management Board member may not dispose of the shares for four years. Dividends and subscription rights are to be made freely available to the Management Board member. If a Management Board member takes office in the current fiscal year or does not work for the Company for a full twelve months in a fiscal year, the LTI will be reduced proportionately (pro rata). Upon termination of the employment contract, a Management Board member may dispose of his share only after 12 months of leaving the Company.

The following table provides an overview of the NORMA Value Added Bonus:

NORMA Value Added bonus / LTI T035

	Assessment basis	% rate	Cap	Payment / acquisition of shares
Dr. Michael Schneider	NOVA of the last three years (arithm. mean) Calculation: EUR 43.7 million x 1,0 % = EUR 0.44 million	1.00	One and a half times the fixed annual salary	75% / 25%
Dr. Friedrich Klein	NOVA of the last three years (arithm. mean) Calculation: EUR 43.7 million x 0,5 % = EUR 0.22 million	0.50	One annual salary	75% / 25%
Bernd Kleinhens	NOVA of the last three years (arithm. mean) Calculation: EUR 43.7 million x 1,0 % x 7 / 12 = EUR 0.26 million	1.00	One and a half times the fixed annual salary	90% / 10%

Share-based compensation

For members of the Management Board who were appointed to the Management Board before 2015 – this only applies to Mr. Kleinhens, who left the Management Board in fiscal year 2019 – tranches of share-based compensation (allotment in 2015, 2016 and 2017) are exercisable in 2019, 2020 and 2021. The emuneration is composed of the following components:

Overview of the Matching Stock Program (MSP) at the time of allotment T036

Tranches	Option factor	Number of options	Exercise price in EUR	End of the retention period
2017	1.5	128,928	41.60	2021
2016	1.5	128,928	46.62	2020
2015	1.5	128,928	44.09	2019

The Matching Stock Program (MSP) provided a share price-based long-term incentive to commit to the success of the Company. The MSP is a share-based option right. For this purpose, the Supervisory Board specified a number of stock options to be allotted each fiscal year with the reservation that the Management Board member makes a corresponding personal investment in the Company. The MSP was split into different tranches. The first tranche was allotted on the day of the initial public offering of NORMA Group (April 8, 2011). The other tranches were allotted on March 31 each following year, whereby the last allotment took place on March 31, 2017 (no allotment in fiscal years 2018 and 2019). The stock options related to those shares allotted or acquired and qualified in accordance with the MSP stipulated in the Management Board contract. The number of stock options is calculated by multiplying the number of qualified shares held on the grant date (for the years 2015 – 2017, 85,952 shares per year) by the option factor determined by the Supervisory Board. The option factor was or will be recalculated for each tranche and amounts or amounted to 1.5 for each of the tranches in the years 2015, 2016 and 2017. 128,928 shares are or were to be taken into account in fiscal years 2015, 2016 and 2017. Each tranche was or will be recalculated taking into account changes in the influencing factors and was settled pro rata temporis over the holding period.

The holding period was and continues to be four years and ended or will end on March 31, 2019, 2020 and 2021 for the 2015, 2016 and 2017 tranches. Exercise of the options of a tranche can take place only within an exercise period of two years after the end of the holding period. As a prerequisite for exercise, the share price at the time of exercise (basis: weighted average of the last ten stock exchange trading days before exercise) must be above the relevant exercise hurdle. The exercise hurdle is determined by the Supervisory Board when the respective tranche is allocated and amounts to at least 120% of the exercise price. The exercise hurdle was set at 120% of the exercise price for the 2015, 2016 and 2017 tranches. The exercise price of the tranches is determined on the basis of the weighted average of the closing prices of the Company's shares on the last 60 trading days immediately preceding the allocation of the respective tranche. Dividend payments by the Company during the holding period are to be deducted from the exercise price of the respective tranche. The value of the stock option is calculated on the basis of valuation models recognized by business management.

The Company is free to decide at the time of exercise whether the option will be settled in shares or in cash. Based on the history of NORMA Group, a settlement in the form of a cash payment is expected in the future. Further information can be found in the → NOTES P. 184.

Pension agreements

In addition, there is an entitlement to a pension upon commencement of service or signing of the contract as of 2015, which is measured as a percentage of the pensionable income (fixed salary). The pension entitlement arises when the contract has expired, but not before the person has reached the age of 65 or if that person is unable to work. The percentage depends on the number of years of service as a Management Board member. The percentage amounts to 4% of the last yearly fixed salary prior to leaving for each completed year of service. The percentage can increase to a maximum of 55% of the last annual salary. Furthermore, a survivors' pension will be paid as well.

Severance payments

In the event of premature termination of the employment contract without an important reason, any payments to the Management Board are not to exceed the value of two annual remunerations and correspond at most to the value of the remuneration for the remaining term of the employment contract. If a special right of termination is exercised in the event of a change of control, the Management Board receives compensation of three years' remuneration, but no more than the value of the remuneration for the remaining term of the employment contract. The annual remuneration includes the current annual fixed salary as well as short- and long-term variable remuneration components from the past fiscal year.

Other benefits

The members of the Management Board are additionally compensated with a company car, which they can also use for personal purposes. Furthermore, Management Board members are reimbursed for any expenses and travel costs incurred while performing their duties for the Company in accordance with the Company's respectively applicable guidelines. Inventor's bonuses are also granted. The board members also receive employer grants for health and nursing care insurance. The statutory deductible in the amount of 10% of the damage amount of the D&O insurance taken out for the managers of NORMA Group is borne or insured privately by the members of the Management Board.

Retirement of the chairman of the Management Board

Bernd Kleinhens, the Chairman of the Management Board of NORMA Group SE, left the Management Board with effect from July 31, 2019. The termination agreement concluded in this context provides for the service agreement to be continued until March 31, 2020 (date of termination) and that Bernd Kleinhens will be available as an advisor to the future CEO until the end of his service agreement. Bernd Kleinhens will receive his fixed salary until the date of termination. The Company will grant Bernd Kleinhens his full annual bonus for 2019; the annual bonus for 2020 will be reduced pro rata temporis to the date of termination. In addition, Bernd Kleinhens will receive the NORMA Value Added Bonus from the Long-Term Incentive Program for the performance period 2017-2019, which will be reduced pro rata temporis to July 31, 2019. The retirement benefit claims granted remain unchanged.

Remuneration for the period until July 31, 2019, is shown in the following tables. Benefits promised or granted for the period after July 31, 2019, amount to a total of EUR 1,480 thousand and are composed as follows: non-performance-related component EUR 636 thousand, performance-related component EUR 645 thousand, long-term incentive components EUR 0 thousand and pension expense EUR 199 thousand (disclosure pursuant to Section 314 (1) no. 6a sentence 6 letter dd) HGB).

Remuneration of the Management Board in fiscal year 2019

The Management Board's remuneration for fiscal year 2019 is reported in accordance with the appliable accounting principles (DRS 17) and the recommendations of the German Corporate Governance Code.

Management Board remuneration in 2019 according to the accounting standard DRS 17

The total remuneration of the Management Board pursuant to Section 315e in connection with Section 315a (2) and Section 314 (1) no. 6a sentence 5 of the Germany Commercial Code (HGB) is distributed among the individual members of the Management Board as shown in → TABLE 037.

Management Board remuneration in 2019 T037

	Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Bernd Kleinhens (until July 31, 2019)		John Stephenson (until Jan 31, 2018)		Total	
in EUR thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Fixed components	423	387	334	83	310	524	n/a	24	1,067	1.018
Performance-related components	572	590	409	106	572	1,011	n/a	0	1,553	1.707
Long-term incentive effect	438	591	219	74	181	591	n/a	8	838	1.264
Total remuneration	1,433	1,568	962	263	1,063	2,126	n/a	32	3,458	3.989

Expenses in the amount of EUR 1,480 thousand were also incurred for Mr. Kleinhens in fiscal year 2019 in connection with the cessation of his activities in the current fiscal year (2018: EUR 298 thousand in expenses for Mr. Deggim in connection with the cessation of his activities).

The performance-related components include only the short-term annual bonuses. All other bonuses and the MSP are listed under long-term incentives.

A provision was recognized for the variable compensation elements. The stock options associated with the MSP are assessed on an ongoing basis and included in other provisions in the income statement.

The benefits promised to the members of the Management Board in the event of the regular termination of their activities (cf. Section 315e in connection with Section 315a (2) and Section 314 (1) no. 6a sentence 6 HGB) are distributed among the individual members of the Management Board as shown in → TABLE 038.

Overview of the promised pensions of the Board members T038

	Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Bernd Kleinhens (until July 31, 2019)		Total	
in EUR thousands	2019	2018	2019	2018	2019	2018	2019	2018
Present value of pension	1,843	1,005	367	53	847	371	3,057	1,429
Expended/accrued amount	838	526	314	53	279	371	1,431	950

The present value of all pension commitments to former members of the Management Board and their surviving dependents amounted to EUR 847 thousand as of December 31, 2019 (2018: EUR 0 thousand).

Remuneration of the Management Board in 2019 in accordance with the German Corporate Governance Code

In accordance with the German Corporate Governance Code in the version dated February 7, 2017, the remuneration of the Management Board is broken down by grant for the year under review and inflow in or for the year under review as follows – the models recommended in the Code are used for presentation:

Remuneration granted to the Management Board T039

	Dr. Michael Schneider				Dr. Friedrich Klein (since Oct 1, 2018)				Bernd Kleinhens (until July 31, 2019)			
in EUR thousands	**2019**	2019 (Min)	2019 (Max)	2018	**2019**	2019 (Min)	2019 (Max)	2018	**2019**	2019 (Min)	2019 (Max)	2018
Fixed remuneration	396	396	396	360	324	324	324	81	294	294	294	504
Benefits	27	27	27	27	10	10	10	2	16	16	16	20
Total	**423**	**423**	**423**	**387**	**334**	**334**	**334**	**83**	**310**	**310**	**310**	**524**
One-year variable remuneration	572	0	990	590	409	0	648	106	572	0	735	1,011
Multi-year variable remuneration												
Other perennial remuneration	438	0	594	591	219	0	324	74	256	0	441	591
Subtotal	**1,010**	**0**	**1,584**	**1,181**	**628**	**0**	**972**	**180**	**828**	**0**	**1,176**	**1,602**
Pension expenses	357	357	357	225	266	266	266	65	279	279	279	473
Total remuneration	**1,790**	**780**	**2,364**	**1,793**	**1,228**	**600**	**1,572**	**328**	**1,417**	**589**	**1,765**	**2,599**

	Werner Deggim (until Dec 31, 2017)				John Stephenson (until Jan 31, 2018)				Total			
in EUR thousands	**2019**	2019 (Min)	2019 (Max)	2018	**2019**	2019 (Min)	2019 (Max)	2018	**2019**	2019 (Min)	2019 (Max)	2018
Fixed remuneration	0	0	0	230	0	0	0	23	1,014	1,014	1,014	1,198
Benefits	0	0	0	4	0	0	0	1	53	53	53	54
Total	**0**	**0**	**0**	**234**	**0**	**0**	**0**	**24**	**1,067**	**1,067**	**1,067**	**1,252**
One-year variable remuneration	0	0	0	0	0	0	0	0	1,553	0	2,373	1,707
Multi-year variable remuneration												
Other perennial remuneration	0	0	0	0	0	0	0	0	913	0	1,359	1,256
Subtotal	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,466**	**0**	**3,732**	**2,963**
Pension expenses	0	0	0	0	0	0	0	0	902	902	902	763
Total remuneration	**0**	**0**	**0**	**234**	**0**	**0**	**0**	**24**	**4,435**	**1,969**	**5,701**	**4,978**

Inflow from Management Board member remuneration T040

	Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Bernd Kleinhens (until July 31, 2019)		John Stephenson (until Jan 31, 2018)		Total	
in EUR thousands	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Fixed remuneration	396	360	324	81	294	504	n/a	23	1,014	968
Benefits	27	27	10	2	16	20	n/a	1	53	50
Total	**423**	**387**	**334**	**83**	**310**	**524**	**n/a**	**24**	**1,067**	**1,018**
One-year variable remuneration	572	590	409	106	572	1,011	n/a	0	1,553	1,707
Multi-year variable remuneration										
LTI tranche 2016 – 2017	0	0	0	0	113	0	n/a	0	113	0
LTI tranche 2015 – 2017	0	0	0	0	0	230	n/a	217	0	447
Matching Stock Program 2014 – 2018	0	0	0	0	0	718	n/a	670	0	1,388
Other perennial remuneration	438	591	219	74	256	591	n/a	0	913	1,256
Subtotal	**1,010**	**1,181**	**628**	**180**	**941**	**2,550**	**n/a**	**887**	**2,579**	**4,798**
Pension expenses	357	225	266	65	279	473	n/a	0	902	763
Total remuneration	**1,790**	**1,793**	**1,228**	**328**	**1,530**	**3,547**	**n/a**	**911**	**4,548**	**6,579**

Furthermore, the former members of the Management Board Mr. Kleinhens, Mr. Deggim and Mr. Stephenson received a total of EUR 1,144 thousand in fiscal year 2019 (payments made in 2018: EUR 1,662 thousand to Mr. Deggim).

Remuneration of the Supervisory Board

The remuneration for the Chairman and the Vice Chairman of the Supervisory Board was calculated separately in accordance with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017. The Chairman is paid double the remuneration of the other members of the Supervisory Board, and the Vice Chairman is paid one and a half times this amount. In addition, the Chairman and members of the Supervisory Board's committees are remunerated separately. The Supervisory Board members will be remunerated for their activities on the day after the 2020 Annual General Meeting as follows:

Remuneration of the Supervisory Board in 2019 T041

Supervisory Board member	Membership / Chairman of a committee	Remuneration in EUR
Lars M. Berg	Chairman of the Supervisory Board	
	Chairman of the General and Nomination Committee	110,000.00
Erika Schulte	Vice Chairwoman of the Supervisory Board	
	Member of the Audit Committee	
	Member of the Strategy Committee (since May 22, 2019)	91,136.99
Rita Forst	Member of the Strategy Committee (since May 22, 2019)	
	Member of the Audit Committee (until May 21, 2019)	60,000.00
Günter Hauptmann	Chairman of the Strategy Committee (since May 22, 2019)	
	Member of the General and Nomination Committee	75,342.47
Dr. Knut J. Michelberger	Chairman of the Audit Committee	
	Member of the General and Nomination Committee	95,000.00
Mark Wilhelms	Member of the Audit Committee (since May 22, 2019)	56,136.99
Total		**487,616.45**

No remuneration was paid to Supervisory Board members in fiscal year 2019 for services personally rendered (in particular advisory and brokerage services).

Furthermore, the Supervisory Board members are reimbursed for any expenses and travel costs incurred while performing their duties for the Company in accordance with the Company's respectively applicable guidelines. The members of the Supervisory Board arrange private insurance or are personally responsible for the statutory deductible of 10% of the amount of loss up to a limit of 1.5 annual salaries for the D&O insurance policy carried for the Management Board and the Supervisory Board of NORMA Group.

Other Legally Required Disclosures

An overview of the information required under Section 315a paragraph 1 of the German Commercial Code (Handelsgesetzbuch, HGB) is presented below:

Section 315a (1) no. 1 HGB

NORMA Group SE's share capital totalled EUR 31,862,400.00 on December 31, 2019. This is divided into 31,862,400 registered shares with no par value. Each share entitles the bearer to one vote. There are no other classes of shares. NORMA Group SE holds no treasury shares.

Section 315a (1) no. 2 HGB

The Management Board of NORMA Group SE is not aware of any restrictions affecting voting rights or the transfer of shares or any agreements between shareholders which could result in such restrictions.

Section 315a (1) no. 3 HGB

There are no direct or indirect capital holdings exceeding one tenth of the voting rights other than those voting rights listed in the Notes to the Consolidated Financial Statements.

Section 315a (1) no. 4 HGB

There are no shares in NORMA Group SE that confer special control rights to the holder.

Section 315a (1) no. 5 HGB

There are no employee share plans through which employees can acquire shares of NORMA Group SE. Employees with shareholdings in NORMA Group SE exercise control rights in the same way as other shareholders in accordance with applicable legislation and the Articles of Association.

Section 315a (1) no. 6 HGB

Management Board members are appointed and dismissed in accordance with Section 84 et seq. of the German Stock Corporation Act (Aktiengesetz, AktG). The Articles of Association of NORMA Group SE do not contain any provisions related to this issue that contradict the applicable legislation. The Supervisory Board is responsible for determining the concrete number of members on the Management Board. It can nominate a Chairman and Vice Chairman of the Management Board or a Management Board spokesperson and a deputy spokesperson.

Changes to the Articles of Association are to be decided on by the Annual General Meeting in accordance with Section 179 (1) AktG. In accordance with Section 179 (1) sentence 2 AktG, the Annual General Meeting can authorize the Supervisory Board to make changes which affect only the wording of the Articles of Association. The Annual General Meeting of NORMA Group SE has chosen to do so: According to Article 14 (2) of the Articles of Association, the Supervisory Board is authorized to make changes to the Articles of Association which only affect their wording. In accordance with Article 20 sentence 3 of the Articles of Association, a simple majority of votes submitted is sufficient for a resolution on changing the Articles of Association if at least half of the share capital is represented when the resolution is adopted and a different majority is not required under the law.

The Supervisory Board is authorized to amend the wording of article 6 of the Articles of Association to reflect the issue of the new shares from Conditional Capital 2015. The same will apply insofar as the authorization to issue convertible bonds, bonds with warrants, and / or participation rights with or without conversion or option rights or conversion or option obligations in accordance with the Annual General Meeting's resolution of May 20, 2015, is not exercised during the term of the authorization or the corresponding option or conversion rights or option or conversion obligations have lapsed because the exercise periods have expired or for another reason.

The Supervisory Board is authorized to amend the wording of Article 5 of the Articles of Association in accordance with the issuance of new shares from Authorized Capital 2015 and, provided that Authorized Capital 2015 has not been utilized or not been fully utilized by May 19, 2020, adjust the authorization after that deadline has expired.

The Management Board may determine that the share capital is to remain unchanged in the event that shares will be withdrawn and, instead, be increased by withdrawing a percentage of the remaining shares in the share capital pursuant to Section 8 (3) German Stock Corporation Act. In this case, the Management Board is authorized to adjust the number of shares in the Articles of Association.

Section 315a (1) no. 7 HGB

Authorized capital

In accordance with the resolution passed at the Annual General Meeting on May 20, 2015, the Management Board is authorized, with the Supervisory Board's consent, to increase the Company's share capital once or repeatedly by up to a total of EUR 12,744,960 on or before May 19, 2020, by issuing up to 12,744,960 new registered shares against cash and / or non-cash contributions (Authorized Capital 2015).

The Management Board is authorized, with the Supervisory Board's consent, to exclude the shareholders' subscription rights wholly or in part, once or repeatedly, in accordance with the following provisions:

- to exclude the shareholders' subscription rights for fractional amounts;
- if and to the extent that it is necessary to grant the bearers or creditors of conversion or option rights and / or the bearers or creditors of financing instruments carrying conversion or option obligations which were or are issued by NORMA Group SE, or by a domestic or foreign Company in which NORMA Group SE holds directly or indirectly the majority of the votes and capital;
- in the case of a capital increase against cash contributions pursuant or according to Section 186 (3), sentence 4 AktG, if the par value of the new shares is not substantially lower than the stock exchange price of the already listed shares in the Company and if the new shares which were issued under exclusion of the subscription right do not exceed a proportional amount of 10% of the share capital in total;
- in case of capital increases against non-cash contributions, in particular for the purpose of acquiring enterprises, parts of enterprises or interests in enterprises.

The Authorized Capital 2011/II which was resolved by the Annual General Meeting on April 6, 2011, has thus been cancelled by resolution of the Annual General Meeting on May 20, 2015. Article 5 of the Articles of Association of NORMA Group SE has been changed accordingly.

Conditional capital

The Management Board is authorized to issue, with the Supervisory Board's consent, once or repeatedly on or before May 19, 2020, bearer or registered convertible bonds and / or bonds with warrants and / or participation rights carrying a conversion or option right and / or conversion or option obligation (or a combination of these instruments) in a total nominal amount of up to EUR 200,000,000 with or without a limited maturity term (hereinafter referred to collectively as 'bonds') and to grant the creditors of bonds conversion / option rights and / or lay down for the creditors of bonds conversion / option obligations to subscribe to a total of up to 3,186,240 new registered shares of the Company with a pro rata amount of the share capital of a total of up to EUR 3,186,240 in accordance with the terms and conditions of the bonds.

The share capital of the Company is conditionally increased by up to EUR 3,186,240 through an issuance of up to 3,186,240 new registered shares (Conditional Capital 2015).

The purpose of Conditional Capital is to issue shares to the creditors of convertible bonds and / or bonds with warrants and / or participation rights carrying an option / conversion right and / or a conversion / option obligation (or a combination of such instruments), which will be issued based on the authorizations granted by the Annual General Meeting of NORMA Group SE on May 20, 2015, or domestic or foreign companies in which NORMA Group SE directly or indirectly holds the majority of the votes and the capital.

New shares are issued at the conversion or option price to be determined in each case in accordance with the respective authorization. The conditional increase in capital will be performed only insofar as the bearers of conversion or option rights based on the aforementioned bonds or participation rights exercise their conversion or option rights or conversion or option obligations that are based on such bonds are fulfilled, and insofar as the conversion or option rights and / or conversion or option obligations are not satisfied through own shares, shares from authorized capital or other consideration.

The new shares will participate in the profit as of the beginning of the fiscal year in which they are issued; notwithstanding the above, the Management Board may, if permitted by law, resolve with the consent of the Supervisory Board that the new shares be able to participate in the profit as of the beginning of an earlier fiscal year for which, at the time of their issue, the Annual General Meeting has not yet resolved on the appropriation of the net retained profit.

The authorization of the Management Board to issue warrants and convertible bonds and participation rights with warrants and convertible rights and Conditional Capital 2011 resolved by the Annual General Meeting on April 6, 2011, were cancelled by shareholder resolution on May 20, 2015. Article 6 of the Articles of Association of NORMA Group SE has been amended accordingly.

Authorization to acquire own shares

Pursuant to the resolution of the Annual General Meeting on May 20, 2015, NORMA Group SE is authorized to acquire up to a total of 10% of its own share capital at the time at which the resolution was adopted or – in the event that this value is lower – at the time that the authorization is exercised via the stock exchange or via a public purchase offer on or before May 19, 2020, for any permissible purpose. This authorization may be exercised by NORMA Group SE in whole or in partial amounts, once or repeatedly, in pursuit of one or more purposes, but also be carried out by companies that are dependent on NORMA Group SE or in which NORMA Group SE holds a majority of the shares, or on its or their account. If the shares are acquired on the stock exchange, the equivalent value per share that is paid (without ancillary acquisition costs) may not exceed the price of the share in NORMA Group SE in the Xetra trading system (or a comparable successor system), as determined on the trading day in Frankfurt / Main by the opening auction, by more than 10% and not fall below it by more than 20%. If the acquisition is effected by way of a public purchase offer, the purchase price offered or the threshold values of the purchase price margin (excluding ancillary acquisition costs) may not exceed the closing price of the NORMA Group SE share in the Xetra trading system (or a comparable successor system) on the third trading day in Frankfurt / Main prior to the day of the public announcement of the offer by more than 10% and not fall below it by more than 20%. Should the relevant price vary by a not inconsiderable extent following the publication of the public purchase offer, the offer may be adjusted. In this case, the closing price on the third trading day in Frankfurt / Main prior to the public announcement will be based on any adjustment that has been made.

The Management Board is authorized to use shares of the Company for any legal purpose, once or repeatedly, in whole or in part, and also through dependent or majority-owned NORMA Group SE related companies or through third parties acting on their behalf or on behalf of NORMA Group SE. In particular, the shares acquired may be redeemed without such redemption or its implementation requiring a shareholder resolution. The cancellation leads in principle to a capital reduction. The Management Board may alternatively determine that the share capital is to remain unchanged upon redemption. In addition, the Management Board is expressly authorized to use the shares acquired under this authorization on one or more occasions, in whole or in part, individually or jointly, and also by dependent or majority-owned NORMA Group SE related companies or, on their account or third parties acting on the account of NORMA Group SE as follows:

- for sale against cash, provided that the price is not significantly below the stock market price of shares of the Company at the time of sale (simplified exclusion of subscription rights in accordance with Sections 186 (3) sentence 4, 71 (1) no. 8 sentence 5 half-sentence 2, AktG, is limited to a maximum of 10% of the share capital),
- for sale against payment in kind, particularly for the acquisition of companies, parts of companies or participations in companies,
- to meet obligations under conversion or option rights or obligations to act or option,
- to issue in connection with share-based payments and employee share participation programs. The purchase right of shareholders to these own shares is excluded in the event of an appropriate use.

NORMA Group SE is authorized to acquire its own shares within the framework of the aforementioned, related to the share capital limits, and by using derivatives such as put options, call options, forward purchases or a combination of these instruments and to take out derivative transactions. The acquisition of shares by using derivatives is limited to a number of shares that does not exceed a proportionate amount of 5% of the existing share capital at the time.

Section 315a (1) no. 8 HGB

NORMA Group's financing agreements including the contracts for the promissory notes include the typical Change of Control Clause. In the event of a takeover by a third party, the possibility that NORMA Group would not be able to finance itself at similarly favorable terms and conditions cannot be ruled out.

Section 315a (1) no. 9 HGB

NORMA Group SE has no agreements in place that provide compensation for members of the Management Board or employees in the event of a takeover bid. Please see the Remuneration Report for further details. → REMUNERATION REPORT, P. 102.

Report on Transactions with Related Parties

In fiscal year 2019, there were no significant transactions with related companies or persons besides the minority activities of members of the Management Board described in the Corporate Governance Report.

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income T042

in EUR thousands	Note	2019	2018
Revenue	(8)	1,100,096	1,084,140
Changes in inventories of finished goods and work in progress		3,045	10,383
Other own work capitalized		4,910	5,197
Raw materials and consumables used	(9)	– 477,628	– 473,551
Gross profit		**630,423**	**626,169**
Other operating income	(10)	13,630	15,589
Other operating expenses	(11)	– 157,879	– 162,016
Employee benefits expense	(12)	– 312,376	– 282,768
Depreciation and amortization	(18, 19)	– 77,116	– 63,429
Operating profit		**96,682**	**133,545**
Financial income		1,460	2,703
Financial costs		– 16,950	– 14,371
Financial costs – net	(13)	**– 15,490**	**– 11,668**
Profit before income tax		**81,192**	**121,877**
Income taxes	(16)	– 22,743	– 30,089
Profit for the period		**58,449**	**91,788**
Other comprehensive income for the period, net of tax			
Other comprehensive income that can be reclassified to profit or loss, net of tax		**7,210**	**10,749**
Exchange differences on translation of foreign operations	(24)	8,893	10,068
Cash flow hedges, net of tax	(21, 24)	– 1,750	748
Costs of hedging, net of tax	(21, 24)	67	– 67
Other comprehensive income that cannot be reclassified to profit or loss, net of tax		**– 1,519**	**– 214**
Remeasurements of post-employment benefit obligations, net of tax	(24, 26)	– 1,519	– 214
Other comprehensive income for the period, net of tax		**5,691**	**10,535**
Total comprehensive income for the period		**64,140**	**102,323**
Profit attributable to			
Shareholders of the parent		58,422	91,873
Non-controlling interests		27	– 85
		58,449	**91,788**
Total comprehensive income attributable to			
Shareholders of the parent		64,236	102,540
Non-controlling interests		– 96	– 217
		64,140	**102,323**
(Un)diluted earnings per share (in EUR)	(15)	**1.83**	**2.88**

Consolidated Statement of Financial Position

Consolidated Statement of Financial Position

T043

Assets

in EUR thousands	Note	Dec 31, 2019	Dec 31, 2018
Non-current assets			
Goodwill	(18)	393,087	389,505
Other intangible assets	(18)	265,407	283,394
Property, plant and equipment	(19)	290,843	243,326
Other non-financial assets	(23)	2,792	2,404
Derivative financial assets	(21)	120	2,180
Income tax assets		1,173	878
Deferred income tax assets	(17)	9,375	6,571
		962,797	**928,258**
Current assets			
Inventories	(22)	173,249	178,107
Other non-financial assets	(23)	21,933	17,984
Other financial assets	(21)	4,792	5,231
Derivative financial assets	(21)	330	584
Income tax assets		8,607	6,807
Trade and other receivables	(21)	162,386	143,138
Contract assets	(8)	525	1,185
Cash and cash equivalents	(29)	179,721	190,392
		551,543	**543,428**
Total assets		**1,514,340**	**1,471,686**

Equity and Liabilities

in EUR thousands	Note	Dec 31, 2019	Dec 31, 2018
Equity attributable to equity holders of the parent			
Subscribed capital		31,862	31,862
Capital reserve		210,323	210,323
Other reserves		9,850	2,517
Retained earnings		375,843	356,022
Equity attributable to shareholders		**627,878**	**600,724**
Non-controlling interests		1,576	1,717
Total equity	(24)	**629,454**	**602,441**
Liabilities			
Non-current liabilities			
Retirement benefit obligations	(26)	15,890	12,804
Provisions	(27)	5,984	7,260
Borrowings	(21)	495,927	455,759
Other non-financial liabilities	(28)	356	431
Contract liabilities	(8)	103	149
Lease liabilities		30,168	0
Other financial liabilities	(21)	1,630	1,992
Derivative financial liabilities	(21)	684	605
Deferred income tax liabilities	(17)	69,562	73,099
		620,304	**552,099**
Current liabilities			
Provisions	(27)	8,543	8,750
Borrowings	(21)	45,971	113,332
Other non-financial liabilities	(28)	36,665	26,984
Contract liabilities	(8)	420	453
Lease liabilities		8,427	0
Other financial liabilities	(21)	17,496	18,866
Derivative financial liabilities	(21)	229	153
Income tax liabilities		3,712	6,580
Trade and other payables	(21)	143,119	142,028
		264,582	**317,146**
Total liabilities		**884,886**	**869,245**
Total equity and liabilities		**1,514,340**	**1,471,686**

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows T044

in EUR thousands	Note	2019	2018
Operating activities			
Profit for the period		**58,449**	**91,788**
Depreciation and amortization	(18, 19)	77,116	63,429
Gain (–)/loss (+) on disposal of property, plant and equipment		17	184
Change in provisions	(26, 27)	364	777
Change in deferred taxes	(17)	– 5,254	– 5,401
Change in inventories, trade account receivables and other receivables, which are not attributable to investing or financing activities	(21, 22, 23)	– 15,299	– 2,651
Change in trade and other payables, which are not attributable to investing or financing activities	(21, 28)	5,557	– 20,960
Change in reverse factoring liabilities		2,135	– 6,198
Payments for share-based payments		– 1,045	– 3,513
Interest expenses in the period		15,008	13,218
Income (–)/expenses (+) due to measurement of derivatives		73	436
Other non-cash expenses (+)/income (–)	(29)	– 38	– 266
Cash flow from operating activities		**137,083**	**130,843**
thereof interest received		1,007	484
thereof income taxes		– 32,879	– 33,072
Investing activities			
Payments for acquisitions of subsidiaries, net	(29)	0	– 69,797
Investments in property, plant and equipment and intangible assets	(18, 19)	– 57,784	– 60,842
Proceeds from the sale of property, plant and equipment		751	1,131
Cash flow from investing activities		**– 57,033**	**– 129,508**
Financing activities			
Payments for the acquisition of non-controlling interests		0	– 1,121
Interest paid		– 15,070	– 13,676
Dividends paid to shareholders	(24)	– 35,049	– 33,456
Dividends paid to non-controlling interests		– 43	– 134
Proceeds from borrowings	(21)	263,664	117,467
Repayment of borrowings	(21)	– 296,600	– 37,266
Proceeds from/ repayment of derivatives		– 83	– 409
Repayment of lease liabilities		– 10,058	– 123
Cash flow from financing activities	(29)	**– 93,239**	**31,282**
Net change in cash and cash equivalents		**– 13,189**	**32,617**
Cash and cash equivalents at the beginning of the year		190,392	155,323
Effect of foreign exchange rates on cash and cash equivalents		2,518	2,452
Cash and cash equivalents at the end of the period		**179,721**	**190,392**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity T045

		Attributable to equity holders of the parent						
in EUR thousands	Note	Subscribed capital	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of December 31, 2017 (as reported)		**31,862**	**210,323**	**– 8,364**	**298,077**	**531,898**	**2,423**	**534,321**
Effects of IFRS 9					– 600	– 600	– 13	– 613
Balance as of January 1, 2018		**31,862**	**210,323**	**– 8,364**	**297,477**	**531,298**	**2,410**	**533,708**
Result for the period					91,873	91,873	– 85	91,788
Exchange differences on translation of foreign operations				10,200		10,200	– 132	10,068
Cash flow hedges, net of tax	(21)			681		681		681
Remeasurements of post-employment benefit obligations, net of tax	(24, 26)	0			– 214	– 214		– 214
Total comprehensive income for the period		**0**	**0**	**10,881**	**91,659**	**102,540**	**– 217**	**102,323**
Dividends paid	(24)				– 33,456	– 33,456		– 33,456
Dividends paid to non-controlling interests						0	– 134	– 134
Acquisition of non-controlling interests	(24)				342	342	– 342	0
Total transactions with owners for the period		**0**	**0**	**0**	**– 33,114**	**– 33,114**	**– 476**	**– 33,114**
Balance as of December 31, 2018 (as reported)		**31,862**	**210,323**	**2,517**	**356,022**	**600,724**	**1,717**	**602,441**
Effects of IFRS 16					– 2,033	– 2,033	– 2	– 2,035
Balance as of January 1, 2019		**31,862**	**210,323**	**2,517**	**353,989**	**598,691**	**1,715**	**600,406**
Changes in equity for the period								
Result for the period					58,422	58,422	27	58,449
Exchange differences on translation of foreign operations				9,016		9,016	– 123	8,893
Cash flow hedges, net of tax	(21)			– 1,683		– 1,683		– 1,683
Remeasurements of post-employment benefit obligations, net of tax	(24, 26)				– 1,519	– 1,519		– 1,519
Total comprehensive income for the period		**0**	**0**	**7,333**	**56,903**	**64,236**	**– 96**	**64,140**
Dividends paid	(24)				– 35,049	– 35,049		– 35,049
Dividends paid to non-controlling interests						0	– 43	– 43
Total transactions with owners for the period		**0**	**0**	**0**	**– 35,049**	**– 35,049**	**– 43**	**– 35,092**
Balance as of December 31, 2019		**31,862**	**210,323**	**9,850**	**375,843**	**627,878**	**1,576**	**629,454**

Notes to the Consolidated Financial Statements

General information

1. Group information

NORMA Group SE is the ultimate parent Company of NORMA Group. Its headquarters are located at 63477 Maintal, Edisonstrasse 4, in the vicinity of Frankfurt, Germany, and the Company is registered in the commercial register of Hanau under the number HRB 94473. NORMA Group SE and its affiliated Group subsidiaries operate in the market as 'NORMA Group'.

NORMA Group has been listed in the Prime Standard of Frankfurt Stock Exchange's Regulated Market since April 8, 2011. For a detailed overview of NORMA Group's shareholdings, please refer to the → APPENDIX TO THE NOTES: 'VOTING RIGHTS'.

NORMA Group SE was established in 2006 as a result of the merger of Rasmussen GmbH and the ABA Group. Rasmussen was founded in 1949 as Rasmussen GmbH in Germany. It manufactured connecting and retaining elements as well as fluid conveying conduits such as monolayer and multilayer tubes and corrugated tubes. All products were marketed globally under the NORMA brand. ABA Group was founded in 1896 in Sweden. The Group has since developed into a leading multinational company specializing in the design and production of hose and pipe clamps, as well as connectors for many worldwide applications.

In past decades, NORMA Group has, driven by its successful acquisitions and continuous technological innovation with products and operations, developed into a Group of companies of global importance.

NORMA Group markets its products to its customers via two different market channels: Engineered Joining Technology (EJT) and Distribution Services (DS).

For Engineered Joining Technology (EJT) customers, NORMA Group offers tailor-made solutions and special engineered joining systems. To effectively fulfill special requirements, NORMA Group builds on extensive industry and application knowledge, a successful track record of innovation and long-standing relationships with all its key customers.

For Distribution Services (DS) customers, NORMA Group offers a wide range of standard fastening and fixing products. Furthermore, NORMA Group offers a broad technological and innovative product portfolio which includes brands like ABA®, Breeze®, Clamp-All®, CONNECTORS®, FISH®, Five Star®, Gemi®, NDS®, NORMA®, Raindrip®, R.G.RAY®, Serflex®, TORCA and TRUSTLENE®.

2. Basis of preparation

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Consolidated Financial Statements of NORMA Group have been prepared in accordance with International Financial Reporting Standards and the relevant interpretations as adopted by the EU (IFRS) as well as with the regulations under commercial law as set forth in Section 315e of the German Commercial Code (HGB) for the year ended December 31, 2019.

The Consolidated Statement of Comprehensive Income has been prepared in accordance with the total cost method.

The Consolidated Financial Statements of NORMA Group SE were prepared by the Management Board on March 23, 2020, and are scheduled to be released for publication after approval by the Supervisory Board on March 24, 2020.

The Consolidated Financial Statements of NORMA Group are being filed with and published in the German Federal Gazette (*Bundesanzeiger*).

The preparation of financial statements in conformity with IFRS requires the Management Board the use of certain accounting estimates. It is also required to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in → NOTE 6 'CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS'.

Accounting standards applied for the first time in the current fiscal year

IFRS 16

Due to the first-time adoption of IFRS 16 since January 1, 2019, the Group's Consolidated Financial Statements have been affected by changes in accounting policies in the following areas. NORMA Group applied the modified retrospective method for the first time adoption as of January 1, 2019, for accounting purposes as lessee, i.e. the cumulative adjustment effects at the time of first-time application have been recognized as a charge to equity against retained earnings and the comparative figures for the previous year's periods have not been adjusted. For previous operating leases that do not end in 2019, the Group recognizes a lease liability at the present value of the future lease payments (taking into account any extension options) as of January 1, 2019. The weighted avarage interest rate applied in the NORMA Group was 3.08%.

The corresponding rights of use are calculated as if IFRS 16 had been applied since the beginning of the lease. Both, the rights of use and the future lease payments are mainly discounted using the lessee's marginal borrowing rate at the date of initial application.

Applied simplifications

The Group made use of the following simplifications when IFRS 16 was applied for the first time:

- Assumption of the previous assessment of whether a lease is encumbered.
- The recognition of leases with a remaining term of less than 12 months as of January 1, 2019 as current leases.
- The non-inclusion of initial direct costs in the measurement of rights of use on the date of initial application.
- Subsequent consideration of the current state of knowledge when determining the term of leases for contracts with renewal or termination options.

The Group has elected not to change the original carrying amounts of assets and liabilities under finance leases existing on the date of first-time adoption of IFRS 16.

The effects of the first time adoption of IFRS 16 on retained earnings are as follows:

Retained earnings reconciliation: IFRS 16 T046

in EUR thousands	Retained earnings
Retained earnings as of December 31, 2018	**356,022**
Effects of IFRS 16	**– 2,033**
of which deferred taxes	614
Retained earnings as of January 1, 2019	**353,989**

For the majority of leases, the Group as lessee recognizes a right of use asset under IFRS 16 and a corresponding lease liability. The lease liability must be compounded in the subsequent valuation and the right of use must be depreciated. Besides the resulting balance sheet extension, under IFRS 16, there is a reclassification within the Statement of Comprehensive Income of the leasing installments previously recognized as operating expenses to depreciation and interest expense and thus an increase in EBITDA (by the full reclassification effect) as well as EBITA and EBIT (by the reclassification effect attributable to interest). In the Statement of Cash Flows, the cash flows from operating activities attributable to the payments for capitalized leases have been reclassified from cash flow from operating activities to cash flow from financing activities.

The effects of the first-time application of IFRS 16 on the Consolidated Statement of Financial Positions as of January 1, 2019, and the effects on the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows for the period from January 1 to December 31, 2019 are presented in the following:

Reconciliation Consolidated Statement of Financial Position IFRS 16 T047

in EUR thousands	Dec 31, 2018 as originally presented	IFRS 16	Jan 1, 2019 restated
Non-current assets			
Property, plant and equipment	243,326	31,980	275,306
Deferred income tax assets	6,571	620	7,191
Other non-current assets	678,361		678,361
	928,258	**32,600**	**960,858**
Current assets			
Other current assets	543,428		543,428
	543,428	**0**	**543,428**
Total assets	**1,471,686**	**32,600**	**1,504,286**
Equity			
Retained earnings	356,022	– 2,033	353,989
Other equity	246,419	– 2	246,417
	602,441	**– 2,035**	**600,406**
Liabilities			
Non-current liabilities			
Lease liabilities	0	26,180	26,180
Other financial liabilities	1,992	– 16	1,976
Deferred income tax liabilities	73,099	6	73,105
Other non-current liabilities	477,008		477,008
	552,099	**26,170**	**578,269**
Current liabilities			
Lease liabilities	0	8,481	8,481
Other financial liabilities	18,866	– 16	18,850
Other current liabilities	298,280		298,280
	317,146	**8,465**	**325,611**
Total liabilities	**869,245**	**34,635**	**903,880**
Total equity and liabilities	**1,471,686**	**32,600**	**1,504,286**

The difference between the nominal values of the payments expected as of December 31, 2018; for operating leases in the amount of EUR 21,905 thousand and the lease liabilities of EUR 34,661 thousand recorded in the opening balance sheet is mainly due to the reassessment of the lease terms in accordance with the requirements of IFRS 16. Sufficiently secure extension or termination options were taken into account when determining the lease payments to be recognized as liabilities and resulted in net in a higher value to be recognized. The non-inclusion of lease payments for certain low-value and short-term leases and the discounting of the lease liability in accordance with IFRS 16 had the opposite effect.

The Right of use relate to the following types of assets:

Carrying amounts rights of use T048

	Carrying amounts	
in EUR thousands	Dec 31, 2019	Jan 1, 2019
Land and buildings	36,834	27,778
Machinery and tools	247	182
Forklifts and warehouse	1,429	1,691
Office and IT equipment	233	291
Company cars	2,170	2,038
Total	**40,913**	**31,980**

Reconciliation for Consolidated Statement of Comprehensive Income IFRS 16

T049

in EUR thousands	2019	Effects of IFRS 16	2019 without IFRS 16
Revenue	1,100,096		1,100,096
Changes in inventories of finished goods and work in progress	3,045		3,045
Other own work capitalized	4,910		4,910
Raw materials and consumables used	– 477,628		– 477,628
Gross profit	**630,423**		**630,423**
Other operating income	13,630	76	13,554
Other operating expenses	– 157,879	11,296	– 169,175
Employee benefits expense	– 312,376		– 312,376
Depreciation and amortization	– 77,116	– 10,341	– 66,775
Operating profit	**96,682**	**1,031**	**95,651**
Financial income	1,460		1,460
Financial costs	– 16,950	– 1,256	– 15,694
Financial costs – net	**– 15,490**	**– 1,256**	**– 14,234**
Profit before income tax	**81,192**	**– 225**	**81,417**
Income taxes	– 22,743	68	– 22,811
Profit for the Period	**58,449**	**– 157**	**58,606**
Other comprehensive income for the period, net of tax			
Other comprehensive income that can be reclassified to profit or loss, net of tax	**7,210**		**7,210**
Exchange differences on translation of foreign operations	8,893		8,893
Cash flow hedges, net of tax	– 1,683		– 1,683
Other comprehensive income that cannot be reclassified to profit or loss net of tax	**– 1,519**		**– 1,519**
Remeasurements of post-employment benefit obligations net of tax	– 1,519		– 1,519
Other comprehensive income for the period, net of tax	**5,691**		**5,691**
Total Comprehensive Income for the Period	**64,140**	**– 157**	**64,297**
Profit attributable to			
Shareholders of the parent	58,422	– 157	58,579
Non-controlling interests	27		27
	58,449	**– 157**	**58,606**
Total comprehensive income attributable to			
Shareholders of the parent	64,236	– 157	64,393
Non-controlling interests	– 96		– 96
	64,140	**– 157**	**64,297**
(Un)diluted earnings per share (in EUR)	**1.83**	**– 0.0**	**1.83**

In contrast to the previous approach, according to which expenses for operating leases were shown in full in operating profit, under IFRS 16, for capitalized leases, only the amortization of rights of use is allocated to operating profit. Interest expenses from the compounding of lease liabilities are shown in the financial result. Compared to the previous method, this relieves the operating profit by EUR 1,031 thousand in 2019.

Reconciliation Consolidated Statement of Cash Flows IFRS 16

T050

in EUR thousands	2019	Effects of IFRS 16	2019 without IFRS 16
Operating activities			
Profit for the period	**58,449**	**– 157**	**58,606**
Depreciation and amortization	77,116	10,341	66,775
Gain (–) / loss (+) on disposal of property, plant and equipment	17		17
Change in provisions	364		364
Change in deferred taxes	– 5,254	– 68	– 5,186
Change in inventories, trade account receivables and other receivables, which are not attributable to investing or financing activities	– 15,299		– 15,299
Change in trade and other payables, which are not attributable to investing or financing activities	5,557		5,557
Change in reverse factoring liabilities	2,135		2,135
Payments for share-based payments	– 1,045		– 1,045
Interest expenses in the period	15,008	1,260	13,748
Income (–) / expenses (+) due to measurement of derivatives	73		73
Other non-cash expenses (+) / income (–)	– 38	– 58	20
Cash flows from operating activities	**137,083**	**11,318**	**125,765**
thereof interest received	1,007		1,007
thereof income taxes	– 32,879		– 32,879
Investing activities			
Investments in property, plant and equipment and intangible assets	– 57,784		– 57,784
Proceeds from the sale of property, plant and equipment	751		751
Cash flows from investing activities	**– 57,033**	**0**	**– 57,033**
Financing activities			
Interest paid	– 15,070	– 1,260	– 13,810
Dividends paid to shareholders	– 35,049		– 35,049
Dividends paid to non-controlling interests	– 43		– 43
Proceeds from borrowings	263,664		263,664
Repayment of borrowings	– 296,600		– 296,600
Proceeds from / repayment of derivatives	– 83		– 83
Repayment of lease liabilities	– 10,058	– 10,058	0
Cash flows from financing activities	**– 93,239**	**– 11,318**	**– 81,921**
Net change in cash and cash equivalents	**– 13,189**	**0**	**– 13,189**
Cash and cash equivalents at the beginning of the year	190,392		190,392
Effect of foreign exchange rates on cash and cash equivalents	2,518		2,518
Cash and cash equivalents at the end of the period	**179,721**	**0**	**179,721**

Due to the changed recognition of lease expenses from operating leases in the Statement of Cash Flows, the cash inflow from operating activities improved by EUR 11,318 thousand in 2019. The cash outflow from financing activities decreased accordingly.

The effects on the key performance indicators of NORMA Group can be seen in the → MANAGEMENT GROUP REPORT P. 65.

IFRIC 23: uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment.

Amendments to IAS 19: plan amendment, curtailment or settlement

On February 7, 2018, the IASB issued amendments to IAS 19 – plan amendment, curtailment or settlement. The amendments to IAS 19 Employee Benefits now explicitly state that after an amendment, curtailment or settlement of a pension plan during the year, the current service cost and the net interest for the remaining period must be recalculated. The actuarial assumptions valid at the time of the planned event must be used for this recalculation.

Annual improvement project 2015 – 2017

In December 2017, the IASB conducted the cycle as part of the Annual Improvement Project 2015 – 2017, which provides various amendments to existing standards. The cycle: 2015 – 2017 contains clarifications for three standards, IFRS 3 and IFRS 11, IAS 12 and IAS 23. The amendments and IAS are effective for annual periods beginning on or after January 1, 2019.

Standards, amendments and interpretations of existing standards that are not yet effective and have not been adopted earlier by the group

The following standards and amendments to existing standards have been published and application is mandatory for all accounting periods beginning on or after January 1, 2019. The Group has decided against early adoption.

1) Standards, amendments and interpretations to existing standards that have not been endorsed by the EU:

Amendments to IFRS 3: definition of a business

On October 22, 2018, the IASB issued amendments to the guidance in IFRS 3, 'Business Combinations' that revises the definition of a business.

With this amendment, the IASB clarifies that a business comprises a group of activities and assets that include at least one resource, input, and one substantive process, which together significantly contribute to the ability to create outputs. Furthermore, in terms of outputs, now the focus is on goods and services provided to customers; the reference to cost reductions is omitted. The new regulations also include an optional 'concentration test,' which should enable a simplified identification of a business operation.

These amendments shall be applied for acquisitions occurring during annual periods beginning on or after January 1, 2020, while earlier application is permitted. However, first-time adoption within the EU prior to endorsement is not permitted.

The IASB has published a number of other pronouncements. These recently translated accounting pronouncements as well as the pronouncements which have not yet been implemented have no material effect on the Consolidated Financial Statements of NORMA Group.

3. Summary of significant accounting principles

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of an investee begins from the date the Group obtains control of the investee and ceases when the Group loses control of the investee.

The Group uses the acquisition method of accounting to account for business combinations. The initial value for the acquisition of a subsidiary is recognized at fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The initial value recognized includes the fair value of any asset or liability resulting from a contingent consideration arrangement. On the acquisition date, the fair value of the contingent consideration is recognized as part of the consideration transferred in exchange for the acquiree. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the acquisition date. According to IFRS 3, for each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net assets. The Group measures the non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized immediately in the Consolidated Statement of Comprehensive Income.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Non-controlling interests

Non-controlling interests have a share in the earnings of the reporting period. Their interests in the shareholders' equity of subsidiaries are reported separately from the equity of the Group.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the subsidiary is remeasured at its fair value, with the change in the carrying amount recognized in profit or loss. The initial carrying amount is the fair value for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Valuation methods

The following table shows the most important valuation methods:

Valuation methods T051

Position	Valuation method
Assets	
Goodwill	Acquisition costs less potential impairment
Other intangible assets (except goodwill) – finite useful lives	Amortized costs
Other intangible assets (except goodwill) – indefinite useful lives	Acquisition costs less potential impairment
Property, plant and equipment	Amortized costs
Derivative financial assets:	
Classified as cash flow hedge	At fair value in other comprehensive income
Classified as fair value hedge	At fair value through profit or loss
Without hedge accounting	At fair value through profit or loss
Inventories	Lower of cost or net realizable value
Other non-financial assets	Amortized costs
Other financial assets	Amortized costs
Trade and other receivables	Amortized costs
Trade receivables, available for sale	At fair value through profit or loss
Contract assets	Percentage of completion method less potential impairment
Cash and cash equivalents	Nominal amount
Liabilities	
Pensions	Projected unit credit method
Other provisions	Present value of future settlement amount
Borrowings	Amortized costs
Other non-financial liabilities	Amortized costs
Lease liabilities	Valuatiion based on IFRS 16.36
Other financial liabilities:	
Financial liabilities at cost (FLAC)	Amortized costs
Derivative financial liabilities:	
Classified as cash flow hedge	At fair value in other comprehensive income
Classified as fair value hedge	At fair value through profit or loss
Without hedge accounting	At fair value through profit or loss
Contingent consideration	At fair value through profit or loss
Trade and other payables	Amortized costs

Fair value estimation

IFRS 7 requires for financial instruments that are measured in the Statement of Financial Position at fair value in accordance with IFRS 13 a disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is derived from prices), and

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in total is determined on the basis of the lowest level input that is significant to the fair value measurement in total. The different hierarchy levels demand different amounts of disclosure.

On December 31, 2019, and 2018, the Group's derivative financial instruments carried in the Statement of Financial Position at fair value (e. g. derivatives used for hedging) are categorized in total within Level 2 of the fair value hierarchy. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are prepared in 'euros' (EUR), which is NORMA Group SE's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the actual exchange rates on the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'financial income / costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income / expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Consolidated Statement of Financial Position presented are translated at the closing rate on the date of that Consolidated Statement of Financial Position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rate on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity.

Goodwill and fair value adjustments arising through the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The exchange rates of the currencies affecting foreign currency translation are as follows:

Exchange rates T052

per EUR	Spot rate Dec 31, 2019	Spot rate Dec 31, 2018	Average rate 2019	Average rate 2018
Australian dollar	1.5995	1.6220	1.6103	1.5803
Brazilian real	4.5157	4.4440	4.4147	4.3071
Chinese renminbi yuan	7.8205	7.8751	7.7329	7.8065
Swiss franc	1.0854	1.1269	1.1126	1.1550
Czech koruna	25.4080	25.7240	25.6680	25.6468
British pound sterling	0.8508	0.8945	0.8774	0.8847
Indian rupee	80.1870	79.7298	78.8145	80.6760
Japanese yen	121.9400	125.8500	122.0522	130.3588
South Korean won	1,296.2800	1,277.9300	1,304.6216	1,298.7919
Malaysian ringgit	4.5953	4.7317	4.6370	4.7630
Mexican peso	21.2202	22.4921	21.5534	22.7001
Polish złoty	4.2568	4.3014	4.2968	4.2612
Serbian dinar	117.5700	118.2690	117.8292	118.2359
Russian ruble	69.9563	79.7153	72.4412	74.0428
Swedish krona	10.4468	10.2548	10.5853	10.2611
Singapore dollar	1.5111	1.5591	1.5271	1.5924
Thai baht	33.4150	37.0520	34.7642	38.1559
Turkish lira	6.6843	6.0588	6.3606	5.6960
US dollar	1.1234	1.1450	1.1195	1.1810

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Development costs

Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable.

Furthermore, NORMA Group intends, and has sufficient resources, to complete development and use or sell the asset. The costs capitalized include the cost of materials, direct labor and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in profit or loss in line 'own work capitalized'. Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to five years. Development costs which did not meet the requirements are expensed as incurred.

(c) Other intangible assets

Separately acquired other intangible assets are shown at historical cost less accumulated amortization. Intangible assets acquired in a business combination are recognized at fair value on the acquisition date. Other intangible assets which have a finite useful life will be amortized over their estimated useful life. Amortization is calculated using the straight-line method to allocate their cost. Other intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually. Furthermore, other intangible assets which are determined to have indefinite useful lives and therefore are not amortized, will be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for these assets.

In general, the Group's other intangibles are not qualifying assets in accordance with IAS 23 and borrowing costs eligible for capitalization therefore do not exist.

The useful lives of other intangible assets acquired in a business combination are estimates based on the economics of each specific asset which were determined in the process of the purchase price allocation. The major part of these assets are brand names and customer lists.

The estimated useful lives for other intangible assets are as follows:

- Patents: 5 to 10 years
- Customer lists: 4 to 20 years
- Technology: 10 to 20 years
- Licenses, rights: 3 to 5 years
- Trademarks: indefinite or 20 years
- Software: 3 to 5 years
- Development costs: 3 to 5 years

Other intangible assets with indefinite useful lives are essentially brand names, for which the end of usability is not foreseeable and therefore indeterminable. These brand names result from acquisitions. For these brand names, an indefinite useful life is assumed. Based on a market perspective, there are no clear indications for a definite useful life of these brand names as they have been well-established in the market for many years.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment loss, if substantial. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, if any, the present value of estimated costs for dismantling and removing the assets, restoring the site on which it is allocated. Borrowing costs eligible for capitalization in the sense of IAS 23 were not available.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is foreseeable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, on each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income / expenses'.

The estimated useful lives for property, plant and equipment (excluding rights of use under IFRS 16) are as follows:

- Buildings: 8 to 40 years
- Machinery and technical equipment: 3 to 18 years
- Tools: 3 to 10 years
- Other equipment: 2 to 20 years

Leasing activities of the Group and their accounting treatment (from January 1, 2019)

NORMA Group has significant leases for the rental of land and buildings. In addition, the Group maintains leases for various company cars and technical equipment under non-cancellable lease agreements. Besides the usual extension options, the leases include, to a minor extent, purchase and termination options that are not taken into account. The lease terms per asset class are as follows:

- Right of use assets – land and buildings: 1 month to 78 years
- Right of use assets - machinery and tools : 3 to 6 years
- Right of use assets – forklifts and warehouse: > 1 to 7 years
- Right of use assets – office and IT equipment: > 1 to 6 years
- Right of use assets – company cars: > 1 to 9 years

The Group's leases generally do not contain credit terms, however, leased assets may not be used as collateral for borrowings.

As of January 1, 2019, leases are recognized as rights of use and corresponding lease liabilities at the time when the leased asset is available for use by the Group. Each lease payment is divided into repayment and financing expenses. Finance expenses are charged to the income statement over the lease term. The right of use asset is amortized on a straight-line basis over the shorter of the useful life and the lease term.

Right of use asset and lease liabilities are initially recognized at present value. The lease liabilities generally include the present value of the following lease payments:

- fixed payments (including de facto fixed payments, less any leasing incentives to be received)
- variable lease payments linked to an index or interest rate
- expected residual value payments from residual value guarantees of the lessee
- the exercise price of a purchase option, if it is sufficiently certain that the lessee will exercise it
- penalties for terminating the lease, if the lease term takes into account that the lessee will exercise a termination option

Lease payments are discounted at the interest rate underlying the lease if this can be determined. Otherwise, they are discounted at the lessee's incremental borrowing rate. Rights of use assets are measured at cost, which is comprised as follows:

- amount of the initial measurement of the lease liability
- all leasing payments made at or before the commencement date, less any lease incentives received
- all initial direct costs incurred by the lessee, and
- the estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or returning the underlying asset to the condition required by the lease agreement.

Exceptions in the form of accounting options exist for short-term leases (minimum term of a maximum of twelve months if no purchase option has been agreed) and for low-value assets. The lease payments resulting from these leases are therefore to continue to be included in operating expenses in the future.

NORMA Group has made use of these simplified application options as a lessee, with the exception of leased assets that are allocated to the asset class 'Right of use assets – land and buildings'. Furthermore, lessees are granted an accounting option not to separate leasing and non-leasing components, which NORMA Group has made use of, except for the asset classes 'Right of use assets – land and buildings' and 'Right of use assets – company cars'.

i. Extension and termination options

Some of NORMA Group's real estate leases contain extension options. Termination options are included to a very limited extent in the area of real estate leasing. Such contractual terms and conditions are used to provide the Group with operational flexibility with respect to the contract portfolio. The majority of the current extension and termination options can only be exercised by the Group and not by the respective lessor.

In determining the term of leases, all facts and circumstances that provide an economic incentive to exercise extension options or not to exercise termination options are taken into account. Changes to the term of the lease resulting from the exercise of extension and termination options are only included in the term of the lease if an extension or non-exercise of a termination option is reasonably certain.

The following considerations are taken into account when determining the term of the leases or the inclusion or non-inclusion of extension and termination options:

Contract-related

- existence of renewal or purchase options and their conditions,
- an obligation to dismantle installations or restore them to their original condition,
- amount of lease payments (including all variable payments) for an optional period compared to customary market payments.

Asset-based / Company-based

- the existence of significant leasehold improvements that would be lost in the event of (premature) termination or non-extension of the contract,
- costs in connection with a loss of production upon termination of the lease,
- costs associated with the acquisition of an alternative asset,
- dependence of the business activity (core business) on the continued use of the asset,
- financial consequences of the extension or termination of the lease,
- nature of the leased asset (specific vs. generic / general leased asset; extent to which the leased asset is critical to the lessee's operations).

Market-related

- legal and local regulations to be observed for the (permanent) obligation,
- alternative lease payments for comparable assets.

The assessment will be reviewed if a significant event or significant change in circumstances occurs that could influence the previous assessment, provided this is within the lessee's control.

As of December 31, 2019, potential additional cash outflows from extension options in the amount of EUR 1,516 thousand and potential reduced cash outflows from termination options in the amount of EUR 626 thousand were not recognized in the lease liability as it is not reasonably certain that the leases will be renewed or terminated prematurely.

Adjustments to the lease liabilities / right of use assets due to changes in estimates of the term or amount of the expected lease payments (index-based payments) amount to EUR 15 thousand (an increase).

Leases and their accounting treatment (until December 31, 2018)

Leases in which substantially all the risks and rewards incidental to ownership remain with the lessor are classified as operating leases. Payments made under operating leases (less incentives received from the lessor) are recognized as an expense on a straight-line basis over the lease term. Leases where the Group bears substantially all the risks and rewards incidental to ownership are classified as finance leases. A finance lease is capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Each lease payment is divided into an interest and a repayment portion so that the lease liability carries a constant interest rate. The net lease liability is reported under liabilities in accordance with its term. The interest portion of the lease payment is recognized in profit or loss. Property, plant and equipment held under a finance lease is depreciated over the shorter of the following two periods: the economic life of the asset or the lease term.

The Group has both operating leases and finance leases, which mainly relate to property, plant and equipment.

Impairment of non-financial assets

(a) Assets with finite useful lives

An impairment test must be carried out for assets with a determinable useful life if there are indications of a possible impairment. If there are any such indications, the amortized carrying amount of the asset is compared with the recoverable amount, which represents the higher of fair value less costs to sell and value in use. The value in use is equivalent to the present value of the future cash flows expected from the continuing use of the asset. In the event of impairment, the difference between the amortized carrying amount and the lower recoverable amount is recognized as an expense. The impairment loss is reversed as soon as there are indications that the reasons for impairment no longer exist. These may not exceed the amortized cost of acquisition.

(b) Goodwill and other assets with an indefinite useful life

Moreover, other intangible assets with an indefinite useful life, other intangible assets not yet ready for use or advance payments on such assets as well as goodwill must be tested for impairment annually. A test is also performed whenever there is any indication that an asset might be impaired. Where the reasons for an impairment no longer exist, the impairment loss is reversed, except in the case of goodwill.

The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of those from other assets or other groups of assets or cash-generating units. In these cases, the impairment test is performed at the relevant level of cash-generating units to which the asset is attributable.

Goodwill acquired in a business combination is allocated at the acquisition date to the cash-generating unit or group of cash-generating units that are expected to profit from the synergies deriving from the business combination. This also represents the lowest level at which goodwill is monitored for internal management purposes. These are the operating and reportable segments EMEA, Americas and Asia-Pacific.

There is currently no goodwill in the Group that can be directly allocated to an individual entity because this reflects the enterprise value of the acquired entity regardless of the transaction.

The Company normally determines the recoverable amount using measurement methods based on discounted cash flows.

Brand names with indefinite useful lives acquired in business combinations are tested for impairment at the level at which a recoverable amount, which is based on the fair value less costs to sell, can be determined.

For cash-generating units, NORMA Group first determines the relevant recoverable amount as fair value less costs to sell, which it compares with the respective carrying amounts, including allocated goodwill in the case of impairment tests on goodwill. For further details regarding the determination of the fair value less costs to sell and the underlying assumptions, we refer to. → NOTE 18. 'GOODWILL AND OTHER INTANGIBLE ASSETS'.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable selling costs. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Inventories of the Group are not qualifying assets in accordance with IAS 23, so that the acquisition or production costs do not include capitalized borrowing costs.

Financial instruments

(a) Financial assets

Classification

From January 1, 2018, on, the Group classifies its financial assets in the following measurement categories:

- Debt instruments measured at amortized cost (AC);
- Debt instruments measured at fair value through equity (FVOCI), with cumulative gains and losses reclassified to the income statement when the financial asset is derecognized;
- Debt, derivative and equity instruments at fair value through profit or loss (FVTPL);
- Equity instruments classified as FVOCI, with gains and losses remaining in other comprehensive income (OCI) (without reclassification).

The classification depends on the business model according to which NORMA Group manages its financial assets and the characteristics of the contractual cash flows of these financial assets.

NORMA Group reclassifies debt instruments only when the business model for managing such financial assets changes.

Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement
Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Debt instruments
The subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset in order to collect the contractual cash flows and the contractual cash flows from the financial asset represent only principal and interest payments and the fair value option is not exercised at inception. Interest income from these financial assets is reported under financial income using the effective interest method. Gains and losses from derecognition, impairment and currency translation are recognized directly in the Consolidated Statement of Comprehensive Income and reported in other operating income / expenses.

A debt instrument that is held in a business model in which both the contractual cash flows of financial assets are received and financial assets are sold, and in which the contractual cash flows include only principal and interest payments, is measured at fair value with no effect on income, unless the fair value option is exercised upon initial recognition. Changes in the carrying amount are recognized in other comprehensive income, except for impairment gains or losses, interest income and gains and losses on currency translation, which are recognized directly in the Consolidated Statement of Comprehensive Income. When the financial asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to the Consolidated Statement of Comprehensive Income. Interest income from these financial assets is recognized in financial income using the effective interest method. Gains and losses from currency translation are recognized directly in the Consolidated Statement of Comprehensive Income and reported in other operating income / expenses.

The impairment losses recognized in the Consolidated Statement of Comprehensive Income are disclosed separately in the section "Notes to the Statement of Comprehensive Income."

All other debt instruments that do not meet these two conditions must be measured at fair value through profit or loss (FVTPL).

Equity instruments
All equity instruments are subsequently measured at fair value. If an equity instrument is not held for trading purposes, NORMA Group may, at the time of initial recognition, make the irrevocable decision to measure it at fair value with recognition of changes in value in other comprehensive income (FVTOCI), whereby only income from dividends is recognized in profit or loss for the period unless it represents a capital repayment.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the Consolidated Statement of Comprehensive Income under other operating income / expenses.

Impairments
Since January 1, 2018, NORMA Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments, which are measured at amortized cost or at fair value with no effect on income.

The Group has three types of financial assets subject to this new model:

- Trade receivables from the sale of goods and the rendering of services,
- Contract assets from research and development activities; and
- Other debt instruments measured at amortized cost

In the case of trade receivables, NORMA Group applies the simplified approach provided for in IFRS 9, which requires the recognition of expected credit losses over the term of the receivables from their initial recognition; further details can be found in → NOTE 21. (A) 'TRADE AND OTHER RECEIVABLES'.

Receivables which are significantly overdue, which can be more than 180 days due to the customer structure , or those whose debtors were subject to insolvency or similar proceedings, are individually tested for impairment.

The criteria that the Group uses to determine if there is objective evidence of an impairment loss include:

- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

For cash and cash equivalents, receivables from the ABS program and factoring (both from purchase price retentions), and other receivables, mainly from banker's acceptance bills for trade receivables, NORMA Group applies the general impairment approach. As it is our policy to only invest in high-quality assets of issuers with a minimum rating of at least investment grade so as to minimize the risk of credit losses, we use the low credit risk exception. Thus, these assets are always allocated to stage 1 of the three-stage credit loss model and, if material, a loss allowance for an amount equal to 12-month expected credit losses will be recorded. This loss allowance is calculated based on our exposure as of the respective reporting date, the loss given default for this exposure, and the credit default swap spread as a measure of the probability of default. To ensure that during their lifetime, our investments always fulfill the requirement of being investment-grade, we monitor changes in credit risk by tracking published external credit ratings.

(b) Financial liabilities

Financial liabilities primarily include trade payables, liabilities to banks, derivative financial liabilities and other liabilities.

Financial liabilities that are measured at amortized cost
After initial recognition, financial liabilities are carried at amortized cost using the effective interest method. Trade payables, liabilities to banks and other financial liabilities, in particular, are classified to this category.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative financial instruments and contingent purchase price liabilities. Gains or losses on financial liabilities that are measured at fair value through profit or loss are included in profit or loss.

(c) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative financial instruments not designated as hedges
Gains and losses from derivatives that are not designated as hedges (trading derivatives) are recognized in profit or loss. Trading derivatives are classified as non-current assets or liabilities in accordance with IAS 1.68 and IAS 1.71 if they have a remaining term of more than one year; otherwise they are classified as current.

Derivative financial instruments designated as hedges
Derivatives included in hedge accounting are generally designated as either:

- Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, NORMA Group documents the relationship between the hedging instruments and the hedged item, including whether changes in the cash flows of the hedging instruments offset changes in the cash flows of the hedged item. The Group documents the risk management objectives and strategies for undertaking the hedging transaction.

Further information on the instruments used by the Group and the hedging can be found in → NOTE 5 'FINANCIAL RISK MANAGEMENT' and → 21. (F) 'DERIVATIVE FINANCIAL INSTRUMENTS'.

The development of the hedging reserve in equity can be found in → NOTE 21. (F) 'DERIVATIVE FINANCIAL INSTRUMENTS'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. At NORMA Group, arrangements exist which do not meet the criteria for netting in the Consolidated Statement of Financial Position according to IAS 32.42, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

The following tables present the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as of December 31, 2019, and 2018:

Offsetting financial instruments T053

in EUR thousands	Gross amounts of financial assets / financial liabilities	Gross amounts of financial assets / financial liabilities offset in the statement of financial position	**Net amounts recognized in the statement of financial position**	Amounts that are not offset in the statement of financial position Financial instruments	Net amount
Dec 31, 2019					
Financial assets					
Derivative financial instruments (b)	450	0	450	100	350
Trade and other receivables (a)	162,888	502	162,386	0	162,386
Other financial assets	4,792	0	4,792	0	4,792
Cash and cash equivalents	179,721	0	179,721	0	179,721
Total	**347,851**	**502**	**347,349**	**100**	**347,249**
Financial liabilities					
Borrowings	541,898	0	541,898	0	541,898
Derivative financial instruments (b)	913	0	913	100	813
Trade and other payables (a)	143,621	502	143,119	0	143,119
Other financial liabilities	19,126	0	19,126	0	19,126
Total	**705,558**	**502**	**705,056**	**100**	**704,956**
Dec 31, 2018					
Financial assets					
Derivative financial instruments (b)	2,764	0	2,764	335	2,429
Trade and other receivables (a)	143,604	466	143,138	0	143,138
Other financial assets	5,231	0	5,231	0	5,231
Cash and cash equivalents	190,392	0	190,392	0	190,392
Total	**341,991**	**466**	**341,525**	**335**	**341,190**
Financial liabilities					
Borrowings	569,091	0	569,091	0	569,091
Derivative financial instruments (b)	758	0	758	335	423
Trade and other payables (a)	142,494	466	142,028	0	142,028
Other financial liabilities	20,858	0	20,858	0	20,858
Total	**733,201**	**466**	**732,735**	**335**	**732,400**

(a) Offsetting arrangements

NORMA Group gives volume-based rebates to selected customers. Under the terms of the supply agreements, the amounts payable by NORMA Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

(b) Master netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement and other corresponding national master agreements, such as the corresponding German Framework Agreement. These arrangements do not meet the offsetting criteria because they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty. The table above shows the impact on the Group's balance sheet if all set-off rights were exercised.

Current and deferred income tax

The tax expenses for the period are comprised of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted on the balance sheet date in the countries where the Group's subsidiaries operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements and on tax losses carried forward and not yet used tax credits. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

A surplus of deferred income tax assets is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

For taxable temporary differences arising on investments in subsidiaries and associates, deferred tax liabilities are recognized, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

(a) Pension obligations

Group companies operate different pension schemes. NORMA Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The major defined benefit plan is the German benefit plan which defines the amount of pension benefit that an employee will receive on retirement to depend on years of service and compensation.

The liability recognized in the Consolidated Statement of Financial Position with respect to defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, as well as returns on plan assets, which are not included within the net interest on the defined benefit liability, are recognized within retained earnings in other comprehensive income (OCI).

Past service costs are recognized fully in the period of the related plan amendment.

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

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits as a liability and expense on the earlier date of: (a) when the entity can no longer withdraw the offer of those benefits; or (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Short-term employee benefits

Employee benefits with short-term payment dates include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognized as liabilities at the repayment amount as soon as the associated job has been performed.

(d) Provisions for other long-term employee benefits

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are comprised of the present value of future payment obligations to the employee less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Gains and losses from the remeasurement are recognized in profit or loss in the period in which they are incurred.

Share-based payment

Share-based payment plans issued at NORMA Group are accounted for in accordance with IFRS 2 'Share-based Payment'. In accordance with IFRS 2, NORMA Group in principle distinguishes between equity-settled and cash-settled plans. The financial interest from equity-settled plans granted on the grant date is generally allocated over the expected vesting period against equity until the exit event occurs. Expenses from cash-settled plans are generally also allocated over the expected vesting period until the exit event occurs, but against accruals. A description of the plans existing within NORMA Group can be found in → NOTE 25 'SHARE-BASED PAYMENTS'.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation to third parties as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation taking into account all identifiable risks. Provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognized as interest expense.

In addition to the expected amount of cash outflows, uncertainties also exist regarding the time of outflows. If it is expected that the outflows will take place within one year, the relevant amounts are reported in the short-term provisions.

When the Group expects a refund for a provision, this refund is recognized in accordance with IAS 37.53 as a separate asset. If the refund is in a close economic relationship with the recognized provision, the expenses from the provision are netted with the income from the corresponding refund in profit or loss.

Income from the release of non-utilized provisions from prior years is recorded within other operating income.

Revenues from contracts with customers (revenue recognition)

NORMA Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i. e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price NORMA Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or NORMA Group. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates those. Revenue is recognized for each performance obligation either at a point in time or over time.

(a) Sale of goods

Revenues are recognized at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 to 90 days. For the sale of goods, retrospective volume discounts, which usually apply to a calendar year, are often agreed to. Revenues from these sales are recognized at the amount of the consideration set in the contract less the estimated volume discounts. The estimate of the refund liabilities recognized for these volume rebates is based on experience and revenue recognized in the fiscal year.

(b) Engineering services

Revenues are recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 to 90 days from the date of invoice issued according to the contractual terms.

The percentage of completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total contract costs, total contract revenues, contract risks, including technical risks and other judgments. Under the percentage of completion method, changes in estimates may lead to an increase or decrease in revenue. The creditworthiness of our customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company.

Contract assets, contract liabilities, refund liabilities and considerations payable to a customer

When either party to a contract with customers has performed, NORMA Group presents a contract asset, a contract liability or a trade receivable depending on the relationship between NORMA's performance and the customer's payment.

A contract asset represents NORMA Group's right to consideration in exchange for goods or services that have been transferred to the customer. The impairment of contract assets is measured, presented and reported on the same basis as for financial assets within the scope of IFRS 9.

Trade receivables are recognized if NORMA Group's right to consideration are unconditional.

Considerations received, which are expected to be reimbursed to the customer, are shown as refund liabilities. These liabilities are included in the balance sheet in the item 'Trade and other payables'. These amounts typically relate to expected volume discounts and annual customer bonuses.

Consideration payable to a customer that cannot be directly allocated to a service or good received by NORMA Group are recognized as a reduction of the transaction price. If this reduction relates to future revenue, this part is recognized in other non-financial assets as consideration payable to a customer.

Government grants

Government grants are not recognized until there is reasonable assurance that the conditions attached to them are complied with and that the grants will be received.

Government grants for the compensation of expenses incurred are recognized in profit or loss as part of the other operating income on a systematic basis over the periods in which the related costs are expensed that the grants are intended to compensate for.

Grants related to non-depreciable assets are recognized in profit or loss as part of the other operating income over the periods that bear the cost of meeting the obligations.

Grants related to depreciable assets are recognized in profit or loss over the periods that bear the expense related to the depreciation of the underlying assets and are recognized as deferred income in the Statement of Financial Position. The deferred income is recognized in profit or loss on a straight-line basis over the expected useful life of the underlying asset and reported as part of other operating income.

4. Scope of consolidation

With NORMA Group SE, the Consolidated Financial Statements contain all domestic and foreign companies which NORMA Group SE controls directly or indirectly.

The Consolidated Financial Statements for 2019 include 8 domestic (Dec 31, 2018: 8) and 44 foreign (Dec 31, 2018: 44) companies.

The composition of the Group changed as follows:

Change in scope of consolidation T054

	2019			2018		
	Total	Domestic	Foreign	Total	Domestic	Foreign
As of January 1	52	8	44	**48**	**7**	**41**
Additions	0	0	0	**5**	**1**	**4**
of which newly founded				2	0	2
of which acquired				3	1	2
Disposals	0	0	0	**1**	**0**	**1**
of which no longer consolidated				1	0	1
of which mergers				0	0	0
As of December 31	52	8	44	**52**	**8**	**44**

There were no additional acqusitions or establishments during 2019.

For a detailed overview of NORMA Group's shareholdings, please refer to the following chart:

List of Group companies of NORMA Group as of December 31, 2019 T055

No.	Company	Registered address	held by	Share in % Direct parent company	Share in % of NORMA Group SE	Currency	Equity [1]	Result [1]
Central functions								
01	NORMA Group SE	Maintal, Germany						
02	NORMA Group APAC Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	24	– 7
03	NORMA Group Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	106,814	0 [2]
Segment EMEA								
04	NORMA Distribution Center GmbH	Marsberg, Germany	03	94.80	100.00	kEUR	2,175	0 [2]
05	DNL GmbH & Co KG	Maintal, Germany	03	100.00	100.00	kEUR	6,227	– 85
06	NORMA Germany GmbH	Maintal, Germany	03	94.90	100.00	kEUR	56,306	0 [2]
07	NORMA Verwaltungs GmbH	Maintal, Germany	03	100.00	100.00	kEUR	20	0 [2]
08	STATEK Stanzereitechnik GmbH	Maintal, Germany	03	100.00	100.00	kEUR	4,467	0 [2]
09	DNL France SAS	Briey, France	03	100.00	100.00	kEUR	29,801	– 4,398
10	NORMA Autoline France SAS	Guichen, France	09	100.00	100.00	kEUR	26,066	– 244
11	NORMA Distribution France SAS	Croissy Beaubourg, France	09	100.00	100.00	kEUR	2,471	596
12	NORMA France SAS	Briey, France	09	100.00	100.00	kEUR	6,068	– 20
13	DNL UK Ltd.	Newbury, Great Britain	03	100.00	100.00	kGBP	15,958	7,000
14	NORMA UK Ltd.	Newbury, Great Britain	13	100.00	100.00	kGBP	18,630	8,077
15	NORMA Italia SpA	Gavardo, Italy	03	100.00	100.00	kEUR	6,210	1,878

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List of Group companies of NORMA Group as of December 31, 2019 (continued) T055

				Share in %				
No.	Company	Registered address	held by	Direct parent company	of NORMA Group SE	Currency	Equity [1]	Result [1]
16	Groen Bevestigingsmaterialen B.V.	Purmerend, Netherlands	03	70.00	100.00	kEUR	5,057	5,060
17	NORMA Netherlands B.V.	Purmerend, Netherlands	22	100.00	100.00	kEUR	509	497
18	NORMA Polska Sp. z.o.o.	Sławniów, Poland	03	100.00	100.00	kPLN	147,192	24,833
19	NORMA Group Distribution Polska Sp. z.o.o.	Sławniów, Poland	18	100.00	100.00	kPLN	12,687	4,500
20	Lifial – Indústria Metalúrgica de Águeda, Lda.	Águeda, Portugal	03	99.99	100.00	kEUR	5,495	– 133
21	NORMA Group CIS LLC	Togliatti, Russian Federation	03	99.96	100.00	kRUB	226,149	20,061
22	DNL Sweden AB	Stockholm, Sweden	03	100.00	100.00	kSEK	86,422	77,617
23	NORMA Sweden AB	Stockholm, Sweden	22	100.00	100.00	kSEK	207,413	64,640
24	Connectors Verbindungstechnik AG	Wallisellen, Switzerland	03	100.00	100.00	kCHF	3,146	– 1,188
25	NORMA Grupa Jugoistocna Evropa d.o.o.	Subotica, Serbia	03	100.00	100.00	kRSD	4,635,411	186,584
26	Fijaciones NORMA S.A.U.	L'Hospitalet de Llobregat, Spain	03	100.00	100.00	kEUR	5,024	437
27	NORMA Czech, s.r.o.	Hustopeče, Czech Republic	03	100.00	100.00	kCZK	369,947	31,061
28	NORMA Turkey Bağlantı ve Birleştirme Teknolojileri Sanayi ve Ticaret Limited Şirketi	Kadıköy / İstanbul, Turkey	07	100.00	100.00	kTRL	7,762	3,447
Segment Americas								
29	NORMA do Brasil Sistemas De Conexão Ltda.	Atibaia, Brazil	37	98.20	100.00	kBRL	4,620	– 7,717
30	NORMA Group Mexico, S. de R.L. de C.V. [3]	Monterrey, Mexico	36	99.40	100.00	kUSD	2,944	– 1,262
31	NORMA Distribution and Services S. de R.L. de C.V.	Juarez, Mexico	36	99.00	100.00	kMXN	– 3,189	2,174
32	Craig Assembly, Inc.	Auburn Hills, MI, USA	37	100.00	100.00	kUSD	72,998	8,471
33	National Diversified Sales, Inc.	Woodland Hills, CA, USA	37	100.00	100.00	kUSD	314,174	31,033
34	NG AM FinSrv, LLC	Auburn Hills, MI, USA	36	70.00	100.00	kUSD	– 202	59

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List of Group companies of NORMA Group as of December 31, 2019 (continued) T055

No.	Company	Registered address	held by	Share in % Direct parent company	Share in % of NORMA Group SE	Currency	Equity [1]	Result [1]
35	NORMA Manufacturing NA SW, LLC	Auburn Hills, MI, USA	36	100.00	100.00	kUSD	– 6,135	– 6,147
36	NORMA Michigan, Inc.	Auburn Hills, MI, USA	37	100.00	100.00	kUSD	95,670	2,426
37	NORMA Pennsylvania, Inc.	Auburn Hills, MI, USA	01	100.00	100.00	kUSD	109,779	– 2,730
38	NORMA U.S. Holding LLC	Auburn Hills, MI, USA	37	100.00	100.00	kUSD	21,804	– 936
39	R. G. RAY Corporation	Auburn Hills, MI, USA	37	100.00	100.00	kUSD	122,930	2,498
Segment Asia-Pacific								
40	NORMA Pacific Pty. Ltd.	Dandenong South, Victoria, Australia	51	100.00	100.00	kAUD	15,183	2,695
41	Fengfan Fastener (Shaoxing) Co., Ltd.	Shaoxing City, China	51	80.00	80.00	kCNY	37,126	4,108
42	NORMA China Co., Ltd.	Qingdao, China	03	100.00	100.00	kCNY	237,420	17,150
43	NORMA EJT (Changzhou) Co., Ltd.	Changzhou, China	51	100.00	100.00	kCNY	103,149	36,927
44	NORMA EJT (Wuxi) Co., Ltd.	Wuxi, China	51	100.00	100.00	kCNY	211,739	2,758
45	NORMA Group Products India Pvt. Ltd.	Pune, India	51	99.99	100.00	kINR	557,533	25,236
46	Kimplas Piping Systems Ltd.	Nashik, Maharashtra, India	51	100.00	100.00	kINR	1,892,354	69,861
47	Kimplas Ltd.	Essex, Great Britain	46	100.00	100.00	kGBP	703	232
48	NORMA Japan Inc.	Tokyo, Japan	51	60.00	60.00	kJPY	118,688	– 3,638
49	NORMA Products Malaysia Sdn. Bhd. (formerly Chien Jin Plastic Sdn. Bhd.)	Ipoh, Malaysia	51	100.00	100.00	kMYR	31,325	248
50	NORMA Korea Inc.	Seoul, Republic of Korea	51	100.00	100.00	kKRW	575,046	43,437
51	NORMA Group Asia Pacific Holding Pte. Ltd.	Singapore, Singapore	01	100.00	100.00	kSGD	207,207	– 28,303
52	NORMA Pacific (Thailand) Ltd.	Chonburi, Thailand	51	99.99	100.00	kTHB	115,183	27,867

1_Reported values according to IFRS as of December 31, 2019; except for NORMA Group Holding GmbH, NORMA Germany GmbH, STATEK Stanzereitechnick GmbH and NORMA Distribution Center GmbH; these values are prepared according to German GAAP as of December 31, 2019, but not yet finally audited. The values are translated with the exchange rates according to → NOTE 3.
2_A profit pooling contract exists.
3_Maquiladora operation of company No. 36.

5. Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial risks, including market, credit and liquidity risks. The Group's financial risk management focuses on the unpredictability of the financial markets and is designed to mitigate potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain exposures.

Overview of financial risks T056

Risk	Risks from	Assessment	Management
Market risk – Foreign exchange risk	Future transactions and recognized financial assets and liabilities	Cash flow projections and sensitivity analysis	Forward exchange contracts and natural hedges
Market risk – Interest rate risk	Long-term borrowings at variable interest rates	Sensitivity analysis	Interest rate swaps
Default risk	Cash and cash equivalents, derivative financial instruments, trade receivables and contractual assets	Age structure analysis and credit rating	Diversification of bank balances, credit limits and letters of credit
Liquidity risk	Payment obligations arising from borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and facilities and trade working capital management

Financial risk management is carried out by a central Treasury department (Group Treasury). The responsibilities and necessary controls related to risk management are defined by the Group's management. The Treasury department is responsible for identifying and assessing financial risks in close consultation with the Group's operating units. In a close dialogue, Group Treasury informs and trains the companies and technically handles the hedging process. The use of derivative and non-derivative financial instruments and the investment of liquidity surpluses are governed by policies established by Group management.

(a) Market risk

Foreign exchange risk

NORMA Group operates as an internationally active Company in 100 different countries and is exposed to the currency risk resulting from various foreign currency positions in respect of the most important currencies: the US dollar, British pound, Chinese renminbi, Indian rupee, Polish Złoty, Swedish krona, Swiss franc, Czech koruna, Serbian dinar and Singapore dollar.

Taking into account the respective risk-bearing capacity of the subsidiaries, Treasury Risk Management strives to achieve a reasonable degree of hedging of net foreign currency risks (as a result of taking into account incoming and outgoing foreign currency transactions). Highly fluctuating net foreign currency risks are thus hedged with increased hedging ratios. The external financial liabilities denominated in US dollars are repaid with US dollar receipts resulting from the externally financed investments in the US. The foreign currency position of these liabilities was therefore not hedged.

The Group uses forward exchange contracts to hedge the foreign exchange risk arising from its operating activities. The risk arises from a possible change in future cash flows from a highly probable forecasted transaction in a non-functional currency, which is due to a change or fluctuation in the exchange rate. The hedging relationship is designated as a cash flow hedge. The Group only designates the spot component as a hedging element. Gains or losses on the effective portion of the change in the spot component of the forward contract are recognized in the hedging reserve as a component of equity. Changes in the forward component of the hedging instrument relating to the hedged item ("aligned forward element") are recognized in other comprehensive income in the hedging reserve as a component of equity.

In addition, the Group uses forward exchange contracts to hedge intercompany financing transactions that involve foreign exchange risk arising from intercompany loans denominated in non-functional currencies. The Group designates such loans and hedging instruments as fair value hedges in order to achieve the offsetting effects of hedged items and hedges in the same income statement line item. The Group designates only the spot component as a hedging element. Gains or losses from the effective portion of the change in the spot component of the forward transaction are recognized in the financial result, analogous to those of the underlying item. The changes in the forward component of the hedging instrument, which relate to the hedged underlying transaction ("aligned forward element") are also included in this item.

For more information on the foreign currency risk hedging instruments used by the Group, please refer to → NOTE 21. (F) 'DERIVATIVE FINANCIAL INSTRUMENTS'.

In accordance with the Group guideline, the essential contractual conditions of the forward transactions for all hedging relationships must correspond to the hedged underlying transactions.

The effects of changes in the exchange rates of financial assets and financial liabilities denominated in foreign currencies are presented below.

Foreign exchange risk T057

	Dec 31, 2019		Dec 31, 2018	
in EUR thousands	**+ 10 %**	**– 10 %**	+ 10 %	– 10 %
Currency relation				
EUR / USD				
Profit before tax	– 607	743	– 681	833
EUR / GBP				
Profit before tax	121	– 148	308	– 376
EUR / CNY				
Profit before tax	– 634	776	– 567	693
EUR / INR				
Profit before tax	– 62	76	– 208	255
EUR / PLN				
Profit before tax	890	– 1,088	727	– 888
EUR / SEK				
Profit before tax	339	– 415	256	– 313
EUR / CHF				
Profit before tax	63	– 77	123	– 151
EUR / CZK				
Profit before tax	273	– 334	233	– 285
EUR / RSD				
Profit before tax	– 63	77	– 91	111
EUR / SGD				
Profit before tax	– 136	167	– 465	568

Interest rate risk

NORMA Group's interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by hedges (interest rate swaps). As there are currently no signs of a more restrictive monetary policy in the euro zone, NORMA Group considers the risk of interest rate increases for the euro to be unlikely in the short term. In the longer term, however, the risk of interest rate increases is considered possible. On the other hand, in view of the current low interest rate level in the euro zone, the opportunities that could result from a further decline in interest rates are considered unlikely. In the USD area, on the other hand, further interest rate reductions are considered more likely, which would lead to corresponding opportunities for NORMA Group. Against the backdrop of the measures already implemented to optimize financing, the financial impact of these opportunities is considered to be insignificant.

Currently swaps cover around 34% (2018: 71%) of outstanding variable interest rate loans. Further information on the instruments used to hedge the interest rate risk used by the Group can be found under → NOTE 21. (F) 'DERIVATIVE FINANCIAL INSTRUMENTS'.

Below, the effects of changes in interest rates are analyzed for bank borrowings which bear variable interest rates, and for interest rate swaps included in hedge accounting. Borrowings that bear fixed interest rates are excluded from this analysis.

Due to the current low level of interest rates in those markets that are relevant for NORMA Group's funding, the likelihood of rising interest rates is higher than that of declining interest rates – this has been addressed in the sensitivity analysis.

In fiscal year 2019, if interest rates on euro and US dollar denominated borrowings had been 100 basis points (BPS) (2018: 100 BPS) higher with all other variables held constant, profit before tax for fiscal year 2019 would have been EUR 1,183 thousand lower (2018: EUR 503 thousand lower) and other comprehensive income would have been EUR 1,531 thousand higher (2018: EUR 2,716 thousand higher with a 100 basis points shift).

In fiscal year 2019, if interest rates on euro and US dollar denominated borrowings had been 50 basis points (2018: 50 BPS) lower with all other variables held constant, profit before tax for fiscal year 2019 would have been EUR 84 thousand higher (2018: EUR 63 thousand higher). Other comprehensive income would have been EUR 786 thousand lower (2018: EUR1,437 thousand lower).

Other price risks

As NORMA Group is not exposed to any other material economic price risks, such as stock exchange prices or commodity prices, an increase or decrease in the relevant market prices within reasonable margins would not have an impact on the Group's profit or equity. The raw material risk is mainly based on alloy surcharges, which can be passed on to customers to a certain extent via price passing clauses. Therefore, the Group's exposure to other price risks is considered probable, but with low financial impact → RISK AND OPPORTUNITY REPORT.

(b) Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk is monitored on a Group basis. To minimize credit risk from operating activities and financial transactions, each counterparty is assigned a credit limit, the use of which is monitored regularly.

In order to reduce the credit risk arising from our investing activities and derivative financial assets, in accordance with our internal treasury policy, we have entered into all transactions only with recognized, large financial institutions and issuers, each with high external credit ratings.

In operational business, default risks are continuously monitored.

The aggregate carrying amounts of financial assets represent the maximum default risk. Given the Group's heterogeneous customer structure, there is no risk concentration.

As of December 31, 2019, the credit exposure for the gross carrying amounts of cash and cash equivalents and other financial assets was as follows:

Credit risk exposure from cash and cash equivalents and other financial assets T058

As of December 31, 2019

in EUR thousands	Equivalent to External Rating	Gross Carrying Amount Not Credit-Impaired	Gross Carrying Amount Credit-Impaired
Risk class 1 – low risk	AAA – BBB–	193,378	0

As of December 31, 2018

in EUR thousands	Equivalent to External Rating	Gross Carrying Amount Not Credit-Impaired	Gross Carrying Amount Credit-Impaired
Risk class 1 – low risk	AAA – BBB–	202,990	0

Further details on the credit risk positions for trade receivables can be found under → NOTES 21. (A) 'TRADE AND OTHER RECEIVABLES'.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

In July 2013, NORMA Group issued a promissory note loan of EUR 50 million with terms of 7 and 10 years. The two fixed-interest annual tranches will be repaid in July 2020 and July 2023. Yet another promissory note loan was issued in December 2014, also with 7- and 10-year terms in both euro and dollar tranches. This promissory note loan has a total volume of approximately EUR 80 million and has both fixed and variable interest tranches. These promissory notes will be redeemed in December 2021 and December 2024. A third promissory note with 5-, 7- and 10-year maturities has a total volume of approximately EUR 149 million and was issued in August 2016. The different tranches also consist of both fixed and variable interest rate tranches and will be repaid in 2021, 2023 and 2026.

In December 2019, NORMA Group repaid a promissory note in the amount of approximately EUR 108 million. In addition, the syndicated bank loan with a total volume of approximately EUR 183 million, consisting of euro and dollar tranches, and an accordion facility of EUR 102 million included in the total volume, was refinanced before maturity in 2022. Due to the current favorable market environment, this refinancing was achieved via a new syndicated bank loan and a commercial paper program.

The refinancing in December 2019 promises the Group even greater security and flexibility. In addition, the annual financing costs were reduced significantly. Furthermore, the new syndicated bank loan includes a sustainability component. This links the financing conditions to NORMA Group's commitment to Corporate Responsibility. By further improving its sustainability rating, the Company has the opportunity to further reduce the interest burden of its financing. With the conclusion of the new loan agreement, the Group has secured approximately EUR 250 million in debt financing capital, consisting of both euro and dollar tranches. In addition, a EUR 50 million revolving facility and a leveraged flexible accordion facility were included. The loan agreement has been concluded for a term of five years and includes the option to extend it twice for a further year each.

The newly launched commercial paper program with a total volume of up to EUR 300 million consists of short-term (2 – 12 weeks) bearer bonds. The revolving issuance of such short-term bonds enables the Group to manage and optimize its short-term financing requirements even more flexibly via the money and capital markets in addition to its existing credit lines with various banks.

Liquidity is monitored on an ongoing basis with regard to the Group's business performance, planned investment and redemption of loans.

The amounts disclosed in the table below are the contractual, undiscounted cash flows. Financial liabilities denominated in foreign currencies are translated at the closing rate on the balance sheet date. Interest payments on financial instruments with variable interest rates are calculated on the basis of the interest rates applicable as of the reporting date.

Maturity structure of non-derivative financial liabilities T059

Dec 31, 2019 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	57,594	110,813	379,415	43,160
Trade and other payables	143,119	0	0	0
Other financial liabilities	17,496	0	1,631	0
	218,209	**110,813**	**381,046**	**43,160**

Dec 31, 2018 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	127,305	44,624	355,739	90,115
Trade and other payables	142,028			
Finance lease liabilities	17	5	13	
Other financial liabilities	18,850	0	1,976	
	288,200	**44,629**	**357,728**	**90,115**

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure of derivative financial instruments T060

As of Dec 31, 2019 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Derivative receivables – gross settlement				
Cash outflows	– 940			
Cash inflows	955			
Derivative liabilities – gross settlement				
Cash outflows	– 578			
Cash inflows	576			
Derivative receivables – net settlement				
Cash inflows	406	30		
Derivative liabilities – net settlement				
Cash outflows	– 268	– 644		
	151	**– 614**	**0**	**0**

As of Dec 31, 2018 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Derivative receivables – gross settlement				
Cash outflows	– 31,221			
Cash inflows	31,414			
Derivative liabilities – gross settlement				
Cash outflows	– 5,385			
Cash inflows	5,302			
Derivative receivables – net settlement				
Cash inflows	1,746	608	217	
Derivative liabilities – net settlement				
Cash outflows	– 216	– 418	– 41	
	1,640	**190**	**176**	**0**

Capital risk management

NORMA Group's objectives when managing capital are to ensure that it will continue to be able to repay its debt and remain financially sound.

The Group is subject to the financial covenant total net debt cover (net debt in relation to adjusted Group EBITDA), which is monitored on an ongoing basis. This financial covenant is based on the Group's Consolidated Financial Statements as well as on special definitions of the bank facility agreements. There were no covenant breaches in 2019 and 2018.

In the case of a covenant breach, the facility agreement includes several ways to remedy a potential breach by rules of exemption or shareholder actions. If a covenant breach occurs and is not remedied, the syndicated loans may be, but are not required to be, withdrawn.

6. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience, and expectations regarding future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the respective actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

Estimated impairment of goodwill

NORMA Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in → NOTE 3. 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – IMPAIRMENT OF NON-FINANCIAL ASSETS'. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations are based on discounted cash flow models, which require the use of estimates. → NOTE 18. 'GOODWILL AND OTHER INTANGIBLE ASSETS'

In 2019 and 2018, no impairment of goodwill, which amounted to EUR 393,087 thousand on December 31, 2019 (Dec 31, 2018: EUR 389,505 thousand), was necessary.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgments are required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. On December 31, 2019, income tax liabilities were EUR 3,712 thousand (Dec 31, 2018: EUR 6,580 thousand) and deferred tax liabilities were EUR 69,562 thousand (Dec 31, 2018: EUR 73,099 thousand).

Pension benefits

The present value of the pension obligations depends on a number of factors determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds.

The Group determines the appropriate discount rate on the balance sheet date. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in → NOTE 3. 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – EMPLOYEE BENEFITS'.

Pension liabilities amounted to EUR 15,890 thousand on December 31, 2019 (Dec 31, 2018: EUR 12,804 thousand).

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation / amortization charges for its property, plant and equipment and intangible assets. This estimate is based on projected lifecycles. These could change as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Accounting for leases

In connection with the accounting for leases, estimation uncertainties and discretionary decisions arise, which are described in → NOTE 3. 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – LEASING ACTIVITIES OF THE GROUP AND THEIR ACCOUNTING TREATMENT (FROM JANUARY 1, 2019)'.

Business combinations

In our accounting for business combinations, judgment is required in determining whether an intangible asset is identifiable, and should be recorded separately from goodwill. Additionally, estimating the acquisition-date fair values of the identifiable assets acquired and liabilities assumed involves considerable judgment. The necessary measurements are based on information available on the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. These judgments, estimates, and assumptions can materially affect our financial position and profit for several reasons, including the following:

- Fair values assigned to assets subject to depreciation and amortization affect the amounts of depreciation and amortization to be recorded in operating profit in the periods following the acquisition.
- Subsequent negative changes in the estimated fair values ofassets may result in additional expense from impairment charges.
- Subseqeunt changes in the estimated fair values of liabilities and provisions may result in additional expense (if increasing the estimated fair value) or additional income (if decreasing the estimated value).

7. Adjustments

Certain expenses are adjusted for operational management purposes. Hence, the following results which are adjusted by these expenses, reflect the Management Board's perspective.

In fiscal year 2019, net expenses of EUR 13,431 thousand in total were adjusted within EBITDA (earnings before interest, tax, depreciation and amortisation) (2018: EUR 4,390 thousand). These relate to other operating expenses (EUR 2,920 thousand), employee benefit expenes (EUR 9,935 thousand) and material costs (EUR 213 thousand). Those are linked to the rightsizing program which was initiated in the fourth quarter 2018 for optimizing organizational structures. The adjustmends of employee benefit expenses are attributable to costs for internal project hours of permanent staff, to costs for temporarily hired employees and to severance payments made.

Furthermore, integration costs of EUR 310 thousand within other operating expenses and EUR 53 thousand within employee benefit expenses were adjusted. These are directly contributable to the acquired companies Kimplas and Statek in fiscal year 2018.

The adjustments made within EBITDA in fiscal year 2018 are related in the amount of EUR 389 thousand to costs of materials that resulted from the valuation of the inventories acquired as part of the purchase price allocation for the acquisition of Kimplas. The adjustments for acquisition-related costs within other operating expenses amounting to EUR 1,190 thousand are related to the acquisitions of Kimplas and Statek. In addition, expenses for the integration of the companies acquired in the current fiscal year amounting to EUR 426 thousand were adjusted in other operating expenses and within employee benefit expenses (EUR 152 thousand).

Furthermore, adjustments were made in connection with the rightsizing project launched in the fourth quarter of 2018 to optimize the Group's structure within employee benefit expenses in the amount of EUR 1,771 thousand, within other operating expenses in the amount of EUR 443 thousand and within costs of materials in the amount of EUR 19 thousand.

Besides the adjustments mentioned, depreciation of property, plant and equipment from purchase price allocations in the amount of EUR 3,998 thousand (2018: EUR 3,993 thousand) within EBITA (earnings before interest, taxes and amortization of intangible assets) and amortization of intangible assets in the amount of EUR 22,484 thousand (2018: EUR 21,124 thousand) from purchase price allocations within EBIT were adjusted as in past years.

Furthermore, an impairment loss of EUR 1,433 thousand in the area of capitalized customer relationships was adjusted in fiscal year 2018 within amortization of intangible assets. This related to the Chinese company Fengfan.

The theoretical taxes resulting from the adjustments are calculated using the respective tax rate of each Group entity and are taken into consideration in adjusted earnings after taxes.

The following table shows profit or loss net of these expenses:

Profit and loss net of adjustments T061

in EUR thousands	2019 unadjusted	Integration costs	Step-up effects from purchase price allocations	'Rightsizing / Footprint'	Total adjustments	2019 adjusted
Revenue	1,100,096				0	1,100,096
Changes in inventories of finished goods and work in progress	3,045				0	3,045
Other own work capitalized	4,910				0	4,910
Raw materials and consumables used	– 477,628			213	213	– 477,415
Gross profit	**630,423**	**0**	**0**	**213**	**213**	**630,636**
Other operating income and expenses	– 144,249	310		2,920	3,230	– 141,019
Employee benefits expense	– 312,376	53		9,935	9,988	– 302,388
EBITDA	**173,798**	**363**	**0**	**13,068**	**13,431**	**187,229**
Depreciation	– 45,891		3,398	63	3,461	– 42,430
EBITA	**127,907**	**363**	**3,398**	**13,131**	**16,892**	**144,799**
Amortization	– 31,225		22,484		22,484	– 8,741
Operating profit (EBIT)	**96,682**	**363**	**25,882**	**13,131**	**39,376**	**136,058**
Financial costs – net	– 15,490				0	– 15,490
Profit before income tax	**81,192**	**363**	**25,882**	**13,131**	**39,376**	**120,568**
Income taxes	– 22,743	– 80	– 6,379	– 3,525	– 9,984	– 32,727
Profit for the period	**58,449**	**283**	**19,503**	**9,606**	**29,392**	**87,841**
Non-controlling interests	27				0	27
Profit attributable to shareholders of the parent	**58,422**	**283**	**19,503**	**9,606**	**29,392**	**87,814**
Earnings per share (in EUR)	**1.83**					**2.76**

CONTINUED ON NEXT PAGE

Profit and loss net of adjustments (continued)

T061

in EUR thousands	2018 unadjusted	M&A related costs	Integration costs	Step-up effects from purchase price allocations	'Rightsizing / Footprint'	Total adjustments	2018 adjusted
Revenue	1,084,140					0	1,084,140
Changes in inventories of finished goods and work in progress	10,383					0	10,383
Other own work capitalized	5,197					0	5,197
Raw materials and consumables used	– 473,551			389	19	408	– 473,143
Gross profit	**626,169**	**0**	**0**	**389**	**19**	**408**	**626,577**
Other operating income and expenses	– 146,427	1,190	426		443	2,059	– 144,368
Employee benefits expense	– 282,768		152		1,771	1,923	– 280,845
EBITDA	**196,974**	**1,190**	**578**	**389**	**2,233**	**4,390**	**201,364**
Depreciation	– 32,175			3,993		3,993	– 28,182
EBITA	**164,799**	**1,190**	**578**	**4,382**	**2,233**	**8,383**	**173,182**
Amortization	– 31,254			22,557		22,557	– 8,697
Operating profit (EBIT)	**133,545**	**1,190**	**578**	**26,939**	**2,233**	**30,940**	**164,485**
Financial costs – net	– 11,668					0	– 11,668
Profit before income tax	**121,877**	**1,190**	**578**	**26,939**	**2,233**	**30,940**	**152,817**
Income taxes	– 30,089	– 305	– 148	– 6,903	– 572	– 7,928	– 38,017
Profit for the period	**91,788**	**885**	**430**	**20,036**	**1,661**	**23,012**	**114,800**
Non-controlling interests	– 85					0	– 85
Profit attributable to shareholders of the parent	**91,873**	**885**	**430**	**20,036**	**1,661**	**23,012**	**114,885**
Earnings per share (in EUR)	**2.88**						**3.61**

Notes to the Consolidated Statement of Comprehensive Income

8. Revenue from contracts with customers

Revenue recognized during the period related to the following:

Revenue by distribution channel T062

	EMEA		Americas		Asia-Pacific		Consolidated Group	
in EUR thousands	2019	2018	2019	2018	2019	2018	2019	2018
Engineered Joining Technology (EJT)	359,776	368,671	205,001	219,958	100,681	95,947	665,458	684,576
Distribution Services (DS)	123,052	123,112	244,679	219,219	62,439	51,510	430,170	393,841
Other revenues	3,142	3,021	1,088	2,337	238	365	4,468	5,723
	485,970	494,804	450,768	441,514	163,358	147,822	1,100,096	1,084,140

Total revenues increased by 1.5% to EUR 1,100,096 thousand compared to the previous year (2018: EUR 1,084,140 thousand). The increase is due to negative organic growth which was compensated by positive currency effects and acquisitions.

Revenue by category T063

in EUR thousands	2019	2018
Revenues from the sale of goods	1,093,903	1,077,338
Revenues from engeneering services	0	425
Revenues from other services	1,750	1,204
Other revenue	4,443	5,173
	1,100,096	1,084,140

Other revenue mainly consists of revenue from the sale of production residues in metal production.

Revenues in 2019 include income of EUR 1,758 thousand from the reversal of reimbursement liabilities recognized in the previous period. The reversals represent the difference between the expected volume discounts and annual bonuses recognized for customers in the previous period and the actual payment in the fiscal year. In 2018, EUR 2,719 thousand in revenues from construction contracts are included.

For the analysis of sales by region, please refer to → NOTE 30. 'SEGMENT REPORTING.'

Contract assets and liabilities

Contract assets represent revenues from development services rendered, which were realized based on the ratio of costs already incurred to the estimated total costs. The contract liabilities represent advance payments received for goods to be supplied by NORMA Group. Contract assets and contract liabilities in the amounts of EUR 525 thousand and EUR 420 thousand respectively (2018: EUR 1,185 thousand and EUR 453 thousand respectively) are expected to be realized or settled within the next twelve months. The contract liabilities from advance payments received in the amount of EUR 453 thousand recognized as of January 1, 2019, were recognized as sales revenues, net of any sales taxes, in the fiscal year.

Transaction price of unsatisfied performance obligations

NORMA Group applies the practical expedient of IFRS 15 and does not disclose the transaction price allocated to unsatisfied performance obligations as of the balance sheet date, as the outstanding obligations are part of a contract with an initial term of up to twelve months.

9. Raw materials and consumables used

Raw materials and consumables used comprised the following:

Raw materials and consumables used T064

in EUR thousands	2019	2018
Cost of raw materials, consumables and supplies	– 444,876	– 438,985
Cost of purchased services	– 32,752	– 34,566
	– 477,628	**– 473,551**

The raw materials and consumables used lead to a decreased ratio of 43.4% (2018: 43.7%). In relation to the total value, raw materials and consumables used are, with a ratio of 43.1%, at the same level as last year (2018: 43.1%).

10. Other operating income

Other operating income comprised the following:

Other operating income T065

in EUR thousands	2019	2018
Currency gains operational	6,092	7,567
Reversal of provisions	1,516	616
Reversal of accruals	2,491	3,258
Grants related to employee benefits expense	27	23
Reimbursement of vehicle costs	874	873
Other income from disposal of fixed assets	246	139
Foreign exchange derivatives	412	700
Government grants	606	603
Refund other taxes	147	359
Others	1,219	1,451
	13,630	**15,589**

Income from the reversal of liabilities and unused provisions is mainly due to the reversal of personnel-related obligations.

11. Other operating expenses

Other operating expenses comprised the following:

Other operating expenses T066

in EUR thousands	2019	2018
Consulting and marketing	– 18,129	– 17,136
Expenses for temporary workforce and other personnel-related costs	– 32,554	– 32,958
Freights	– 31,363	– 29,109
IT and telecommunications	– 17,326	– 15,788
Rentals and other building costs	– 5,364	– 12,528
Travel and entertainment	– 10,907	– 9,591
Currency losses operational	– 6,330	– 8,475
Research & development	– 3,099	– 3,837
Vehicle costs	– 2,856	– 4,583
Maintenance	– 3,652	– 3,504
Commission payable	– 6,150	– 6,114
Non-income-related taxes	– 3,052	– 2,574
Insurance	– 3,161	– 2,532
Office supplies and services	– 2,734	– 2,495
Other administrative expenses	– 6,949	– 5,776
Others	– 4,253	– 5,016
	– 157,879	**– 162,016**

Other operating expenses for 2019 (EUR 157,879 thousand) were 2,6% lower than other operating expenses for 2018 (EUR 162,016 thousand). This is mainly because of a decrease for rent and other property costs in conjunction with the first time adoption of IFRS 16 of EUR 9,114 thousand. Without the total effects of IFRS 16, other operating expenses would have been EUR 11,296 thousand higher and would have increased by 4.4% to EUR 169,175 thousand compared to the previous year.

In relation to the total value, other operating expenses increased disproportionately lower with a ratio of 14.2% (2018: 14.7%). Without the first time adoption effects of IFRS 16, the ratio would be above the previous year level, amounting 15.3%.

12. Employee benefits expense

Employee benefits expense comprised the following:

Employee benefits expense T067

in EUR thousands	2019	2018
Wages and salaries and other termination benefits	– 256,715	– 230,815
Social security costs	– 42,339	– 39,748
Pension costs – defined contribution plans	– 11,692	– 11,016
Pension costs – defined benefit plans	– 1,630	– 1,189
	– 312,376	**– 282,768**

In 2019, employee benefits expense amounted to EUR 312,376 thousand compared to EUR 282,768 thousand in 2018. The increase of 10.5% is mainly due to an increase in the average headcount in 2019 compared to 2018. Furthermore, expenses for the rightsizing program, started in fourth quarter 2018, were reported. The additional employee expenses summed up to EUR 9,935 thousand in 2019 (2018: EUR 1,771 thousand). Currency effects had a negative effect on employee benefits expenses. In relation to the total value, employee benefits expense increased disproportionately higher with a ratio of 28.2% (2018: 25.7%). In 2018, the ratio was positively influenced by lower additions to accruals for employee bonuses.

In 2019, the average headcount was 6,798 (2018: 6,614).

13. Financial income and costs

Financial income and costs comprised the following:

Financial income and costs T068

in EUR thousands	2019	2018
Financial costs		
Interest expenses		
Bank borrowings incl. hedging instruments	– 13,340	– 13,282
Leases (2018: finance lease)	– 1,260	– 6
Expenses for interest accrued on provisions	– 82	8
Expenses for interest accrued on pensions	– 162	– 124
Foreign exchange result on financing activities	– 212	715
Result on valuation of derivatives	– 74	– 436
Other financial cost	– 1,820	– 1,246
	– 16,950	**– 14,371**
Financial income		
Interest income on short-term bank deposits	1,007	484
Other financial income	453	2,219
	1,460	**2,703**
Net financial cost	**– 15,490**	**– 11,668**

The interest expenses from bank borrowings include in 2019 EUR 14,067 thousand from borrowings (2018: EUR 13,344 thousand) and EUR 727 thousand are related to interest income from hedging derivatives (2018: interest expenses of EUR 62 thousand).

The increase of interest expenses for leasing is attributable to the first time adoption of IFRS 16.

In fiscal year 2019, net losses from the valuation of derivatives amount to EUR 74 thousand compared to net losses in the amount of EUR 436 thousand in fiscal year 2018.

The development of losses on valuation of derivatives as well as of foreign exchange result on financing activities results from the hedging of the US dollar financial liabilities and from the development of the US dollar compared to the prior year. The hedging relationship is classified as a fair value hedge, hence the valuation effects of the derivatives and of the financial liabilities are both reflected in the financial result. The net effect is disclosed in → NOTE 14. 'NET FOREIGN EXCHANGE GAINS / LOSSES.'

Other financial income mainly includes income from the adjustment of the liability from the option to acquire the outstanding non-controlling interests of a subsidiary. → NOTE 21.(E) 'FINANCIAL LIABILITIES AND NET DEBT'

Transaction costs in connection with financing are netted with the bank borrowings. They are amortized over the financing period of the respective debt using the effective interest method. As of December 31, 2019, the value of transaction costs recognized in the balance sheet and amortized over the maturities of the bank borrowings amounted to EUR 1,129 thousand (2018: EUR 810 thousand).

14. Net foreign exchange gains / losses

The exchange differences recognized in profit or loss are as follows:

Net foreign exchange gains / losses T069

in EUR thousands	Note	2019	2018
Currency gains operational	(10)	6,092	7,567
Currency losses operational	(11)	– 6,330	– 8,475
Foreign exchange result on financing activities	(13)	– 212	715
Result from foreign exchange rate derivatives	(10, 13, 21)	– 72	– 343
		– 522	– 536

15. Earnings per share

Earnings per share are calculated by dividing net income for the period attributable to NORMA Group's shareholders by the weighted average number of shares issued during the period under review. NORMA Group has only issued common shares. In 2019, as in the previous year, the average weighted number of shares was 31,862,400 (2018: 31,862,400).

As of December 31, 2019, and 2018, there were no dilutive effects on earnings per share.

Earnings per share in 2019 and 2018 were as follows:

Earnings per share T070

	2019	2018
Profit attributable to shareholders of the parent (in EUR thousands)	58,422	91,873
Number of weighted shares	31,862,400	31,862,400
Earnings per share (un)diluted (in EUR)	**1.83**	**2.88**

16. Income taxes

The breakdown of income taxes is as follows:

Income taxes T071

in EUR thousands	2019	2018
Current tax expenses	– 27,936	– 34,629
Deferred tax income	5,193	4,540
Total income taxes	**– 22,743**	**– 30,089**

The combined income tax rate for the German companies for 2019 amounted to 30.1% (2018: 30.1%), comprising corporate income tax at a rate of 15%, the solidarity surcharge of 5.5% on corporate income tax, and trade income tax at an average rate of 14.2%. The taxation of the foreign subsidiaries is calculated on the basis of the tax rate applicable in the respective country of domicile. Deferred taxes, calculated using the tax rates which apply respectively, are expected to apply in the various countries at the time of realization.

The income tax expense of the Group actually reported differs from the theoretical income tax expense based on the German combined income tax rate of 30.1% for 2019 as follows:

Tax reconciliation T072

in EUR thousands	2019	2018
Profit before tax	**81,192**	121,877
Group tax rate	30.1%	30.1%
Expected income taxes	– 24,439	– 36,685
Tax effects of:		
Tax losses and tax credits from the actual year for which no deferred income tax is recognized	– 674	– 861
Effects from the deviation of the Group tax rate resulting mainly from different foreign tax rates	5,658	9,203
Non-deductible expenses for tax purposes	– 2,773	– 1,692
Other tax-free income	432	1,088
Tax effect of changes in tax rates regarding deferred taxes	– 150	– 260
Income taxes related to prior years	557	158
Impairment of tax assets	– 21	– 9
Other	– 1.333	– 1,031
Income taxes	**– 22,743**	**– 30,089**

The item 'Other' consists mainly of other income-based taxes (e. g. withholding tax) in 2019 and 2018.

The income tax charged / credited directly to other comprehensive income during the year is as follows:

Income tax charged / credited to other comprehensive income T073

2019

in EUR thousands	Before tax amount	Tax charge / credit	Net of tax amount
Cash flow hedges gains / losses	– 2,363	680	– 1,683
Remeasurements of post-employment benefit obligations	– 2,066	547	– 1,519
Other comprehensive income	**– 4,429**	**1,227**	**– 3,202**

2018

in EUR thousands	Before tax amount	Tax charge / credit	Net of tax amount
Cash flow hedges gains / losses	948	– 267	681
Remeasurements of post-employment benefit obligations	– 265	51	– 214
Other comprehensive income	**683**	**– 216**	**467**

Notes to the Consolidated Statement of Financial Position

17. Deferred income tax

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

Deferred tax assets and deferred tax liabilities (gross) T074

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	9,516	8,105
Deferred tax assets to be recovered within 12 months	7,785	7,274
Deferred tax assets	**17,301**	**15,379**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	75,038	77,276
Deferred tax liabilities to be recovered within 12 months	2,450	4,631
Deferred tax liabilities	**77,488**	**81,907**

The movement in deferred income tax assets and liabilities during the year is as follows:

Movement in deferred tax assets and liabilities T075

in EUR thousands	2019	2018
Deferred tax liabilities (net) – as of January 1	**66,528**	**55,698**
Deferred tax income	– 5,193	– 4,540
Tax charged to other comprehensive income	– 1,227	216
Foreign exchange rate differences	705	1,123
First time adoption of IFRS 16	– 626	0
Acquisition of subsidiaries	0	14,031
Deferred tax liabilities (net) – as of December 31	**60,187**	**66,528**

The analysis of deferred income tax assets and deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets T076

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Intangible assets	4,146	2,556
Property, plant and equipment	585	692
Other assets	1,005	806
Inventories	2,560	1,812
Trade receivables	909	1,291
Retirement benefit obligations / pension liabilities	2,937	2,205
Provisions	490	491
Borrowings	176	1,347
Other liabilities, incl. derivatives	2,656	2,505
Trade and other payables	651	559
Tax loss carry forward and tax credits	3,430	2,962
Deferred tax assets (before valuation allowances)	**19,546**	**17,226**
Valuation allowance	– 2,245	– 1,847
Deferred tax assets (before offsetting)	**17,301**	**15,379**
Offsetting effects	– 7,926	– 8,808
Deferred tax assets	**9,375**	**6,571**

Deferred income tax liabilities T077

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Intangible assets	57,406	60,287
Property, plant and equipment	15,171	14,703
Other assets	1,603	3,801
Inventories	162	179
Trade receivables	198	325
Retirement benefit obligations / pension liabilities	6	0
Borrowings	200	6
Provisions	90	255
Other liabilities, incl. derivatives	394	30
Trade and other payables	3	41
Untaxed reserves	2,254	2,280
Deferred tax liabilities (before offsetting)	**77,488**	**81,907**
Offsetting effects	– 7,926	– 8,808
Deferred tax liabilities	**69,562**	**73,099**
Deferred tax liabilities (net)	**60,187**	**66,528**

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. As of December 31, 2019, and also in the previous year, deferred tax assets were recognized for all deductible temporary differences because sufficient taxable income will most likely be available to utilize these deductible temporary differences.

In 2019 and prior years, the Group had tax losses at several subsidiaries in several countries.

Deferred income tax assets are recognized for tax loss carry forwards as far as it is expected that the deferred tax assets will be utilized in the foreseeable future.

Deferred income tax assets for unused tax losses and unused tax credits developed as follows:

Expiry of recognized tax losses T078

in EUR thousands	Dec 31, 2019	Dec 31, 2018
up to 1 year	35	2,505
> 1 year up to 5 years	1,623	450
> 5 years	1,698	1,671
Unlimited carry forward	7,828	4,643
Total	**11,184**	**9,269**

The Group did not recognize deferred income tax assets in respect of tax loss carry forwards amounting to EUR 6,516 thousand on December 31, 2019 (Dec 31, 2018: EUR 6,189 thousand).

The expiration of tax loss carry forwards not recognized for tax purposes is as follows:

Expiry of not recognized tax losses T079

in EUR thousands	Dec 31, 2019	Dec 31, 2018
up to 1 year	0	1,546
> 1 year up to 5 years	0	0
> 5 years	0	0
Unlimited carry forward	6,516	4,643
Total	**6,516**	**6,189**

Regarding taxable temporary differences amounting to EUR 419,395 thousand on December 31, 2019 (Dec 31, 2018: EUR 365,100 thousand), associated with investments in subsidiaries, no deferred tax liabilities are recognized since the respective parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

18. Goodwill and other intangible assets

The acquisition costs as well as accumulated amortization and impairment of intangible assets consist of the following:

Development of goodwill and other intangible assets T080

in EUR thousands	As of Jan 1, 2019	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2019
Acquisition costs							
Goodwill	423,918	0	0	0	0	4,078	427,996
Customer lists	272,509	0	0	0	0	4,654	277,163
Licenses, rights	1,920	40	– 24	– 26	0	8	1,918
Software acquired externally	43,281	822	– 146	400	0	282	44,639
Trademarks	55,859	0	0	0	0	1,000	56,859
Patents & technology	70,395	816	0	0	0	590	71,801
Internally generated intangible assets	23,113	6,692	– 188	247	0	296	30,160
Intangible assets, other	8,551	853	– 26	– 621	0	– 41	8,716
Total	**899,546**	**9,223**	**– 384**	**0**	**0**	**10,867**	919,252
Amortization and impairment							
Goodwill	34,413	0	0	0	0	496	34,909
Customer lists	87,645	16,768	0	0	0	1,776	106,189
Licenses, rights	1,771	26	– 24	– 33	0	7	1,747
Software acquired externally	35,539	3,650	– 144	182	0	164	39,391
Trademarks	12,889	1,552	0	0	0	236	14,677
Patents & technology	35,899	4,895	0	0	0	500	41,294
Internally generated intangible assets	11,528	4,334	– 188	247	0	207	16,128
Intangible assets, other	6,963	0	– 26	– 396	0	– 118	6,423
Total	**226,647**	**31,225**	**– 382**	**0**	**0**	**3,268**	**260,758**

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Development of goodwill and other intangible assets (continued) T080

in EUR thousands	As of Jan 1, 2018	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2018
Acquisition costs							
Goodwill	389,962	0	0	0	23,822	10,134	423,918
Customer lists	243,447	0	0	0	20,228	8,834	272,509
Licenses, rights	1,900	7	0	5	0	8	1,920
Software acquired externally	41,056	1,576	– 44	171	244	278	43,281
Trademarks	51,667	0	0	0	1,865	2,327	55,859
Patents & technology	49,541	669	0	0	18,782	1,403	70,395
Internally generated intangible assets	16,948	5,758	0	16	0	391	23,113
Intangible assets, other	7,788	1,010	0	– 121	0	– 126	8,551
Total	**802,309**	**9,020**	**– 44**	**71**	**64,941**	**23,249**	**899,546**
Amortization and impairment							
Goodwill	33,245	0	0	0	0	1,168	34,413
Customer lists	67,753	17,500	0	0	0	2,392	87,645
Licenses, rights	1,711	50	0	0	0	10	1,771
Software acquired externally	30,864	4,444	– 38	0	0	269	35,539
Trademarks	10,941	1,430	0	0	0	518	12,889
Patents & technology	30,715	4,021	0	0	0	1,163	35,899
Internally generated intangible assets	7,625	3,729	– 3	0	0	177	11,528
Intangible assets, other	7,009	80	0	0	0	– 126	6,963
Total	**189,863**	**31,254**	**– 41**	**0**	**0**	**5,571**	**226,647**

Goodwill and other intangible assets – carrying amounts T081

in EUR thousands	Carrying amounts Dec 31, 2019	Dec 31, 2018
Goodwill	393,087	389,505
Customer lists	170,974	184,864
Licenses, rights	171	149
Software acquired externally	5,248	7,742
Trademarks	42,182	42,970
Patents & technology	30,507	34,496
Internally generated intangible assets	14,032	11,585
Intangible assets, other	2,293	1,588
Total	**658,494**	**672,899**

The item 'patents and technology' on December 31, 2019, consists of patents worth EUR 8,494 thousand (Dec 31, 2018: EUR 9,797 thousand) and technology worth EUR 22,013 thousand (Dec 31, 2018: EUR 24,699 thousand).

Internally generated intangible assets include development costs for technologies in the amount of EUR 9,071 thousand (Dec 31, 2018: EUR 8,078 thousand) as well as internally generated software in the amount of EUR 4,960 thousand (Dec 31, 2018: EUR 3,507 thousand).

The item 'Intangible assets, other' consists mainly of prepayments.

Significant individual intangible assets T082

in EUR thousands	Carrying amounts Dec 31, 2019	Dec 31, 2018	Remaining Useful Life (in years)
NDS – Customer lists	109,801	114,994	15

The change in goodwill, customer lists and patents & technology results from positive foreign exchange differences, mainly from the US dollar area.

The change in goodwill is summarized as follows:

Change in goodwill T083

in EUR thousands	
Balance as of December 31, 2018	**389,505**
Currency effect	3,582
Balance as of December 31, 2019	**393,087**

Besides the goodwill, there are intangible assets within trademarks with an indefinite useful life in the amount of EUR 28,396 thousand (2018: EUR 27,860 thousand) resulting from the acquisition of NDS in 2014. From a market perspective, NORMA Group assumed an indefinite useful life for these acquired trademarks, which mainly include the corporate brand NDS®, because these brands have been established in the market for a number of years and there is no foreseeable end to their useful life, therefore useful lives are indefinite. Trademarks with indefinite useful lives are fully allocated to the cash-generating unit (CGU) Americas.

Trademarks with an unknown term of use are subjected to an annual impairment test pursuant to IAS 36 on the basis of the recoverable amount pursuant to the procedure described in → NOTE 3. 'SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – IMPAIRMENT OF NON-FINANCIAL ASSETS.'

On December 31, 2019, and 2018, the intangible assets were unsecured.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to geographical areas. A summary of the goodwill allocation is presented below:

Goodwill allocation per segment T084

in EUR thousands	Dec 31, 2019	Dec 31, 2018
CGU EMEA	178,484	178,540
CGU Americas	180,030	176,500
CGU Asia-Pacific	34,573	34,465
	393,087	**389,505**

Goodwill for the CGU Americas increased in 2019 mainly due to currency effects.

The recoverable amount of a CGU is determined based on fair value less costs to sell, which is calculated by discounting projected cash flows. Based on the inputs used for this valuation technique, fair values are classified as level 3 fair values. → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – FAIR VALUE ESTIMATION' These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed our expectations for the long-term average growth rate for the geographical area of the respective CGU.

The discount rates used are after tax rates and reflect the specific risk of each CGU. The respective before tax rates are 11.71% (2018: 10.61%) for the CGU EMEA, 9.82 % (2018: 8.86%) for the CGU Americas and 11.88% (2018: 10.74%) for the CGU Asia-Pacific.

The key assumptions used for fair value less costs to sell calculations are as follows:

Goodwill per segment – key assumptions T085

December 31, 2019	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.00%	1.00%	1.00%
Discount rate	9.19%	8.14%	9.28%
Costs to sell	1.00%	1.00%	1.00%
December 31, 2018	**CGU EMEA**	**CGU Americas**	**CGU Asia-Pacific**
Terminal value growth rate	1.50%	1.50%	1.50%
Discount rate	8.40%	7.15%	8.44%
Costs to sell	1.00%	1.00%	1.00%

The assumptions are based on management's expectations regarding future developments.

A sensitivity analysis for the individual CGUs takes into account any changes in the key assumptions that are considered possible. The sensitivity analysis was performed in isolation for all significant influencing factors, i.e. a change in the fair value of a cash-generating unit is only caused by a reduction or increase in the respective influencing factor.

Impairment losses on other intangible assets

No significant impairment losses or reversals of impairment losses were recognised for intangible assets in fiscal year 2019.

19. Property, plant and equipment

The acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consist of the following:

Development of property, plant and equipment

T086

in EUR thousands	As of Dec 31, 2018	adjustments from changes in accounting policies (Note 2, basis of preparation)	As of Jan 1, 2019 (adjusted)	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2019
Acquisition costs									
Land and buildings	120,700	– 5,452	115,248	1,391	– 29	776		569	117,955
Machinery & tools	343,606		343,606	16,346	– 3,342	21,138		2,794	380,542
Other equipment	69,628		69,628	2,945	– 2,693	1,683		321	71,884
Assets under construction	36,716		36,716	24,938	– 72	– 23,597		317	38,302
Right of Use Assets									
Land and buildings	0	61,497	61,497	11,907	– 3,956			412	69,860
Machinery & tools	0	206	206	133	0				339
Forklifts and warehouse	0	2,949	2,949	408	– 299			11	3,069
Office and IT equipment	0	458	458	57	0			5	520
Company cars	0	3,321	3,321	1,465	– 388			26	4,424
Total	**570,650**	**62,979**	**633,629**	**59,590**	**– 10,779**	**0**	**0**	**4,455**	**686,895**
Depreciation and impairment									
Land and buildings	54,132	– 182	53,950	3,290	– 28			161	57,373
Machinery & tools	219,781		219,781	26,522	– 2,887			1,312	244,728
Other equipment	53,378		53,378	5,643	– 2,602			214	56,633
Assets under construction	33		33	0	– 7			– 7	19
Right of Use Assets									
Land and buildings	0	28,449	28,449	8,297	– 3,639			– 81	33,026
Machinery & tools	0	24	24	68	0			0	92
Forklifts and warehouse	0	1,258	1,258	656	– 274			0	1,640
Office and IT equipment	0	167	167	121	0			– 1	287
Company cars	0	1,283	1,283	1,294	– 333			10	2,254
Total	**327,324**	**30,999**	**358,323**	**45,891**	**– 9,770**	**0**	**0**	**1,608**	**396,052**

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Development of property, plant and equipment (continued) T086

in EUR thousands	As of Jan 1, 2018	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2018
Acquisition costs							
Land and buildings	111,560	2,332	– 312	1,912	5,112	96	120,700
Machinery & tools	302,020	15,459	– 1,367	17,059	8,121	2,314	343,606
Other equipment	65,565	2,998	– 1,205	1,171	1,030	69	69,628
Assets under construction	22,021	33,446	– 242	– 20,213	1,309	395	36,716
Total	**501,166**	**54,235**	**– 3,126**	**– 71**	**15,572**	**2,874**	**570,650**
Depreciation and impairment							
Land and buildings	51,181	3,098	– 53	0	0	– 94	54,132
Machinery & tools	196,162	23,365	– 951	0	0	1,205	219,781
Other equipment	48,641	5,708	– 959	0	0	– 12	53,378
Assets under construction	29	4	0	0	0	0	33
Total	**296,013**	**32,175**	**– 1,963**	**0**	**0**	**1,099**	**327,324**

Property, plant and equipment – carrying amounts T087

in EUR thousands	Carrying amounts Dec 31, 2019	Dec 31, 2018
Land and buildings	60,582	66,568
Machinery & tools	135,814	123,825
Other equipment	15,251	16,250
Assets under construction	38,283	36,683
Total	**249,930**	**243,326**

On December 31, 2019, the item ‘Machinery and tools’ included tools valued at EUR 30,688 thousand (Dec 31, 2018: EUR 28,166 thousand).

No material impairment and no material write-ups were recognized on property, plant and equipment in 2019 and 2018.

On December 31, 2019, and 2018, property, plant and equipment were unsecured.

20. Leases

The following disclosures contain information about NORMA Group’s leases following the first-time adoption of IFRS 16 in fiscal year 2019.

(i) Amounts recognized in the Consolidated Statement of Financial Position

The following items related to leases are shown in the Consolidated Statement of Financial Position:

Right of use assets – carrying amounts T088

in EUR thousands	Carrying amounts Dec 31, 2019
Land and buildings	36,834
Machinery & tools	247
Forklifts and warehouse	1,429
Office and IT equipment	233
Company cars	2,170
Total	**40,913**

Carrying amounts as of January 1, 2019 (moment of first time adoption) are shown under → NOTE 2 ‘BASIS OF PREPARATION’.

The maturities of the nominal values and the carrying amounts of the lease liabilities as of December 31, 2019, are as follows:

Maturity of lease liabilities Dec 31, 2019 T089

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 5 years
Lease liabilities – Nominal value	11,369	26,366	16,983
Lease liabilities – Carrying amount	8,427	17,790	12,378

(ii) Amounts recognised in the income statement

The following amounts relating to leases are recognised in the income statement:

Leases in the statement of profit or loss T090

in TEUR	2019
Depreciation charge of right-of-use assets	**10,436**
Land and buildings	8,297
Machineries and technical equipments	68
Forklifts and warehouse equipments	656
Office and IT equipments	121
Company cars	1,294
Finance costs	**– 1,256**
Interest expenses	– 1,260
Currency gains / -losses	4
Other operating expenses	**4,463**
Expenses relating to short-term leases for which no RoU asset was recorded	3,614
Expenses relating to leases of low-value assets that are not shown above as short-term leases	849
Expenses relating to variable lease payments that were not included in the measurement of the lease liability	0

(iii) Amounts recognised in the cash flow statement

EUR 15,781 thousand in total are recognised as cash outflows in the cash flow statement because of right-of-use assets. Of this, EUR 11,318 thousand were recognised under cash flows from financing activities and EUR 4,463 thousand were recognised under cash flows from operating activities.

21. Financial instruments

The following disclosures provide an overview of the financial instruments held by the Group, detailed information about each type of financial instrument held and information about the accounting policies used.

Financial instruments according to classes and categories were as follows:

Financial instruments – classes and categories

T091

in EUR thousands	Note	Category IFRS 7.8 according to IFRS 9	**Carrying amount Dec 31, 2019**	Measurement basis IFRS 9: Amortized cost	Measurement basis IFRS 9: Fair value through profit or loss	Measurement basis IFRS 9: Derivatives used for hedging	Measure-ment basis IFRS 16	**Fair value Dec 31, 2019**
Financial assets								
Derivative financial instruments – hedge accounting	21. (f)							
Interest rate swaps – cash flow hedges		n/a	435			435		435
Foreign exchange derivatives – fair value hedges		n/a	15			15		15
Trade and other receivables	21. (a)	Amortized Cost	140,258	140,258				140,258
Trade receivable – ABS / Factoring program (mandatorily measured at FVTPL)	21. (b)	FVTPL	22,128		22,128			22,128
Other financial assets	21. (d)	Amortized Cost	4,792	4,792				4,792
Cash and cash equivalents	21. (c)	Amortized Cost	179,721	179,721				179,721
Financial liabilities								
Borrowings	21. (e)	FLAC	541,898	541,898				556,309
Derivative financial instruments – hedge accounting	**21. (f)**							
Interest rate swaps – cash flow hedges		n/a	911			911		911
Foreign exchange derivatives – fair value hedges		n/a	2			2		2
Trade and other payables	21. (e)	FLAC	143,119	143,119				143,119
Finance lease liabilities	20	n/a	38,595				38,595	n/a
Other liabilities	21. (e)	FLAC	19,126	19,126				19,126
Totals per category								
Financial assets at amortized cost			324,771	324,771				324,771
Financial assets at fair value through profit or loss (FVTPL)			22,128		22,128			22,128
Financial liabilities at amortized cost (FLAC)			704,143	704,143				718,554

CONTINUE ON NEXT PAGE

Financial instruments – classes and categories (continued)

T091

				Measurement basis IFRS 9				
in EUR thousands	Note	Category IFRS 7.8 according to IFRS 9	**Carrying amount Dec 31, 2018**	Amortized cost	Fair value through profit or loss	Derivatives used for hedging	Measure-ment basis IAS 17	**Fair value Dec 31, 2018**
Financial assets								
Derivative financial instruments – hedge accounting	21. (f)							
Interest rate swaps – cash flow hedges		n/a	2,571			2,571		2,571
Foreign exchange derivatives – cash flow hedges		n/a	151			151		151
Foreign exchange derivatives – fair value hedges		n/a	42			42		42
Trade and other receivables	21. (a)	Amortized Cost	128,485	128,485				128,485
Trade receivable – ABS / Factoring program (mandatorily measured at FVTPL)	21. (b)	FVTPL	14,653		14,653			14,653
Other financial assets	21. (d)	Amortized Cost	5,231	5,231				5,231
Cash and cash equivalents	21. (c)	Amortized Cost	190,392	190,392				190,392
Financial liabilities								
Borrowings	21. (e)	FLAC	569,091	569,091				582,624
Derivative financial instruments – hedge accounting	21. (f)							
Interest rate swaps – cash flow hedges		n/a	675			675		675
Foreign exchange derivatives – cash flow hedges		n/a	45			45		45
Foreign exchange derivatives – fair value hedges		n/a	38			38		38
Trade and other payables	21. (e)	FLAC	142,028	142,028				142,028
Other financial liabilities	21. (e)							
Other liabilities		FLAC	20,826	20,826				20,826
Finance lease liabilities		n/a	32				32	32
Totals per category								
Financial assets at amortized cost			324,108	324,108				324,108
Financial assets at fair value through profit or loss (FVTPL)			14,653		14,653			14,653
Financial liabilities at amortized cost (FLAC)			731,945	731,945				745,478

21. (a) Trade and other receivables

Trade and other receivables were as follows:

Trade and other receivables T092

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Trade receivables	153,521	135,771
Other receivables	8,865	7,367
	162,386	**143,138**

Other receivables mainly include banker's acceptance bills for trade receivables for customers in China. These financial assets are generally required to collect contractual cash flows and are allocated to the "hold" business model accordingly and are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less any impairment losses.

On the balance sheet date, trade receivables were as follows:

Trade receivables T093

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Trade receivables	155,158	137,425
Less allowances for doubtful accounts	– 1,637	– 1,654
	153,521	**135,771**

i. Classification as trade receivables

Trade receivables are amounts payable by customers for goods sold or services rendered in the ordinary course of business. If the receivables are expected to be settled within twelve months, they are classified as current assets. If this is exceptionally not the case, they are reported as non-current assets. Trade receivables are classified in accordance with IFRS 9. They are generally required to collect the contractual cash flows and are allocated to the "hold" business model accordingly. They are recognized initially at the amount of the unconditional consideration and are subsequently carried at amortized cost using the effective interest method less any impairment losses. If trade receivables contain a significant financing component, they are initially recognized at fair value.

ii. Impairment and write-offs of trade receivables

For trade receivables, the simplified approach, which is based on the expected credit losses over the respective terms, is used. Loss rates calculated on the basis of historical and forecast data are used, taking into account the business model, the respective customer and the economic environment of the geographical region.

For this purpose, NORMA Group considers in particular the credit default swaps of the respective client's home countries as well as industry-specific default probabilities derived from external sources. In addition, loss rates from customer-specific credit default swaps (CDS) are used, if available.

On this basis, the allowance for trade receivables and contract assets as of December 31, 2019 was determined as follows:

Credit risk exposure trade receivables T094

As of December 31, 2019

in EUR thousands	Credit loss rate < 1%	Credit loss rate ≥ 1% ≤ 2.5%	Credit loss rate > 2.5%	Total
Trade receivables – before allowances	78,072	48,907	6,051	133,030
ECL allowance	704	723	210	1,637
Trade receivables – after allowances	77,368	48,184	5,841	131,393

As of December 31, 2018

in EUR thousands	Credit loss rate < 1%	Credit loss rate ≥ 1% ≤ 2.5%	Credit loss rate > 2.5%	Total
Trade receivables – before allowances	66,895	47,694	8,183	122,772
ECL allowance	488	892	274	1,654
Trade receivables – after allowances	66,407	46,802	7,909	121,118

The impairment losses on trade receivables developed as follows from the opening balance sheet value as of January 1, 2019, to the closing balance sheet value as of December 31, 2019:

Impairment reconciliation T095

in EUR thousands	Impairments on trade receivables
Impairment allowance as of Jan 1, 2019 – based on IFRS 9	**1,654**
Additions	1,293
Reversals	– 1,240
Consumption	– 89
Translation effect	19
Impairment allowance as of Dec 31, 2019	**1,637**

Impairment losses on trade receivables, together with those on contract assets, are recognized in operating profit as net impairment losses. Unused amounts reversed are included in the same line item. The net expenses recognized in fiscal year 2019 from these impairment losses amounted to EUR 53 thousand (2018: 62 thousand).

Receivables with significant arrears, which may be more than 180 days due to the customer structure, or those for which insolvency or similar proceedings have been initiated, are individually tested for impairment. If, on the basis of an appropriate assessment, it cannot be assumed that these can be realized, they are written off directly. In the fiscal year, the following losses resulted from the write-off of trade receivables:

Gains / losses arising from derecognition IFRS 7.20A T096

in EUR thousands	2019	2018	Reasons for derecognition
Gains arising from derecognition	0	0	
Losses arising from derecognition	893	507	Write-off (IFRS 9.5.4.4)

Losses on the disposal of trade receivables through write-offs are recognized in operating profit as impairment losses, net. Unused amounts reversed are included in the same line item.

iii. Fair value of trade receivables

Trade receivables have short-term maturities, therefore the carrying amounts on the balance sheet date correspond to their fair values, as the effects of discounting are not material.

21. (b) Trade receivables transferred or available for transfer

i. Transferred trade receivables

Subsidiaries of NORMA Group in the EMEA and Americas segments transfer trade receivables to external purchasers as part of factoring and ABS transactions. The details and effects of the respective programs are presented below.

a) Factoring transactions

In the factoring agreement concluded in 2017, that has a maximum volume of receivables of EUR 18 million, NORMA Group subsidiaries in Germany and Poland sell trade receivables directly to external purchasers. As part of this factoring program, receivables of EUR 6.4 million were sold as of December 31, 2019, (Dec 31, 2018: EUR 8.6 million) whereof EUR 0.6 million (Dec 31, 2018: EUR 0.0 million) are purchase price retention that are maintained as a cintingency reserve and not paid out, but recognized as other financial asset.

The requirements for a receivables transfer were met in accordance with IFRS 9.3.2.1 since the receivables were transferred in accordance with IFRS 9.3.2.4 a). Verification in accordance with IFRS 9.3.2.6 shows that nearly all opportunities and risks were neither transferred nor retained. It follows in accordance with IFRS 9.3.2.16 that NORMA Group recognizes remaining continuing involvement.

NORMA Group is continuing to perform receivables management (servicing) for the receivables sold.

Although NORMA Group is only entitled to act as a servicer, the Company retains the right to dispose of the sold receivables, as purchasers do not have the right to resell the receivables acquired.

NORMA Group is continuing to recognize the sold trade receivable to the extent of its continuing involvement, i. e., at the maximum amount to which it continues to be liable for the late payment risk inherent in the receivables sold. Hence, NORMA Group is recognizing a corresponding financial liability.

The remaining continuing involvement in the amount of EUR 59 thousand (Dec 31, 2018: EUR 79 thousand) was recognized as a financial liability and considers the maximum potential loss for NORMA Group resulting from the late payment risk of receivables sold as of the reporting date. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 5 thousand (Dec 31, 2018: EUR 7 thousand) , taken through profit or loss and recognized under other liabilities.

In 2018, NORMA established a further factoring program. Under the factoring agreement concluded in December 2018 with a maximum receivables volume of USD 16 million, a subsidiary of NORMA Group in the US sells trade receivables directly to external purchasers. As part of this factoring program, receivables amounting to EUR 11.8 million were sold as of December 31, 2019 (Dec 31, 2018: EUR 15.4 million). Of this amount, EUR 2.4 million (Dec 31, 2018: EUR 3.2 million) were treated as purchase price retentions and not paid out, but rather held as security reserves and recognized as other financial assets.

The requirements for the derecognition of receivables in accordance with IFRS 9.3.2.1 are met, as the receivables are transferred in accordance with IFRS 9.3.2.4 a). The examination of IFRS 9.3.2.6 shows that essentially all opportunities and risks have been transferred.

NORMA Group continues to service the receivables sold.

Although NORMA Group is not entitled to dispose of the receivables sold in any other way than within the framework of receivables management, the Company retains control over the receivables sold as the buyers do not have the actual ability to resell the acquired receivables.

b) ABS transactions

In 2014, NORMA Group entered into a revolving asset purchase agreement (Receivables Purchase Agreement) with Weinberg Capital Ltd. (special purpose entity). Within the agreed structure, NORMA Group sold trade receivables in the context of an ABS transaction which was successfully initiated in December 2014. Receivables are sold by NORMA Group to a special purpose entity.

As of December 31, 2019, domestic NORMA Group entities had sold receivables in an amount of EUR 14.0 million (Dec 31, 2018: EUR 15.2 million) under this asset-backed securities (ABS) program with a maximum volume of EUR 25 million. From the receivables sold, EUR 0.6 million (Dec 31, 2018: EUR 0.6 million) were retained as loss reserves and not paid out. These assets were recognized as other financial assets. The basis for this transaction is the transfer of trade receivables of individual NORMA Group subsidiaries to a special purpose entity with a framework of undisclosed assignment. This special purpose entity (SPE) is not consolidated under IFRS 10 because neither the power over the SPE is attributable to NORMA Group nor does NORMA Group have an essential self-interest and no connection between power and variability of the returns of the special purpose entity exists.

The requirements for a receivables transfer according to IFRS 9.3.2.1 are met, since the receivables are transferred according to IFRS 9.3.2.4 a). Verification in accordance with IFRS 9.3.2.6 shows that a substantial share of all risks and rewards were neither transferred nor retained. Therefore, according to IFRS 9.3.2.16, NORMA Group's continuing involvement must be recognized.

This continuing involvement in the amount of EUR 251 thousand (Dec 31, 2018: EUR 272 thousand) includes the maximum amount that NORMA Group could conceivably have to pay back under the default guarantee and the expected interest payments until the payment is received for the carrying amount of the receivables transferred. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 205 thousand (Dec 31, 2018: EUR 215 thousand), taken through profit or loss and recognized under other liabilities.

NORMA Group entered into another agreement with Weinberg Capital Ltd. (program special purpose entity) in fiscal year 2018 by concluding a further revolving receivables purchase agreement on the sale of trade receivables. The agreed structure provides for the sale of trade receivables of NORMA Group as part of an ABS transaction and was successfully initiated in December 2018. The receivables are sold to a special purpose entity by NORMA Group.

As part of this ABS program with a volume of up to USD 30 million, US American Group companies of NORMA Group sold receivables amounting to EUR 19.5 million as of December 31, 2019 (Dec 31, 2018: EUR 22.0 million), of which EUR 0.8 million (Dec 31, 2018: EUR 0.9 million) were not paid out as purchase price retentions, but rather held as security reserves and recognized as other financial assets. The basis for the transaction is the assignment of trade receivables of individual NORMA Group companies to a program special purpose entity as part of a silent assignment. According to IFRS 10, this program special purpose entity is not to be consolidated, as NORMA Group is not assigned any decision-making power, nor is there any material self-interest or link between decision-making power and the variability of returns from the program special purpose entity.

The requirements for derecognition of receivables in accordance with IFRS 9.3.2.1 are met, as the receivables are transferred in accordance with IFRS 9.3.2.4 a). The audit of IFRS 9.3.2.6 shows that almost all opportunities and risks have neither been transferred nor retained. In accordance with IFRS 9.3.2.16, NORMA Group must therefore recognize the remaining continuing involvement.

A continuing involvement of EUR 619 thousand (Dec 31, 2018: EUR 813 thousand) was recognized as other financial liability and comprises the maximum amount that NORMA Group might have to repay under the assumed default guarantee and the expected interest payments until receipt of payment in respect of the carrying amount of the receivables transferred. The fair value of the guarantee or of the interest payments to be assumed was included in the carrying amount and recognized as other liabilities in the amount of EUR 227 thousand (Dec 31, 2018: EUR 287 thousand).

ii. Trade receivables available for transfer

In the opinion of the Group, trade receivables included in these programs but not yet disposed of at the end of the reporting period cannot be allocated to either the "hold" or the "hold and sell" business models. They are therefore included in the fair value through profit and loss (FVTPL) category.

21. (c) Cash and cash equivalents

Cash and cash equivalents are measured at their nominal value and include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and which are subject only to insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

21. (d) Other financial assets

Other financial asstes were as follows:

Other financial assets T097

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Receivables from ABS program	1,426	1,521
Receivables from factoring	3,010	3,204
Other assets	356	506
	4,792	**5,231**

Receivables from the ABS program and from factoring include reserves for the trade receivables sold. → NOTE 21. (B) 'TRADE RECEIVABLES TRANSFERRED OR AVAILABLE FOR TRANSFER'

Other financial assets are generally required to collect the contractual cash flows and are accordingly allocated to the "hold" business model. They are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less impairment.

21. (e) Financial liabilities and net debt

i. Trade and other liabilities

Trade and other payables are as follows:

Trade and other payables T098

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Trade payables and other payables	109,385	109,193
Reverse factoring liabilities	21,335	19,200
Refund liabilities	12,399	13,635
	143,119	**142,028**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NORMA Group participates in a reverse factoring program. The liabilities included in this program are reported under trade payables and similar liabilities, as this corresponds to the economic content of the transactions.

All trade payables and liabilities from reverse factoring programs are due to third parties within one year. As a result, these have short-term maturities, therefore the carrying amounts on the balance sheet date correspond to their fair values, as the effects of discounting are not material.

Refund liabilities

Reimbursement liabilities are recognized for volume discounts and similar bonus agreements payable to customers. These arise from retrospective volume rebates or similar agreements that are based on total sales or on a specific product sale of a 12-month or shorter period. Refund liabilities are recognized for discounts expected to be payable to the customer for sales completed by the end of the reporting period. For further details, please refer to → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES.'

All reimbursement liabilities are due to third parties within one year. The carrying amounts on the balance sheet date therefore correspond to their fair values, as the effects of discounting are not material.

ii. Bank borrowings

The borrowings were as follows:

Borrowings T099

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Non-current		
Bank borrowings	495,927	455,759
	495,927	**455,759**
Current		
Bank borrowings	45,971	113,332
	45,971	**113,332**
Total borrowings	**541,898**	**569,091**

Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The maturity of the syndicated bank facilities and the promissory note on December 31, 2019, is as follows:

Maturity bank borrowings 2019 T100

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Syndicated bank facilities, net	0	0	247,740	
Promissory note, net	29,000	99,739	108,072	41,500
Commercial paper	15,000			
Total	**44,000**	**99,739**	**355,812**	**41,500**

The maturity of the syndicated bank facilities and the promissory note on December 31, 2018, is as follows:

Maturity bank borrowings 2018 T101

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Syndicated bank facilities, net	4,839	4,839	174,590	0
Promissory note, net	106,103	29,000	161,635	86,500
Total	**110,942**	**33,839**	**336,225**	**86,500**

a) Fair value of bank borrowings

The fair value calculation of the fixed-interest promissory note, which is recognized at amortized cost and for which the fair value is stated in the notes, was based on the market yield curve according to the zero coupon method considering credit spreads (level 2). Interest accrued on the reporting date is included.

b) Financial covenant

The Group is subject to the financial covenant total net debt cover (net debt in relation to adjusted Group EBITDA), which is monitored on an ongoing basis. This financial covenant is based on the Group's Consolidated Financial Statements as well as on special definitions of the bank facility agreements.

In the event of non-compliance with a financial ratio, the credit agreement provides for several possibilities of cure in the form of exemption provisions of the shareholder measures. If there is a breach of a condition which is not remedied, the syndicated loan may possibly be called in.

There were no covenant breaches in 2019 and 2018.

iii. Other financial liabilities

Other financial liabilities were as follows:

Other financial liabilities T102

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Non-current		
Lease liabilities	n/a	16
Other liabilities	1,630	1,976
	1,630	**1,992**
Current		
Lease liabilities	n/a	16
Acquisition liability	0	546
Liabilities from ABS and factoring	16,043	17,141
Other liabilities	1,453	1,163
	17,496	**18,866**
Total other financial liabilities	**19,126**	**20,858**

a) Lease liabilities as of Dec 31, 2018

To a minor extent, the Group leases property, plant and equipment and land under finance leases with terms of between 1 and 5 years.

The future aggregate minimum lease payments under non-cancellable finance leases and their respective present values are as follows:

Future minimum lease payments non-cancellable finance leases T103

in EUR thousands	Dec 31, 2018
Gross finance lease liabilities – minimum lease payments	
Up to 1 year	17
> 1 year up to 5 years	18
> 5 years	0
	35
Future finance charges on finance lease	**3**
Present value of finance lease liabilities	
Up to 1 year	16
> 1 year up to 5 years	16
> 5 years	0
	32

The fair values of finance lease liabilities are calculated as the present values of the payments associated with the debts based on the applicable yield curve and NORMA Group's credit spread curve (level 2).

The information on NORMA Group's leasing liabilities for fiscal year 2019 is presented under → NOTE 20. 'LEASES'.

b) Liabilities from the ABS and factoring

The liabilities from the ABS and factoring include liabilities from continuing involvement in the amount of EUR 929 thousand (Dec 31, 2018: EUR 1,164 thousand), liabilities from fair values of default and interest guarantees in the amount of EUR 438 thousand (Dec 31, 2018: EUR 509 thousand) recorded under the ABS and factoring programs and liabilities from customer payments for receivables already sold under the ABS and factoring programs in the amount of EUR 14,676 thousand (Dec 31, 2018: EUR 15,468 thousand) as part of the debtor / receivables management performed by NORMA Group.

c) Other liabilities

As of December 31, 2019, other non-current liabilities include liabilities of EUR 1,631 thousand (2018: EUR 1,976 thousand) for the option to acquire the remaining minority interest in connection with the acquisition of Fengfan Fastener (Shaoxing) Co., Ltd. (Fengfan) in the second quarter of 2017. This option gives NORMA Group the right to acquire the remaining 20% of the shares in Fengfan. The risks and rewards of the remaining shares are not transferred to NORMA Group due to the contractual structure. Consequently, the present value of the estimated future payment of EUR 3,946 thousand at the time of acquisition is reported under other financial liabilities. Changes in the estimate of the amount to be paid are recognized in the income statement under the financial result in the Consolidated Statement of Comprehensive Income. Current liabilities include liabilities from bills of exchange amounting to EUR 146 thousand and other liabilities.

iv. Maturity of financial liabilities

The financial liabilities of NORMA Group have the following maturity:

Maturity of financial liabilities T104

Dec 31, 2019

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	45,971	99,208	355,247	41,472
Trade and other payables	143,119			
Other financial liabilities	17,496		1,630	
	206,586	**99,208**	**356,877**	**41,472**

Dec 31, 2018

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	113,332	33,348	335,977	86,434
Trade and other payables	142,028			
Finance lease liabilities	16	4	12	
Other financial liabilities	18,850		1,976	
	274,226	**33,352**	**337,965**	**86,434**

v. Net debt

Net debt of NORMA Group is as follows:

Net debt T105

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Bank borrowings, net	541,898	569,091
Derivative financial liabilities – hedge accounting	913	758
Lease liabilities (2018: finance lease liabilities)	38,595	32
Other financial liabilities	19,126	20,826
Financial debt	**600,532**	**590,707**
Cash and cash equivalents	179,721	190,392
Net debt	**420,811**	**400,315**

At EUR 600,532 thousand, the financial liabilities of NORMA Group were 1.7% higher than on December 31, 2018 (EUR 590,707 thousand). The decrease in loans is attributable to the net repayment due to the refinancing in December 2019 → NOTE 5. 'FINANCIAL RISK MANAGEMENT'. Contrary, the effects of exchange rate changes on the US dollar tranches of the syndicated loans and the promissory note loan increased the loans item. In the area of derivatives, there was an increase in the negative market values of hedging derivatives.

The increase of lease liabilities is due to the first time recognition of liabilites for recognised right of use assets because of the first time adoption of IFRS 16 in fiscal year 2019 (EUR 38,595 thousand).

On the other hand, other liabilities decreased due to the payment of liabilities resulting from ABS and factoring and the adjustment of the recognised liabilities for the option to acquire minority interests in the amount of EUR 1,631 thousand (2018: 1,976 thousand) in connection with the acquisition of Fengfan.

Net debt increasd by EUR 20,496 thousand, an increase of 5.1%, to 420,811 compared to the previous year (2018: 400,315). This is because of the first time adoption effects of IFRS 16 as described before. In addition, cash neutral exchange rate effects on foreign currency loans and interest expenses increased net debt in fiscal year 2019.

21. (f) Derivative financial instruments

Derivative financial instruments held for hedging purposes are carried at fair value. They are fully classified in level 2 of the fair value hierarchy.

The derivative financial instruments are as follows:

Derivative financial instruments T106

	Dec 31, 2019		Dec 31, 2018	
in EUR thousands	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	435	911	2,571	675
Foreign exchange derivatives – cash flow hedges	0	0	151	45
Foreign exchange derivatives – fair value hedges	15	2	42	38
Total	**450**	**913**	**2,764**	**758**
Less non-current portion				
Interest rate swaps – cash flow hedges	120	684	2,180	605
Non-current portion	**120**	**684**	**2,180**	**605**
Current portion	**330**	**229**	**584**	**153**

Further details on the use of hedging instruments can be found in → NOTE 5. 'FINANCIAL RISK MANAGEMENT.'

i. Effects of accounting for cash flow hedges on the net assets, financial position and results of operations

The effects of foreign currency and interest rate-related hedging instruments on the net assets, financial position and results of operations are as follows:

The effects of cash flow hedge accounting on financial position and performance

T107

in EUR thousands	Net book value as of Dec 31, 2019 (+Derivative financial assets / -Derivative financial liabilities)	Nominal amount	Average hedging rate	Hedging ratio	Maturity	Change in fair value of the hedging item since 1 Jan	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Book value of hedged item as of Dec 31, 2019
Hedging interest rate risk CFH		**160,353**				**– 1,646**	**1,646**	**160,353**
Interest rate swap USD	435	60,600	1.25	1:1	2020-2021			
Interest rate swap USD	– 684	76,753	2.01	1:1	2021			
Interest rate swaps EUR	– 227	23,000	1.54	1:1	2020			

in EUR thousands	Net book value as of Dec 31, 2018 (+ Derivative financial assets / -Derivative financial liabilities)	Nominal amount (+Buy / -Sell)	Average hedging rate	Hedging ratio [1]	Maturity	Change in fair value of the hedging item since Jan 1	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period
Currency risk hedging CFH							
Currency forwards EUR – CZK	105	– 9,600	26.29	1:1	≤ 1 year	115	– 115
Currency forwards EUR – PLN	17	– 600	4.42	1:1	≤ 1 year	8	– 8
Currency forwards EUR – GBP	30	– 6,000	0.90	1:1	≤ 1 year	53	– 53
Currency forwards EUR – CNY	– 33	2,500	8.05	1:1	≤ 1 year	10	– 10

1_The forward foreign exchange contracts are denominated in the same currency as the highly probable future transactions, therefore the hedge ratio is 1: 1

in EUR thousands	Net book value as of Dec 31, 2018 (+ Derivative financial assets / -Derivative financial liabilities)	Nominal amount	Average hedging rate	Hedging ratio	Maturity	Change in fair value of the hedging item since Jan 1	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Book value of hedged item as of Dec 31, 2018
Hedging interest rate risk – interest rate swap		**193,042**				**1,300**	**– 1,300**	**193,042**
Interest rate swap USD	2,571	126,403	1.57	1:1	2019–2021			
Interest rate swap USD	– 70	43,639	0.00	1:1	2021			
Interest rate swaps EUR	– 605	23,000	1.54	1:1	2020			

The effective part, as well as the accrued and recognized costs of hedging recognized in other comprehensive income excluding taxes developed as follows:

Change in hedging reserve before tax T108

in EUR thousands	Reserve for costs of hedging	Spot component of foreign exchange derivatives	Interest rate swap	Total
Balance as of January 1, 2018	**0**	**279**	**660**	**939**
Foreign currency translation effects		– 2		– 2
Reclassification to profit or loss		– 279	– 63	– 342
Net fair value changes		59	1,300	1,359
Accrued and recognized costs of hedging	– 67	0		– 67
Balance as of December 31, 2018	**– 67**	**57**	**1,897**	**1,887**
Foreign currency translation effects		0		0
Reclassification to profit or loss		11	– 727	– 716
Net fair value changes		– 68	– 1,646	– 1,714
Accrued and recognized costs of hedging	67			67
Balance as of December 31, 2019	**0**	**0**	**– 476**	**– 476**

Amounts due to interest rate swaps recognized in the hedging reserve in equity will be released in profit or loss before the repayment of the loans.

In fiscal year 2019 and 2018, no ineffective portion of cash flow hedges relating to foreign exchange derivatives and interest rate swaps was recognized in profit or loss.

ii. Effects of accounting for fair value hedges on the net assets, financial position and results of operations

The effects of foreign currency-related hedging instruments on the net assets, financial position and results of operations are as follows:

The effects of fair value hedge accounting on financial position and performance T109

in EUR thousands	Net book value as of Dec 31, 2019 (+Derivative financial assets / -Derivative financial liabilities)	Nominal amount (+Buy / -Sell)	Average hedging rate	Hedging ratio	Maturity	Change in fair value of the hedging item since Jan 1	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period
Currency risk hedging FVH							
Currency forwards PLN – EUR	15	940	4.36	1:1[1]	≤ 1 year	15	– 15
Currency forwards JPY – SGD	– 2	574	80.28	1:1[1]	≤ 1 year	– 2	2

1_The foreign exchange forward contracts for USD-EUR hedging are denominated in the same currency and have the same volume as the hedged net foreign exchange risk from external USD loans and intragroup monetary items in USD, therefore the hedge ratio is 1:1

in EUR thousands	Net book value as of Dec 31, 2018 (+Derivative financial assets / -Derivative financial liabilities)	Nominal amount (+Buy / -Sell)	Average hedging rate	Hedging ratio	Maturity	Change in fair value of the hedging item since Jan 1	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period
Currency risk hedging FVH							
Currency forwards USD – EUR	– 20	– 8,734	1.16	1:1 [1]	≤ 1 year	28	– 28
Currency forwards GBP – EUR	– 10	2,236	0.89	1:1 [2]	≤ 1 year	17	– 17
Currency forwards SEK – EUR	23	3,413	10.33	1:1 [2]	≤ 1 year	25	– 25
Currency forwards PLN – EUR	19	3,022	4.36	1:1 [2]	≤ 1 year	11	– 11
Currency forwards JPY – SGD	– 7	556	79.41	1:1 [2]	≤ 1 year	4	– 4

1_The foreign exchange forward contracts for USD-EUR hedging are denominated in the same currency and have the same volume as the hedged net foreign exchange risk from external USD loans and intragroup monetary items in USD, therefore the hedge ratio is 1:1
2_The forward exchange contracts are denominated in the same currency and volume as the hedged risk from intra-group monetary items, therefore the hedge ratio is 1:1

An overview of the gains and losses arising from the hedging of fair value changes that were recognized in the financial result is shown below:

Gains and losses fair-value hedges T110

in EUR thousands	2019	2018
Losses (–) / Gains (+) on hedged items	– 39	531
Losses (–) / Gains (+) on hedging instruments	– 44	– 892
	– 83	– 361

21. (g) Financial instruments at fair value

The tables below provide an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy under IFRS 13 as of December 31, 2019, as well as December 31, 2018:

Financial instruments – fair value hierarchy T111

in EUR thousands	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total as of Dec 31, 2019
Recurring fair value measurements				
Assets				
Interest rate swaps – cash flow hedges		435		435
Foreign exchange derivatives – fair value hedges		15		15
Trade receivable – ABS / factoring program (mandatorily measured at FVTPL)		22,128		22,128
Total	**0**	**22,578**	**0**	**22,578**
Liabilities				
Interest rate swaps – cash flow hedges		911		911
Foreign exchange derivatives – fair value hedges		2		2
Total	**0**	**913**	**0**	**913**

CONTINUE ON NEXT PAGE

Financial instruments – fair value hierarchy (continued) T111

in EUR thousands	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total as of Dec 31, 2018
Recurring fair value measurements				
Assets				
Interest rate swaps – cash flow hedges		2,571		2,571
Foreign exchange derivatives – cash flow hedges		151		151
Foreign exchange derivatives – fair value hedges		42		42
Trade receivable – ABS / Factoring program (mandatorily measured at FVTPL)		14,653		14,653
Total	**0**	**17,417**	**0**	**17,417**
Liabilities				
Interest rate swaps – cash flow hedges		675		675
Foreign exchange derivatives – cash flow hedges		45		45
Foreign exchange derivatives – fair value hedges		38		38
Total	**0**	**758**	**0**	**758**

1_Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2_Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i. e. as priced) or indirectly (i. e. derived from prices).
3_Fair value measurement for the asset or liability based on inputs that are not observable market data.

No transfers between the different levels occurred in 2019 and 2018.

The fair value of interest swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

Trade receivables held for sale as part of the factoring and ABS transaction and measured at fair value through profit or loss have short-term maturities. In addition, the calculated credit risk of the counterparty is not material, therefore the carrying amounts at the balance sheet date correspond to their fair values.

21. (h) Net gains and losses on financial instruments

The net gains or losses on financial instruments (by measurement category) in accordance with IFRS 7.20 (a) are as follows:

Financial instruments – net gains and losses T112

in EUR thousands	2019	2018
Net gains or net losses on financial assets		
measured at amortized costs	61	191
Net gains or net losses on financial liabilities		
measured at amortized cost	– 13,968	– 11,481
	– 14,457	**– 11,290**

Net gains and losses on financial assets measured at amortized cost include impairment losses on trade receivables and interest income from short-term deposits with banks. Net gains and losses on financial liabilities measured at cost include interest expense and fees from loans and borrowings.

Currency effects from the translation of financial assets and liabilities according to IAS 21 are shown within → NOTE 14 'NET FOREIGN EXCHANGE GAINS / LOSSES.'

21. (i) Total interest income and expense from financial instruments

Interest expenses / income from financial assets and liabilities (IFRS 7.20(b)) T113

in EUR thousands	2019	2018
Interest income		
financial assets at cost	1,007	484
Interest expenses		
financial liabilities at cost	– 14,280	– 13,578

22. Inventories

Inventories were as follows:

Inventories T114

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Raw materials, consumables and supplies	49,795	48,220
Work in progress	17,659	20,978
Finished goods and goods for resale	105,795	108,909
	173,249	**178,107**

On December 31, 2019, impairments were made on inventories amounting to EUR 7,672 thousand (Dec 31, 2018: EUR 6,561 thousand).

On December 31, 2019, and 2018, the inventories were not collateralized with the exception of the customary business reservations of title.

23. Other non-financial assets

Other non-financial assets were as follows:

Other non-financial assets T115

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Deferred costs	3,450	3,679
VAT assets	10,550	8,237
Prepayments	5,024	4,289
Consideration payable to a customer	3,388	2,933
Other assets	2,313	1,250
	24,725	**20,388**

24. Equity

Subscribed capital

The subscribed capital of the Company on December 31, 2019, and 2018 amounted to EUR 31,862 thousand and was fully paid in. It is divided into 31,862,400 shares with no par value and a notional value of EUR 1. The liability of the shareholders for the obligations of the company to its creditors is limited to this capital. The amount of the subscribed capital is not permitted to be distributed by the Company to its shareholders.

Authorized and conditional capital

The Management Board is entitled to increase the share capital by up to EUR 12,744,960 until May 19, 2020, by issuing up to 12,744,960 new no-par value registered shares in exchange for cash and / or contributions in kind either once or several times by resolution of the Annual General Meeting held on May 20, 2015, with the approval of the Supervisory Board, whereby the subscription rights of shareholders may be restricted (Authorized Capital 2015).

The share capital is being increased by up to EUR 3,186,240 by resolution of the Annual General Meeting on May 20, 2015, by issuing up to 3,186,240 new no-par value registered shares to grant convertible bonds and / or bonds with warrants (Conditional Capital 2015).

The resolutions of the Annual General Meeting of April 6, 2011, Authorized Capital 2011 and Conditional Capital 2011, were repealed.

Capital reserve

The capital reserve contains:

- amounts (premiums) received for the issuance of shares,
- premiums paid by shareholders in exchange for the granting of a preference for their shares,
- amounts resulting from other capital contributions of the owners.

Retained earnings

Retained earnings consisted of the following:

Development of retained earnings T116

in EUR thousands	Retained earnings	Remeasurements of post-employment benefit obligations	IPO costs directly netted with equity	Reimbursement of IPO costs by shareholders	Acquisition of non-controlling interest	Effects from the application of IAS 19R	Effects of IFRS 9	Effects of IFRS 16	Total
Balance as of December 31, 2017 (as reported)	**306,623**	**– 2,496**	**– 4,640**	**4,681**	**– 6,930**	**839**	**0**	**0**	**298,077**
Balance as of Jan 1, 2018	**306,623**	**– 2,496**	**– 4,640**	**4,681**	**– 6,930**	**839**	**– 600**	**0**	**297,477**
Profit for the year	91,873								91,873
Dividends paid	– 33,456								– 33,456
Acquisition of non-controlling interests					342				342
Effect before taxes		– 265							– 265
Tax effect		51							51
Balance as of December 31, 2018 (as reported)	**365,040**	**– 2,710**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**0**	**356,022**
Balance as of Jan 1, 2019	**365,040**	**– 2,710**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**– 2,033**	**353,989**
Profit for the year	58,422								58,422
Dividends paid	– 35,049								– 35,049
Effect before taxes		– 2,066							– 2,066
Tax effect		547							547
Balance as of December 31, 2019	**388,413**	**– 4,229**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**– 2,033**	**375,843**

A dividend of EUR 35,049 thousand (EUR 1.10 per share) was paid to the shareholders of NORMA Group after the Annual General Meeting in May 2019.

Other reserves

Other reserves consisted of the following:

Development of other reserves T117

in EUR thousands	Cash flow hedges	Foreign exchange rate differences on translating foreign operations	Total
Balance as of January 1, 2018	**657**	**– 9,021**	**– 8,364**
Effect before taxes	948	10,200	11,148
Tax effect	– 267		– 267
Balance as of December 31, 2018	**1,338**	**1,179**	**2,517**
Effect before taxes	– 2,363	9,016	6,653
Tax effect	680		680
Balance as of December 31, 2019	**– 345**	**10,195**	**9,850**

25. Share-based payments

Management incentive schemes

The Matching Stock Program

The Matching Stock Program (MSP) for the Management Board provides a long-term incentive to commit to the success of the Group. The MSP is a share-based option. To this end, the Supervisory Board specifies a number of share options to be granted each fiscal year with the proviso that the Management Board member make a corresponding personal investment in the Group. In line with the new Management Board contracts, the MSP was closed. The last allotment of options was in fiscal year 2017.

The shares involved in the share options are those shares allocated or acquired and qualified as part of the MSP defined in the Management Board contract. The number of share options is calculated by multiplying the qualified shares held at the time of allotment by the option factor specified by the Supervisory Board. A new option factor is set for every tranche. The first tranche was allocated on the day of the IPO.

The other tranches will be allocated on March 31 each following year. The holding period is four years (on March 31, 2021, for the 2017 tranche, on March 31, 2020, for the 2016 tranche and on March 31, 2019, for the 2015 tranche).

Non-forfeitable claims out of the options are earned pro rata over the respective performance period. The exercise price for the outstanding tranches will be the weighted average of the respective closing price of the Group's share on the 60 trading days directly preceding the allocation of each tranche. Dividend payments by the Group during the vesting period are deducted from the exercise price of each tranche.

The options of a tranche can only be exercised within a period of two years following the expiration of the holding period. In order for an option to be exercised, the weighted average of the last ten trading days must be at least 1.2 times that of the exercise price. The pay-out is limited to 2% of the average (adjusted) EBITA (tranches 2014, 2015, 2016 and 2017) or to 2% of the average (adjusted) EBITDA (tranche 2013) during the holding period (cap). When the option is exercised, the Group can decide whether to settle the option in shares or cash. NORMA Group classified the stock options as a cash settlement analogues to the previous year.

The determination of fair value, which is the basis for determining the pro rata provision on the balance sheet date, was carried out using a Monte Carlo method. The expected volatilities are set to be the historical volatility of the three-year period before the valuation date. Due to the cash settlement, the options are valued on each balance sheet date and the resulting changes in fair value are recognized through profit or loss, whereby the prorated expenses were ratably recognized over the performance period.

The option rights granted under the MSP changed as follows in the 2019 and 2018 fiscal years:

Development of the MSP option rights T118

	Tranche MSP 2015	Tranche MSP 2016	Tranche MSP 2017
Expected duration until exercise in years	1.25	2.25	1.25
Proportional fair value per outstanding “share units” in EUR as of December 31, 2019	347,045.00	306,021.00	179,494.00
Fair value per “share unit” in EUR as of December 31, 2019	3.57	4.11	4.25
Exercise price in EUR	40.09	42.62	38.50
Balance as of December 31, 2017	**97,322**	**74,465**	**51,607**
Tentatively granted “share units”			
Exercised			
Lapsed			
Balance as of December 31, 2018	**97,322**	**74,465**	**51,607**
Balance as of December 31, 2018	**97,322**	**74,465**	**51,607**
Tentatively granted “share units”			
Exercised			
Lapsed			9,375
Balance as of December 31, 2019	**97,322**	**74,465**	**42,232**

In fiscal year 2019, income in the amount of EUR 115 thousand (2018: income of EUR 526 thousand) resulting from the MSP were recognized in employee benefits expense against a corresponding net reversal within the provisions. Furthermore, no payment was made for the exercised option rights (2018: disbursement from the tranche 2014 EUR 2,468 thousand).

The total provision for the MSP amounts to EUR 833 thousand as of December 31, 2019 (Dec 31, 2018: EUR 948 thousand).

Long-term incentive plan

In fiscal year 2013, NORMA Group installed a share-based, long-term, variable compensation component for executives and certain other groups of employees (Long-Term Incentive Plan).

The Long-Term Incentive Plan (LTI) is a share-based payment, cash settled plan that takes into account both the performance of the Company and the share price development.

The participants receive a preliminary number of share units (virtual shares) at the start of the performance period based on a percentage of the respective base salary multiplied by a conversion rate. The conversion rate is determined based on the average share price of the previous 60 trading days of the calendar year prior to the grant date. Once four years have elapsed, the number of share units granted at the start of the performance period is adjusted based on the performance the Company has achieved, incorporating both the targets defined during the performance period and the Company / regional factor.

The goal achievement factor, measured by adjusted EBITA, as well as the Company / regional factor are applied as performance targets. The goal achievement factor is based on the adjusted EBITA of NORMA Group. The absolute adjusted EBITA target is determined for every year of the performance period based on the budgeted value. After conclusion of the four-year period, the yearly recorded adjusted EBITA values are defined as a percentage in relation to the target values and averaged out over the four years. Allocation occurs above a goal achievement ratio of 90%. Between 90% and 100% goal achievement, every percentage point amounts to 10 percentage points of goal achievement factor. Between 100% and 200% goal achievement, the goal achievement factor grows by 1.5 percentage points per percentage point of goal achievement.

The Company factor is determined by the Group Senior Management based on the Company's development, as well as the development in relation to comparable companies. In addition to this, the development of free cash flows is taken into account when determining the factor. At the discretion of the Group Senior Management, unanticipated developments can also be taken into account and the Company factor corrected either downward or upward accordingly. The factor can assume values between 0.5 and 1.5.

The factor takes into account the results of the region as well as the region-specific characteristics and is used as an adjustment factor for plan participants with regional responsibility.

The value of the share units is then determined at the end of the fourth calendar year based on the average share price of the last 60 days of trading in this fourth year. In case the calculated Long-term Incentive pay-out exceeds 250% of the initial grant value, the maximum pay-out is capped at 250%. The value determined is paid out to the participants in cash in May of the fifth year.

The LTI is a Group-wide and global compensation instrument with a long-term orientation. Due to the coupling to the development not only of the stock price, but also the Company's performance, the LTI provides an additional incentive to create value through value-based action, aligned with the goals of NORMA Group.

The determination of fair value, which is the basis for determining the pro rata provision on the balance sheet date, was performed using a Monte Carlo simulation. Due to the cash settlement of the virtual share units, the fair value is measured on each balance sheet date and the resulting changes in the fair value are recognized in income or loss. The allocation of the expenses is made on a pro rated basis over the performance period.

The share units granted under the LTI changed as follows in the 2019 and 2018 fiscal years:

Development of LTI T119

	3rd Tranche LTI 2015	4th Tranche LTI 2016	5th Tranche LTI 2017	6th Tranche LTI 2018	7th Tranche LTI 2019
Expected duration until exercise in years	n/a	n/a	1.00	2.00	3.00
Fair value per "share unit" in EUR as of December 31, 2019	n/a	35.62	37.38	36.59	35.72
Share price when granted in EUR	36.89	48.57	39.77	56.27	48.25
Balance as of December 31, 2018	**30,930**	**26,464**	**37,631**	**28,808**	**0**
Tentatively granted "share units"	–	–			38,352
Exercised	30,930	–	–	–	–
Lapsed		940	2,582	2,568	
Balance as of December 31, 2019	**0**	**25,524**	**35,049**	**26,240**	**38,352**

	2rd Tranche LTI 2014	3rd Tranche LTI 2015	4th Tranche LTI 2016	5th Tranche LTI 2017	6th Tranche LTI 2018
Expected duration until exercise in years	n/a	n/a	1.00	2.00	3.00
Fair value per "share unit" in EUR as of December 31, 2017	n/a	48.25	42.47	41.47	40.70
Share price when granted in EUR	36.40	36.89	48.57	39.77	56.27
Balance as of December 31, 2017	**18,567**	**31,029**	**27,394**	**41,184**	**0**
Tentatively granted "share units"	–	–	–		29,259
Exercised	18,567	–	–	–	–
Lapsed	–	99	930	3,553	451
Balance as of December 31, 2018	**0**	**30,930**	**26,464**	**37,631**	**28,808**

In fiscal year 2019, expenses resulting from the LTI in the amount of EUR 334 thousand (2018: EUR 360 thousand) were recorded under personnel expense and within a corresponding provision. Furthermore, a payment amounting to EUR 1,045 (2018: tranche 2014: EUR 1,045 thousand) was made for exercised options (tranche 2014).

In total, the provision for the LTI amounts to EUR 2,271 thousand as of December 31, 2019 (Dec 31, 2018: EUR 2,982 thousand).

26. Retirement benefit obligations

Retirement benefit obligations result mainly from two German pension plans and a Swiss post-employment benefit plan.

The German defined benefit pension plan for NORMA Group employees was closed for new entrants in 1990 and provides benefits in case of retirement, disability, and death as life-long pension payments. The benefit entitlements depend on years of service and salary. The portion of salary that is above the income threshold for social security contribution leads to higher benefit entitlements compared to the portion of the salary up to that threshold. Even if no further benefits can be earned from these old commitments, NORMA Group is still exposed to certain actuarial risks associated with defined benefit plans, such as longevity and compensation increases. Due to the amount of the obligation and the composition of the plan participants, approximately 96% being pensioners, a significant change in the actuarial assumptions would have no significant effects on NORMA Group.

Employees hired after 1990 are eligible under a defined contribution scheme. The contributions are paid into an insurance contract providing lump sum payments in case of retirements and deaths.

Furthermore, a plan for members of the Management Board was established in fiscal year 2015. This second German defined benefit plan is based on a direct commitment to an annual retirement payment for members of the Management Board of NORMA Group. The annual retirement payment is measured as a percentage of the pensionable income. The pension entitlement arises when the contract has expired, but not before reaching the age of 65, or if that individual is unable to work. The percentage depends on the number of years of service as a Management Board member. The percentage amounts to 4% of the last fixed annual salary prior to leaving for each completed year of service. The percentage can increase to a maximum of 55%. Furthermore, a survivor's pension will be provided as well.

The obligations arising from the plan are subject to certain actuarial risks associated with defined benefit plans, such as longevity and compensation increases. Please see the Remuneration Report for further details with regard to this plan → REMUNERATION REPORT.

Besides the German plans, there is a further benefit plan in Switzerland resulting from the Swiss 'Berufliches Vorsorgegesetz' law (BVG). According to the BVG, each employer has to grant post-employment benefits for qualifying employees. The plan is a capital-based plan under which the Company has to make contributions equivalent to at least the limits specified in the plan conditions for employee contributions. These plans are administered by foundations that are legally separated from the entity and subject to the BVG. The Group has outsourced the investment process to a foundation, which sets the strategic asset allocation in its group life portfolio. All regulatory granted obligations out of the plan are reinsured by an insurance company. This covers risks of disability, death and longevity. Furthermore, there is a 100% capital and interest guarantee for the retirement assets invested. In the case of a shortfall, the employer and plan participants' contribution may be increased based on the decisions of the relevant foundation board. Strategies of the foundation boards to make up for potential shortfalls are subject to approval by the regulator.

Besides the plans described in Germany and Switzerland, NORMA Group also participates in a multi-employer pension plan in the US for the benefit of employees of one of its US-based plants. NORMA Group's obligation to participate in the fund arises from the agreement with the employees' labor organization. The multi-employer pension plan is governed by US federal law under which the plan funds are held in trust and the plan administration and procedures substantially governed by federal regulation. The multi-employer pension plan is a defined benefit plan, and would normally be treated as such based on its associated actuarial estimates; however, the plan trustees do not provide the participating employers with sufficient information to individually account for the plan (or their portioned participation therein) as a defined benefit plan. For this reason, the plan is being treated in accordance with the rules for defined contribution pension plans (IAS 19.34). The share of contributions that NORMA Group paid to the pension schemes in the previous fiscal year amounts to EUR 1.4 million (2018: EUR 1.3 million). Contributions to the plan are recognized directly in personnel expenses for the period. Future changes to the contributions, if any, would be determined through negotiations with the workers' organization, as they may be slightly modified from time to time by regulation, and except for which NORMA Group has no other fixed commitment to the plan. Conditionally, in the unlikely event that NORMA Group withdraws from the fund or a significant employer in the fund experiences a major solvency event, additional future contribution payment obligations could arise. The funded status of the multi-employer plan is reported annually by the US Department of Labor, and is influenced by various factors, including investment performance, inflation, changes in demographics and changes in the participants' levels of performance. Based on the information provided by the plan administrator, the plan is undercapitalized. The value of the undercapitalization amounts to USD 1,195 million for all plan participants (over 150 companies). The portion of

NORMA Group to this shortfall is 3.0% (based on information provided for 2018). The expected employer contributions to the pension schemes for the following year 2020 amount to EUR 1,486 thousand.

Reconciliation of defined benefit obligations (DBO) and plan assets

The amounts included in the Group's Consolidated Financial Statements arising from its post-employment defined benefit plans are as follows:

Components pension liability T120

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Present value of obligations	20,495	17,786
Fair value of plan assets	4,605	4,982
Liability in the balance sheet	**15,890**	**12,804**

The reconciliation of the net defined benefit liability (liability in the balance sheet) is as follows:

Reconciliation of the net defined benefit liability T121

in EUR thousands	2019	2018
As of January 1	**12,804**	**12,127**
Current service cost	1,630	1,189
Administration costs	17	16
Interest expenses	162	124
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	23	–94
Actuarial (gains) losses from changes in demographic assumptions	–17	–29
Actuarial (gains) losses from changes in financial assumptions	1,592	120
Experience (gains) losses	468	268
Employer contributions	–229	–224
Benefits paid	–640	–836
Business combinations, disposals and other	6	98
Foreign currency translation effects	74	45
As of December 31	**15,890**	**12,804**

A detailed reconciliation of the changes in the DBO is provided in the following table:

Reconciliation of the changes in the DBO T122

in EUR thousands	2019	2018
As of January 1	**17,786**	**15,537**
Current service cost	1,630	1,189
Administration costs	17	16
Interest expenses	210	157
Remeasurements:		
Actuarial (gains) losses from changes in demographic assumptions	–17	–29
Actuarial (gains) losses from changes in financial assumptions	1,592	120
Experience (gains) losses	468	268
Plan participants contribution	108	120
Benefits paid	–709	–865
Transfers	–807	–86
Business combinations, disposals and other	6	1,174
Foreign currency translation effects	211	185
As of December 31	**20,495**	**17,786**

The total defined benefit obligation at the end of fiscal year 2019 includes EUR 11,963 thousand for active employees, EUR 243 thousand for former employees with vested benefits and EUR 8,288 thousand for retirees and surviving dependents.

The transfer in the amount of EUR 807 thousand (2018: EUR 86 thousand) relates to the benefit plan in Switzerland and is a result of the legally required transfer of net defined benefit obligation to the new employer upon the departure of an employee.

Experience gains and losses recognized in fiscal year 2019 are also a result of the described transfers within the benefit plan in Switzerland and a result of changes in the number of participants of the Manangement Board within the plan in Germany.

A detailed reconciliation of the changes in the fair value of plan assets is provided in the following table

Reconciliation of changes in the fair value of plan assets T123

in EUR thousands	2019	2018
As of January 1	4,982	**3,410**
Interest income	48	33
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	– 23	94
Employer contributions	229	224
Plan participants contributions	108	120
Benefits paid	– 69	– 29
Transfers	– 807	– 86
Business combinations, disposals and other	0	1,076
Foreign currency translation effects	137	140
Fair value of plan assets at end of year	4,605	**4,982**

Disaggregation of plan assets

The allocation of the plan assets of the benefit plans is as follows:

Disaggregation of plan assets T124

in EUR thousands	2019	2018
Asset class		
Insurance contracts	4,543	4,937
Cash deposit	9	38
Equity securities	53	7
Total	**4,605**	4,982

Cash deposits and equity securities have quoted prices in active markets. The values for insurance contracts represent the redemption value. No quoted prices in an active market are available for these.

Actuarial assumptions

The principal actuarial assumptions are as follows:

Actuarial assumptions T125

in %	2019	2018
Discount rate	0.43	1.13
Inflation rate	1.52	1.51
Future salary increases	1.90	2.28
Future pension increases	1.60	1.59

The biometric assumptions are based on the 2018 G Heubeck life-expectancy tables for the German plan and on the life-expectancy tables of the BVG 2015 G for the Swiss plan. The tables are generation tables and hence differ according to gender, status and year of birth.

Sensitivity analysis

If the discount rate were to differ by + 0.25% / – 0.25% from the interest rate used on the balance sheet date, the defined benefit obligation for pension benefits would be an estimated EUR 634 thousand lower or EUR 794 thousand higher. If the future pension increase used were to differ by + 0.25% / – 0.25% from Management's estimates, the defined benefit obligation for pension benefits would be an estimated EUR 370 thousand higher or EUR 356 thousand lower. The reduction / increase in the mortality rates by 10% results in an increase / deduction in life expectancy depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a male NORMA Group employee age 55 years as of December 31, 2019, increases / decreases by approximately one year. In order to determine the longevity sensitivity, the mortality rates were reduced / increased by 10% for all beneficiaries. The effect on DBO as of December 31, 2019, due to a 10% reduction / increase in mortality rates would result in an increase of EUR 966 thousand or a decrease of EUR 945 thousand.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the Consolidated Statement of Financial Position. Increases and decreases in the discount rate or rate of pension progression which are used in determining the DBO do not have a symmetrical effect on the DBO due to the compound interest effect created when determining the net present value of the future benefit.

If more than one of the assumptions are changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Future cash flows

Employer contributions expected to be paid to the post-employment defined benefit plans in fiscal year 2020 are EUR 235 thousand (2018: EUR 240 thousand).

The expected payments from the plans for post-employment benefits are distributed as follows for the next 10 financial years, whereby the last 5 years are shown as a total:

Expected payments from post-employment benefit plans T126

in EUR thousands	2019
Expected benefit payments	
2020	850
2021	817
2022	826
2023	953
2024	867
2025 – 2029	5,208

in EUR thousands	2018
Expected benefit payments	
2019	836
2020	1,074
2021	827
2022	834
2023	960
2024 – 2028	4,674

The weighted average duration of the defined benefit obligation is 14.64 years (2018: 12.0 years).

27. Provisions

The development of provisions is as follows:

Development of provisions T127

in EUR thousands	As of Jan 1, 2019	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consolidation	Transfers	Foreign currency translation	As of Dec 31, 2019
Guarantees	1,560	917	– 562	– 257	0	0	0	12	1,670
Severance	25	89	– 56	– 40	0	0	6	0	24
Early retirement	2,412	477	– 1,115	0	6	0	0	0	1,780
Other personnel-related obligations	9,703	4,681	– 4,476	– 1,105	76	0	– 2	27	8,904
Outstanding invoices	1,012	994	– 1,049	– 6	0	0	0	18	969
Others	1,298	859	– 881	– 108	0	0	0	12	1,180
Total provisions	**16,010**	**8,017**	**– 8,139**	**– 1,516**	**82**	**0**	**4**	**69**	**14,527**

in EUR thousands	As of Jan 1, 2018	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consolidation	Transfers	Foreign currency translation	As of Dec 31, 2018
Guarantees	1,128	690	– 156	– 161	0	51	0	8	1,560
Severance	408	56	– 368	– 98	0	0	24	3	25
Early retirement	3,075	743	– 1,405	0	0	0	– 1	0	2,412
Other personnel-related obligations	12,164	3,302	– 5,541	– 234	– 8	0	– 5	25	9,703
Outstanding invoices	730	1,000	– 747	– 3	0	0	0	32	1,012
Others	1,279	705	– 513	– 120	0	34	– 74	– 13	1,298
Total provisions	**18,784**	**6,496**	**– 8,730**	**– 616**	**– 8**	**85**	**– 56**	**55**	**16,010**

Provisions – split current / non-current T128

	Dec 31, 2019			Dec 31, 2018		
in EUR thousands	Total	thereof current	thereof non-current	Total	thereof current	thereof non-current
Guarantees	1,670	1,464	206	1,560	1,363	197
Severance	24	24	0	25	25	0
Early retirement	1,780	671	1,109	2,412	0	2,412
Other personnel-related obligations	8,904	4,709	4,195	9,703	5,500	4,203
Outstanding invoices	969	969	0	1,012	1,012	0
Others	1,180	706	474	1,298	850	448
Total provisions	**14,527**	**8,543**	**5,984**	**16,010**	**8,750**	**7,260**

Early retirement contracts

Employees at NORMA Group in Germany can in general engage in an early retirement contract ('Altersteilzeit'). In the first phase, the employee works 100% ('Arbeitsphase'). In the second phase, he / she is exempt from work ('Freistellungsphase'). The employees receive half of their pay for the total early retirement-phase as well as top-up payments (including social security costs paid by the employer). The duration of the early retirement is a maximum of six years.

Accounting for early retirement ('Altersteilzeit') is based on actuarial valuations taking into consideration assumptions such as a discount rate of – 0.24 % p.a. (2018: 0.02% p.a.) as well as the 2018 G life-expectancy tables by Dr. Klaus Heubeck. For signed early retirement contracts, a liability has been recognized. The liability includes top-up payments ('Aufstockungsbeträge') as well as deferred salary payments ('Erfüllungsrückstände'). The expected payments out of the early retirement provisions amount to EUR 671 thousand for fiscal year 2020.

Guarantees

Provisions for guarantees include provisions due to circumstances where a final agreement has not yet been reached and provisions based on experience (customer claim quota, amount of damage, etc.). Future price increases are considered if material.

Severance payments

Provisions for severance payments include expected severance payments for NORMA Group employees due to circumstances where a final agreement has not yet been reached. The provisions will be paid out in the following fiscal year and are therefore reported under current provisions.

Other personnel-related provisions

Other personnel-related provisions are as follows:

Provisions – other personnel-related T129

in EUR thousands	Notes	Dec 31, 2019 Total	Dec 31, 2019 thereof current	Dec 31, 2019 thereof non-current	Dec 31, 2018 Total	Dec 31, 2018 thereof current	Dec 31, 2018 thereof non-current
LTI – Board Members		59	59	0	706	617	89
LTI – Management	(25)	2,271	348	1,923	2,982	852	2,130
STI – Board Members		2,198	2,198	0	1,706	1,706	0
Matching Stock Program (MSP)	(25)	833	347	486	948	268	680
NORMA-VA-Bonus		913	913	0	1,256	1,256	0
Anniversary provisions		1,203	0	1,203	1,098	0	1,098
Other personnel-related		1,427	844	583	1,007	801	206
		8,904	**4,709**	**4,195**	**9,703**	**5,500**	**4,203**

The Company's Long-Term Incentive Plan (LTI) for the Management Board consists of two different long-term compensation elements. The variable compensation is designed differently depending on the time when a Board member took office. For the Board members in office before 2015, it consists of an EBITA component and an operating free cash flow before external use (FCF) component, each of which is observed over a period of three years (performance period). A new three-year performance period begins every year. Both components are calculated by multiplying the average annual adjusted EBITA and FCF values actually achieved in the performance period by the adjusted EBITA and FCF bonus percentages specified in the employment contract. In the second step, the actual value of a component is compared to the medium-term plan approved by the Supervisory Board to evaluate the Company's performance and adjustments are made to the LTI plan. The LTI plan is limited to two and a half times the amount that would be arrived at on the basis of the figures in the Company's medium-term plan. If the actual value is lower than the planned value, the LTI plan is reduced on a straight-line basis down to a minimum of EUR 0 if the three-year targets are missed by a significant amount. Due to the calculation of the variable remuneration based on future results of the Group, uncertainties exist regarding the amount of the future outflows. Parts of the long-term compensation component will be paid out in the first half of the following fiscal year and are therefore reported under the current provisions.

When entering service as of reporting year 2015, the variable compensation of the Management Board consists of the NORMA VA Bonus. This variable remuneration for the members of the Management Board who are not part of the MSP provides a long-term incentive for the Management Board to work hard to make the Company successful. The LTI is an appreciation bonus that is based on the Group's performance. The Board member receives a percentage of the calculated increase in value. The NORMA Value Added Bonus corresponds to the percentage of the average increase in value from the current and the three previous fiscal years. The annual increase in value is calculated using the following formula:

NORMA Value Added = (adjusted EBIT × (1 – t))
– (WACC × invested capital)

The calculation of the first component is based on the consolidated earnings before interest and taxes (Group EBIT) for the fiscal year and the average corporate tax rate (t). The second component is calculated from the Group cost of capital (WACC) multiplied by the capital invested. The Group's weighted average cost of capital (WACC) is derived from the base interest rate, the market risk premium and the beta factor. The base interest rate is derived from the interest rate structure data of Deutsche Bundesbank (three-month average - October 1 to December 31). The market risk premium represents the difference between the expected return of a risky market portfolio and the risk-free interest rate. NORMA uses the recommendation of the Institut der Wirtschaftsprüfer (IDW) to determine this risk premium. The beta factor represents the individual risk of a share compared to a market index. It is first determined as the average value of the unindebted beta factors of the peer group and then adjusted to NORMA's individual capital structure. The cost of equity is calculated by adding the risk-free interest rate and the weighted country risk of NORMA Group with the product of the market risk premium and the indebted beta factor of the peer group. The credit spread used to calculate the cost of debt was determined on the basis of the terms of the current external financing of NORMA Group. Invested capital is calculated from consolidated equity plus net financial liabilities as of January 1 of the fiscal year. The NORMA Value Added Bonus is limited to a fixed annual salary. 75% or 90% of the amount attributable to the LTI is paid to each Management Board member the following year. The Company then uses the remaining 25% or 10% attributable to the LTI to purchase shares of NORMA Group SE in the name and on behalf of the individual Board members. Alternatively, the Company may pay out this balance to the Board member. In this case, the Management Board obligates itself to purchase shares of NORMA Group SE with the balance of this amount within 120 days after the annual financial statements are approved at the Supervisory Board meeting. The Management Board member may not dispose of the shares for four years. Dividends and subscription rights will be made freely available to the Management Board member. If a Board member takes office in the current fiscal year or does not work for the Company for a full twelve months in a fiscal year, the LTI will be reduced proportionally (pro rata). Upon termination of the employment contract, a Management Board member may dispose of his shares only after 12 months of leaving the Company. With the termination of the executive position upon request of the Management Board or on the basis of an important reason, future claims for the variable part of the LTI lapse.

The LTI for Management (Long-Term Incentive Plan) is a variable compensation component based on the share price of NORMA Group. A detailed description can be found in → NOTE 25 'SHARE-BASED PAYMENTS.'

The STI of the Management Board (Short-Term Incentive Plan) results from short term variable cash payment. A description can be found in the → REMUNERATION REPORT.

As of December 31, 2019, provisions for the Matching Stock Program (MSP) for NORMA Group's Management Board amount to EUR 833 thousand (2018: EUR 948 thousand). There was no payment for exercised options in fiscal year 2019. In fiscal year 2018, EUR 2,468 thousand were paid for exercised options from the 2014 tranche → NOTE 25 'SHARE-BASED PAYMENTS'.

Anniversary provisions are based on actuarial valuations taking into account assumptions such as a discount rate of 0.57 % p. a. as well as the 2018 G Heubeck life-expectancy tables.

Other personnel-related provisions mainly include payable income tax and social security contributions in foreign countries.

Other non-personnel-related provisions

Provisions for outstanding invoices in the amount of EUR 969 thousand (2018: EUR 1,012 thousand) include expected obligations for the audit and advisory services. There are uncertainties regarding the amount and timing of the outflows. However, it is expected that this results in payments within a year.

Other provisions mainly include obligations for other taxes.

28. Other non-financial liabilities

Other non-financial liabilities are as follows:

Other non-financial liabilities T130

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Non-current		
Government grants	266	391
Other liabilities	90	40
	356	**431**
Current		
Government grants	1.230	1.068
Non-income tax liabilities	2.119	2.398
Social liabilities	4.484	4.521
Personnel-related liabilities (e.g. vacation, bonuses, premiums)	28.118	18.671
Other liabilities	714	326
	36.665	**26.984**
Total other non-financial liabilities	**37.021**	**27.415**

The increase in personnel-related liabilities is mainly due to the increase in liabilities from employee bonuses and outstanding severance payments in connection with the rightsizing program.

NORMA Group received government grants of which EUR 1,496 thousand were not recognized in profit or loss. They consist of grants in cash as well as land. The grants are bound to capital expenditures, employees and the supply of equity of the respective local entities. NORMA Group recognizes the government grants as income over the period in which related expenses occur. In 2019, EUR 606 thousand were recognized as income (2018: EUR 603 thousand).

Other Notes

29. Information on the Consolidated Statement of Cash Flows

In the statement of cash flows, a distinction is made between cash flows from operating activities, investing activities and financing activities.

Net cash provided by operating activities is derived indirectly from profit for the period. The profit for the period is adjusted to eliminate non-cash expenses such as depreciation and amortization as well as expenses and payments for which the cash effects are investing or financing cash flows and to eliminate other non-cash expenses and income. Net cash provided by operating activities of EUR 137,083 thousand (2018: EUR 130,843 thousand) represents changes in current assets, provisions and liabilities (excluding liabilities in connection with financing activities).

As in the prior year, the Group participates in a reverse factoring program, a factoring program and an ABS program. Liabilities in the reverse factoring program are reported under trade and other payables. As of December 31, 2019, reverse factoring liabilities in the amount of EUR 21,335 thousand are recognized (Dec 31, 2018: EUR 19,200 thousand). → NOTE 21. (E) 'TRADE AND OTHER PAYABLES' The cash flows from the reverse factoring, the factoring and the ABS program are shown under the cash flow from operating activities as this corresponds to the economic substance of the transactions.

The total amount of trade receivables sold within the factoring and ABS program can be found in → NOTE 21. (B) 'TRADE RECEIVABLES AVAILABLE FOR TRANSFER'.

Net cash provided by operating activities includes in 2018 cash outflows from the payments of the cash-settled share-based payments in the amount of EUR 1,045 thousand (2018: EUR 3,513 thousand), which result from the MSP tranche (2018: tranche 2014) for the Management Board of NORMA Group and from the Long-Term Incentive Plan (LTI) for NORMA Group employees.

The correction of expenses due to measurement of derivatives in the amount of EUR 73 thousand (2018: expense in the amount of EUR 436 thousand) relates to fair value gains and losses recognized within the income statement assigned to the cash flows from financing activities.

Other non-cash income (–) / expenses (+) in net cash provided by operating activities mainly include foreign exchange rate gains and losses on external debt and intragroup monetary items in the amount of EUR – 341 thousand (2018: EUR – 716 thousand).

Furthermore, other non-cash income (–) / expenses (+) include non-cash interest expenses from the amortization of accrued costs, amounting to EUR 356 thousand (2018: EUR 303 thousand).

Cash flows resulting from interest paid are disclosed as cash flows from financing activities.

Cash flows from investing activities include net cash outflows from the acquisition and disposal of property, plant and equipment and intangible assets amounting to EUR 57,033 thousand (2018: EUR 59,711 thousand) including the change of liabilities from investments in property, plant and equipment and intangible assets amounting to EUR 2,941 thousand (2018: EUR – 2,412 thousand). From the investments in non-current assets of EUR 54,843 thousand (2018: EUR 63,255 thousand), expenditures in the amount of EUR 33,009 thousand (2018: EUR 42,793 thousand) relate to growth and expenditures amounting to EUR 21,834 thousand (2018: EUR 20,462 thousand) to maintenance and continuous improvements.

In fiscal year 2018, net payments for acquisitions of subsidiaries in the amount of EUR – 69,797 thousand which result from the payments due to the acquisition of Kimplas and Statek as well as from payments in connection with the acquisition of Fengfan acquired in the second quarter of 2017 are also included in the cash flows from investing activities.

Cash flows from financing activities mainly comprise outflows resulting from the payment of the dividend to shareholders of NORMA Group, amounting to EUR 35,049 thousand (2018: EUR 33,456 thousand), cash outflows resulting from interest paid (2019 EUR 15,070 thousand; inclusively interest paid for lease liabilities of EUR 1,260 thousand; 2018: 13,676) as well as repayments of derivatives in the amount of EUR 83 thousand (2018: proceeds of EUR 409 thousand).

Furthermore, net repayments for loans amounting to EUR 32,936 thousand (2018: net proceeds of EUR 64,734 thousand) → NOTE 5. (C) 'LIQUIDITY RISKS' dividend payments to non-controlling interests in the amount of EUR 43 thousand (2018: EUR 134 thousand), repayments for liabilities of ABS and factoring in the amount of EUR 791 thousand (2018: proceeds of EUR 15,467 thousand) and repayments for lease liabilities in the amount of EUR 10,058 thousand (2018: EUR 123 thousand), disclosed as cash flows from financing activities. → NOTE 20. 'LEASES' AND 21. (E) 'FINANCIAL LIABILITIES AND NET DEBT'

In addition, payments for the acquisition of shares in a subsidiary from the acquisition of non-controlling interests in the amount of EUR 1,121 thousand are included in the cash flow from financing activities in fiscal year 2018.

The changes in balance sheet items that are presented in the Consolidated Statement of Cash Flows cannot be derived directly from the balance sheet, as the effects of currency translation are non-cash transactions and changes in the consolidated Group are shown directly in the net cash used in investing activities.

Cash is comprised of cash on hand and demand deposits of EUR 174,918 thousand on December 31, 2019 (Dec 31, 2018: EUR 185,870 thousand), as well as cash equivalents with a value of EUR 4,803 thousand (Dec 31, 2018: EUR 4,522 thousand).

Cash from China, India, Russia, Brazil and Malaysia (Dec 31, 2019: EUR 43,364 thousand, Dec 31, 2018: EUR 29,999 thousand) cannot currently be distributed due to restrictions on capital movements.

Reconciliation of debt movements to cash flows from financing activities

The following table represents the reconciliation from the opening balance sheet values of the financial statements of debt arising from financing activities for the relevant closing balance sheet items and which led to changes in equity.

Reconciliation of changes in assets and liabilities to cash flows from financing activities

T131

		Financial liabilites					Derivatives held to hedge financial liabilities (assets (-) / liabilites(+))		Equity			
in EUR thousands	Note	Short-term loans payable	Long-term loans payable	Borrowings from the ABS / factoring programs	Lease liabilities	Liabilities from put / call option for NCI	Interest rate swaps – cash flow hedge	Foreign currency derivatives – fair value hedge	Retained earnings	Other Reserves	Non-controlling interests	Total
Balance as of December 31, 2018		**113,332**	**455,759**	**15,467**	**32**	**1,976**	**– 1,897**	**– 4**	**356,022**	**2,517**	**1,717**	**944,921**
Changes in cash flow from financing activities												
Loan proceeds	(21. (e))	15,000	248,664									263,664
Loan repayments	(21. (e))	– 114,830	– 180,979	– 791								– 296,600
Inflow (+)/ outflow (–) from hedging derivatives	(21. (f))							– 83				– 83
Interest paid		– 13,774			– 1,260		727					– 14,307
Repayment of debts from leases	(21. (e))				– 10,058							– 10,058
Dividends paid	(24)								– 35,049		– 43	– 35,092
Total change in cash flow from the financing activities	(29)	**– 113,604**	**67,685**	**– 791**	**– 11,318**	**0**	**727**	**– 83**	**– 35,049**	**0**	**– 43**	**– 92,476**
Effects of changes in exchange rates		**3,031**	**1,627**		**– 10**						**– 123**	**4,525**
Changes in the fair value							**1,646**	**74**		**– 1,645**		**75**
Other changes						**– 378**						
Based on debt												
Interest expense		13,712	356		1,260	33			n/a	– 727	n/a	14,634
First time adoption of IFRS 16					34,661							34,661
New leases					13,970				n/a	n/a	n/a	13,970
Transfer		29,500	– 29,500						n/a	n/a	n/a	0
Other changes related to debt		**43,212**	**– 29,144**	**0**	**49,891**	**33**	**0**	**0**	**n/a**	**– 727**	**n/a**	**63,265**
Other changes related to equity	(24)	**n/a**	**n/a**	**n/a**	**n/a**		**n/a**	**n/a**	**54,870**	**9,705**	**25**	**54,870**
Balance as of December 31, 2019		**45,971**	**495,927**	**14,676**	**38,595**	**1,631**	**476**	**– 13**	**375,843**	**9,850**	**1,576**	**975,180**

30. Segment reporting

Segment reporting T132

	EMEA		Americas		Asia-Pacific		Total segments		Central functions		Consolidation		Consolidated Group	
in EUR thousands	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Total revenue	523,199	543,126	460,320	451,171	166,639	151,293	1,150,158	1,145,590	26,545	26,554	– 76,607	– 88,004	1,100,096	1,084,140
thereof inter-segment revenue	37,229	48,322	9,552	9,657	3,281	3,471	50,062	61,450	26,545	26,554	– 76,607	– 88,004		
Revenue from external customers	**485,970**	**494,804**	**450,768**	**441,514**	**163,358**	**147,822**	**1,100,096**	**1,084,140**	**0**	**0**	**0**	**0**	**1,100,096**	**1,084,140**
Contribution to consolidated Group sales	44%	46%	41%	41%	15%	13%	100%	100%						
Adjusted gross profit [1]	296,828	306,174	257,378	254,089	76,007	67,234	630,213	627,497	n/a	n/a	422	– 920	630,635	626,577
Adjusted EBITDA [1]	**90,815**	**95,534**	**79,606**	**87,175**	**28,012**	**22,977**	**198,433**	**205,686**	**– 11,116**	**– 4,025**	**– 89**	**– 297**	**187,228**	**201,364**
Adjusted EBITDA margin [1, 2]	17.4%	17.6%	17.3%	19.3%	16.8%	15.2%							17.0%	18.6%
Depreciation without PPA depreciation [3]	– 17,201	– 13,162	– 15,585	– 8,886	– 7,909	– 4,712	– 40,695	– 26,760	– 1,734	– 1,422			– 42,429	– 28,182
Adjusted EBITA [1]	**73,614**	**82,372**	**64,021**	**78,289**	**20,103**	**18,265**	**157,738**	**178,926**	**– 12,850**	**– 5,447**	**– 89**	**– 297**	**144,799**	**173,182**
Adjusted EBITA margin [1, 2]	14.1%	15.2%	13.9%	17.4%	12.1%	12.1%							13.2%	16.0%
Assets [4]	632,012	624,446	655,301	649,757	258,943	250,416	1,546,256	1,524,619	301,560	361,153	– 333,476	– 414,086	1,514,340	1,471,686
Liabilities [5]	204,606	198,342	271,858	291,204	53,732	54,814	530,196	544,360	631,795	671,394	– 277,105	– 346,509	884,886	869,245
CAPEX	25,003	28,275	18,041	21,103	12,352	11,707	55,396	61,085	1,510	2,170	n/a	n/a	56,906	63,255
Number of employees [6]	3,612	3,613	1,735	1,727	1,340	1,160	6,687	6,500	111	114	n/a	n/a	6,798	6,614

1_For details regarding the adjustments, refer to → NOTE 7.
2_Based on segment sales.
3_Depreciation from purchase price allocations.
4_Including allocated goodwill, taxes are shown in the column 'consolidation'.
5_Taxes are shown in the column 'consolidation'.
6_Number of employees (average headcount).

NORMA Group segments the Group at a regional level. The reportable segments of NORMA Group are EMEA, the Americas and Asia-Pacific. NORMA Group's vision includes regional growth targets. Distribution Services are focused regionally and locally. EMEA, the Americas and Asia-Pacific have linked regional intercompany organizations with different functions. As a result, the Group's management reporting and controlling system has a regional focus. The product portfolio does not vary significantly between these segments.

Revenues of each segment are generated from the three product categories clamps (CLAMP), joining elements (CONNECT) and fluid systems / connectors (FLUID).

NORMA Group measures the performance of its segments through profit or loss indicators which are referred to as 'adjusted EBITDA' and 'adjusted EBITA'.

'Adjusted EBITDA' comprises revenue, changes in inventories of finished goods and work in progress, other own work capitalized, raw materials and consumables used, other operating income and expenses, and employee benefits expense, adjusted for material one-time effects. EBITDA is measured in a manner consistent with that used in the Consolidated Statement of Comprehensive Income.

'Adjusted EBITA' includes, in addition to EBITDA, the depreciation adjusted for depreciation from purchase price allocations.

In 2019 and 2018, expenses for special impacts were adjusted. An overview of those adjustments and a reconciliation from unadjusted to adjusted income statement is explained under → NOTE 7. 'ADJUSTMENTS'

Inter-segment revenue is recorded at values that approximate third-party selling prices.

Segment assets comprise all assets less (current and deferred) income tax assets. Taxes are shown in the reconciliation. Segment assets and liabilities are measured in a manner consistent with that used in the Consolidated Statement of Financial Position. Assets of the 'Central Functions' include mainly cash and intercompany receivables.

Segment liabilities comprise all liabilities less (current and deferred) income tax liabilities. Taxes are shown in the consolidation. Segment assets and liabilities are measured in a manner consistent with that used in the Consolidated Statement of Financial Position. Liabilities of the 'Central Functions' include mainly borrowings.

Capex equals additions to non-current assets (property, plant and equipment and other intangible assets).

Current and deferred tax assets and liabilities are shown in the consolidation. On December 31, 2019, EUR 19,155 thousand (Dec 31, 2018: EUR 14,256 thousand) in tax assets and EUR 73,274 thousand (Dec 31, 2018: EUR 79,679 thousand) in tax liabilities were shown in the consolidation.

External sales per country, measured according to the place of domicile of the company which manufactures the products, are as follows:

External sales per country T133

in EUR thousands	2019	2018
Germany	186,834	203,820
USA, Mexico, Brazil	450,768	441,514
Other countries	462,494	438,806
	1,100,096	**1,084,140**

Non-current assets per country include non-current assets less deferred tax assets, derivative financial instruments, and shares in consolidated related parties and are as follows:

Non-current assets per country T134

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Germany	134,946	132,109
USA, Mexico, Brazil	470,872	449,366
Sweden	48,303	48,501
Other countries	313,776	299,932
Consolidation	– 14,595	– 10,401
	953,302	**919,507**

31. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business (e.g. warranty obligations).

NORMA Group does not believe that any of these contingent liabilities will have a material adverse effect on its business or any material liabilities will arise from contingent liabilities.

32. Commitments

Capital commitments

Capital expenditure (nominal value) contracted for on the balance sheet date but not yet incurred is as follows:

Commitments T135

in EUR thousands	Dec 31, 2019	Dec 31, 2018
Property, plant and equipment	5,386	8,774

There are no material commitments concerning intangible assets.

33. Related party transactions

Sales and purchases of goods and services

In 2019 and 2018, no management services were bought from related parties.

There were no material sales or purchases of goods and services from non-consolidated companies, from the shareholders of NORMA Group, from key management or from other related parties in 2019 and 2018.

Compensation of members of the Management Board

Compensation of the members of the Management Board according to IFRS is as follows:

Compensation of members of the Management Board (IFRS) T136

in EUR thousands	2019	2018
Short-term benefits	3,458	3,989
Other long-term benefits	0	10
Termination benefits	902	763
Share-based payment	– 31	– 526
Total compensation according to IFRS	**4,329**	**4,164**

In the 2019 financial year, additional termination benefits amounting to EUR 1,480 thousand (2018: EUR 298 thousand) were recognised.

Provisions for the compensation of the members of the Management Board are as follows:

Provisions for compensation of the Management Board members T137

in EUR thousands	Note	Dec 31, 2019	Dec 31, 2018
LTI – Management Board	(27)	59	706
STI – Management Board	(27)	2,198	1,706
Matching Stock Program (MSP)	(25)	833	948
NORMA VA Bonus	(27)	913	1,256
Total		**4,003**	**4,616**

Details regarding the individual provisions can be found in the respective notes.

Besides the provisions shown above, a defined benefit obligation exists for the Management Board. The present value of the obligation amounts to EUR 4,114 thousand as of December 31, 2019 (Dec 31, 2018: EUR 1,776 thousand). → NOTE 26. 'RETIREMENT BENEFIT OBLIGATIONS'.

Details regarding the compensation of the Management Board can be found un the → REMUNERATION REPORT P. 103

34. Additional disclosures pursuant to section 315e (1) of the German Commercial Code (HGB)

Compensation of Board members

The remuneration of the Management Board and Supervisory Board was as follows:

Compensation of Board members T138

in EUR thousands	2019	2018
Total Management Board	3,458	3,989
Total Supervisory Board	488	446
	3,946	**4,435**

In the 2019 financial year, additional termination benefits amounting to EUR 1,480 thousand were recognised.

The remuneration of the members of the Management Board was as follows:

Compensation of members of the Management Board T139

	Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Bernd Kleinhens (until July 31, 2019)		John Stephenson (until Jan 31, 2018)		Total	
in EUR thousands	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Fixed compensation	423	387	334	83	310	524	0	24	1,067	1,018
Variable compensation	572	590	409	106	572	1,011	0	0	1,553	1,707
Long-term incentives	438	591	219	74	181	591	0	8	838	1,264
Total compensation	**1,433**	**1,568**	**962**	**263**	**1,063**	**2,126**	**0**	**32**	**3,458**	**3,989**

In the fiscal year 2019, expenses for the termination of Mr. Kleinhen's activities, in total EUR 1,480 thousand, are recognised (2018: EUR 298 thousand expenses for Mr. Deggim for termination of his activities).

Besides these expenses, expenses for a defined benefit obligation were recognized in 2019 as follows → NOTES 26. 'RETIREMENT BENEFIT OBLIGATIONS':

Section 314 para 1 No 6a HGB: retirement benefit obligations T140

	Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Bernd Kleinhens (until July 31, 2019)		Total	
in EUR thousands	2019	2018	2019	2018	2019	2018	2019	2018
Present value of the obligation	1,843	1,005	367	53	n/a	371	2,210	1,429
Amount spent / deferred	838	526	314	53	277	371	1,429	950

The defined benefit obligation of pension commitments to prior members of the Management Board and their dependants was EUR 847 thousand as of December 31, 2019 (2018: EUR 0 thousand)

Fees for the auditor

Fees for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt / Main were expensed as follows:

Fees for the auditor T141

in EUR thousands	2019	2018
Auditing services	603	662
Other confirmation services	35	38
Other services	37	116
	675	**816**

In addition to auditing services, the auditor provided confirmation services for financial covenants audit. Other services include audit of the Nonfinancial Statement.

Headcount

The average headcount breaks down as follows:

Average headcount T142

Number	2019	2018
Direct labor	3,291	3,226
Indirect labor	1,294	1,239
Salaried	2,213	2,149
	6,798	**6,614**

The category 'direct labor' consists of employees who are directly engaged in the production process. The numbers fluctuate according to the level of output. The category 'indirect labor' consists of personnel that does not directly produce products, but rather supports production. Salaried employees are employees in administrative / sales / central functions.

Consolidation

Name, place of domicile and share in capital pursuant to section 313 (2) No. 1 HGB of the consolidated group of companies is presented in → NOTE 4. 'SCOPE OF CONSOLIDATION'.

Proposal for the distribution of earnings

The Management Board and Supervisory Board of NORMA Group SE propose to the Annual General Meeting, which has been postponed from May 14, 2020, to June 30, 2020, to suspend the dividend for fiscal year 2019. This proposal takes into account the forecast for fiscal year 2020 that has been adjusted in connection with COVID-19.

Corporate Governance (section 161 AktG)

The Management Board and Supervisory Board have issued a Corporate Governance Declaration pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz) and made it available to shareholders on the website of NORMA Group. WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

35. Exemptions under section 264, paragraph 3 of the German Commercial Code (HGB)

In 2019, the following German subsidiaries made use of disclosure exemptions pursuant to section 264, paragraph 3 of the German Commercial Code (HGB):

- NORMA Group Holding GmbH, Maintal
- NORMA Distribution Center GmbH, Marsberg
- NORMA Germany GmbH, Maintal
- NORMA Verwaltungs GmbH, Maintal
- STATEK Stanzereitechnik GmbH, Maintal

36. Events after the balance sheet date

The global spread of the novel COVID-19 has increased continuously in the first weeks and months of fiscal year 2020. The forecast prepared in this Consolidated Management Report was made before the drastic spread of COVID-19 and thus at a time when the economic effects of the virus could not yet be reflected. In light of this situation, there are noticeable uncertainties with regard to the negative effects on future macroeconomic development in the further course of the current financial year. However, the Management Board of NORMA Group assumes that, should it be impossible to contain this pandemic in a timely manner, its further spread will lead to significant losses and negative effects on the markets relevant to NORMA Group and thus also on the business development of NORMA Group.

Appendix to the Notes to the Consolidated Financial Statements

Voting rights notifications

According to section 160 (1) No. 8 AktG, information regarding voting rights that have been notified to the Company pursuant to section 33 (1) or (2) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) must be disclosed.

The following table gives an overview of all voting rights notifications that have been sent to the Company as of March 9, 2020. It contains the information of the last notification of each shareholder. The percentage and shares may have changed in the meantime.

All notifications of shareholder voting rights in the year under review and beyond are available on the website of NORMA Group.

WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

Voting rights notifications T143

Notifying party	Achievement of voting rights	Touched or exceeded reporting threshold	Share in %	Shares	Pursuant to WpHG
Allianz Global Investors GmbH, Frankfurt / Main, Germany [1]	Feb 18, 2020	more than 15%	15.20%	4,843,141	section 33, 34 WpHG
T. Rowe Price International Ltd, London, United Kingdom [2]	Feb 11, 2020	more than 5%	5.01%	1,596,572	section 33, 34 WpHG
T. Rowe Price International Discovery Fund, Baltimore, Maryland, USA [2]	Feb 05, 2020	more than 3%	3.08%	982,752	section 33, 34 WpHG
BNP Paribas Asset Management Holding S.A., Paris, France	Feb 04, 2020	less than 3%	0.00%	0	section 33, 34 WpHG
BNP Paribas Asset Management France S.A.S., Paris, France	Feb 04, 2020	more than 3%	3.90%	1,242,634	section 33, 34 WpHG
Allianz Global Investors Fund SICAV, Senningerberg, Luxembourg [1]	July 19, 2019	more than 3%	3.30%	1,050,330	section 33, 34 WpHG
AXA S.A., Paris, France	June 25, 2019	less than 3%	2.99%	953,618	section 33, 34 WpHG
Ministry of Finance on behalf of the State of Norway, Oslo, Norway [3]	May 13, 2019	less than 3%	2.68%	852,437	section 33, 34 WpHG
Atlantic Value General Partner Limited, London, United Kingdom	May 05, 2019	more than 3%	3.10%	986,195	section 33, 34 WpHG
The Capital Group Companies, Inc., Los Angeles, California, USA	Apr 03, 2019	less than 3%	2.85%	907,240	section 33, 34 WpHG
Threadneedle Management Luxembourg SA, Bertrange, Luxembourg [4]	Feb 28, 2019	more than 5%	5.004%	1,594,389	section 33, 34 WpHG
Impax Asset Management Group plc, London, United Kingdom	Feb 12, 2019	more than 5%	5.08%	1,617,656	section 33, 34 WpHG
Allianz SE, Munich, Germany	Oct 25, 2018	more than 3%	3.04%	968,681	section 33, 34 WpHG

1_The 15.20% of Allianz Global Investors GmbH (Frankfurt / Main, Germany) contain the 3.30% of the self-reportable Allianz Global Investors Fund SICAV (Sennigerberg, Luxembourg).
2_Looking at the entire corporate chain, T. Rowe Price Group Inc. (Baltimore, USA) through its subsidiaries T. Rowe Price International Ltd (London, United Kingdom) and T. Rowe Price International Funds and T. Rowe Price International Discovery Funds (both Baltimore, USA) holds 5.01%.
3_The Ministry of Finance on behalf of the State of Norway holds 2.68% direct voting rights and 0.51% indirect voting rights through instruments, for a total of 3.18%.
4_Looking at the entire corporate chain, Ameriprise Financial Inc. (Wilmington, USA) holds a total of 8.35%. The two subsidiaries Threadneedle Asset Management Limited (London, Great Britain) and Threadneedle Management Luxembourg SA (Bertrange, Luxembourg) hold 6.79% and 5.004%, respectively.

Corporate bodies of NORMA Group SE

Members of the Management Board

Dr. Michael Schneider
PhD in Economics
Chief Executive Officer (CEO) since November 14, 2019 and
Chief Financial Officer (CFO) since November 14, 2019 ad interim

- Member of the Supervisory Board of Leitwerk AG, Appenweier, Germany
- Member of the Supervisory Board of accuris AG, Munich, Germany

Dr. Friedrich Klein
Master's degree in Mechanical Engineering
Chief Operating Officer (COO), since October 1, 2018

Bernd Kleinhens
Master's degree in Mechanical Engineering,
Chief Executive Officer (CEO)
until July 31, 2019

Members of the Supervisory Board

Lars M. Berg (Chairman)
- Consultant
- Chairman of the Supervisory Board of Greater Than AB, Stockholm, Sweden (listed on the stock exchange)

Erika Schulte (Vice chairwoman)
- Managing Director of Hanau Wirtschaftsförderung GmbH, Hanau, Germany
- No seats on other boards or comparable committees

Rita Forst
- Consultant
- Member of the Supervisory Board (Non-Executive Director) of AerCap Holdings N.V., Dublin, Ireland (listed on the stock exchange) – since April 2019
- Member of the Advisory Board of Joh. Winklhofer Beteiligungs GmbH & Co. KG, Munich, Germany (not listed on the stock exchange)
- Member of the Supervisory Board of ElringKlinger AG, Dettingen, Germany (listed on the stock exchange)
- Member of the Advisory Board of Westport Fuel Systems Inc., Vancouver, Canada (listed on the stock exchange)
- Member of the Advisory Board of Metalsa, S.A. de C.V., Monterrey, Mexico (not listed on the stock exchange) – until May 2019

Günter Hauptmann
- Consultant
- Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)

Dr. Knut J. Michelberger
- Consultant
- Member of the Supervisory Board of Weener Plastics Group, Ede, The Netherlands (not listed on the stock exchange)
- Member of the Advisory Board (Deputy Chairman) of Racing TopCo GmbH, Troisdorf, Germany (not listed on the stock exchange)
- Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany (not listed on the stock exchange)
- Member of the Advisory Board of Tegimus Holding GmbH, Frankfurt, Germany (not listed on the stock exchange)
- Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)
- Member of the Advisory Board of Rena Technologies GmbH, Gütenbach, Germany (not listed on the stock exchange) – until January 2019

Mark Wilhelms
- Chief Financial Officer at Stabilus S.A., Luxembourg
- No seats on other boards or comparable committees

Maintal, March 9, 2020 / March 23, 2020

NORMA Group SE

The Management Board

Dr. Michael Schneider
Chief Executive Officer (CEO)

Dr. Friedrich Klein
Chief Operating Officer (COO)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Consolidated 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.

Maintal, March 9, 2020 / March 23, 2020

NORMA Group SE

The Management Board

Dr. Michael Schneider
Chief Executive Officer (CEO)

Dr. Friedrich Klein
Chief Operating Officer (COO)

Independent Auditor's Report

To NORMA Group SE, Maintal

Report on the Audit of the Consolidated Financial Statements and of the Consolidated Management Report

Audit opinions

We have audited the Consolidated Financial Statements of NORMA Group SE, Maintal, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2019 and the Consolidated Statement of Comprehensive Income, consolidated statement of profit or loss, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the financial year from 1 January to 31 December 2019, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Consolidated Management Report of NORMA Group SE for the financial year from 1 January to 31 December 2019. We have not audited the content of those parts of the Consolidated Management Report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019 and
- the accompanying Consolidated Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Consolidated Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Consolidated Management Report does not cover those parts of the Consolidated Management Report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and of the Consolidated Management Report.

Basis for the audit opinions

We conducted our audit of the Consolidated Financial Statements and of the Consolidated Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Consolidated Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Consolidated Financial Statements and on the Consolidated Management Report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1. Recoverability of goodwill

Our presentation of this key audit matter has been structured in each case as follows:

a) Matter and issue

b) Audit approach and findings

c) Reference to further information

Hereinafter we present the key audit matters:

Recoverability of goodwill

a) In the Consolidated Financial Statements of NORMA Group SE a total amount of EUR 393.1 million, representing around 26% of total assets, is reported under the balance sheet item "Goodwill". The Company allocates goodwill to the groups of cash-generating units, which correspond to the Group's operating segments. Goodwill is tested for impairment ("impairment test") on an annual basis or if there are indications that goodwill may be impaired, to determine any possible need for write-downs. For the purposes of the impairment test the carrying amount of the relevant cash-generating unit is compared with its fair value less costs of disposal. This measurement is generally based on the present value of the future cash flows of the relevant cash-generating unit to which the respective goodwill is allocated. Present values are calculated using discounted cash flow models. For this purpose, the Group's five-year financial plan prepared by the executive directors and adopted by the Supervisory Board forms the starting point for future projections based on assumptions about long-term rates of growth. In doing so, expectations relating to future market developments and country-specific assumptions about the performance of macroeconomic indicators are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b) As part of our audit, we evaluated the methodology used for the purposes of performing the impairment test, among other things. We also assessed whether the future cash inflows underlying the measurements and the discount rates used on the whole provide an appropriate basis for the impairment tests of the individual cash-generating units. We assessed the appropriateness of the future cash inflows used in the calculation, inter alia, by comparing this data with the current budgets in the five-year financial plan prepared by the executive directors and approved by the Supervisory Board, and by reconciling it with general and sector-specific market expectations. In addition, we assessed whether the basis for including the costs of Group functions was appropriate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. Furthermore, in addition to the analyses carried out by the Company we performed our own sensitivity analyses and, taking into account the information available, determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement parameters and assumptions used by the executive directors are comprehensible.

c) The Company's disclosures on goodwill are contained in sections 3 and 18 of the Notes to the Consolidated Financial Statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Consolidated Management Report:

- the group statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Principles of the group" of the Consolidated Management Report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report– excluding cross-references to external information – with the exception of the audited Consolidated Financial Statements, the audited Consolidated Management Report and our auditor's report.

Our audit opinions on the Consolidated Financial Statements and on the Consolidated Management Report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Consolidated Financial Statements, with the Consolidated Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated

Responsibilities of the executive directors and the Supervisory Board for the Consolidated Financial Statements and the Consolidated Management Report

The executive directors are responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Consolidated Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Consolidated Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Consolidated Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Consolidated Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Consolidated Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Consolidated Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the Consolidated Financial Statements and on the Consolidated Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Consolidated Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Consolidated Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Consolidated Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements and in the Consolidated Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the Consolidated Financial Statements and on the Consolidated Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Consolidated Management Report with the Consolidated Financial Statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Consolidated
- Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to article 10 of the EU audit regulation

We were elected as group auditor by the annual general meeting on 21 May 2019. We were engaged by the Supervisory Board on 29 November 2019. We have been the group auditor of the NORMA Group SE, Maintal, without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit-committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to supplementary audit

We issue this audit report on the amended financial statements and the amended management report on the basis of our audit, duly completed as at 9 March 2020, and our supplementary audit completed as at 23 March 2020, related to the amendments of disclosures in the notes to the financial statements and the management report. Due to the consideration of new facts concerning the consequences of the coronavirus the forecast and the proposal of the distributions of earnings have been amended. We refer to the presentation of the amendments by the executive directors in the amended notes to the financial statements, section "Events after the balance sheet date" and "Proposal of the distributions of earnings", as well as the amended Consolidated Management Report, section "Forecast Report".

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Stefan Hartwig.

Frankfurt / Main, March 9, 2020

Limited to the amendments stated in the "Reference to Supplementary Audit" section above: 23 March 2020.

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Stefan Hartwig	**sgd. ppa. Richard Gudd**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Further Information

Further Information

Glossary

5S Methodology
5S is a method for organizing a work space for efficiency and effectiveness in order to reduce industrial accidents.

Aftermarket segment
The market concerned with the maintenance / repair of investment goods or long-life final goods (e.g. vehicles) or the sale of replacement parts or complementary parts for the goods. This involves the sale of services and / or parts that are directly related to the previous sale of the goods.

APAC
Abbreviation for the Asia-Pacific region.

Asset backed securities (ABS) program
A specific way of converting payment claims into negotiable securities with a financing company.

Best landed cost approach
Assessment of the total costs of a product including the price of the product as well as the charges for shipping, taxes and / or duties.

Brexit
In a referendum on June 23, 2016, the citizens of the United Kingdom voted against the country remaining in the European Union (EU). The collective consequence of the EU exit has taken on the popular, unofficial term of Brexit.

Bubble assignment
Short-term exchange program for employees to promote internal knowledge transfer, intercultural awareness, the development of networks and the individual development of participants.

Cash-pooling
Consolidating liquidity within the Group through central financial management with the purpose of compensating for excess liquidity or liquidity shortfalls.

Code of conduct
A set of policies which can and should be applied in a wide range of contexts and environments depending on the situation. In contrast to a rule, the target audience is not obliged to always comply with the Code of Conduct. A Code of Conduct is more of a personal commitment to follow or abstain from certain patterns of behavior, ensuring that nobody gains an unfair advantage by circumventing these patterns.

Commercial Paper
Commercial Paper (CP) is a short-term bond issue with a money market character.

Compliance
Conforming to rules: a company and its employees adhering to Codes of Conduct, laws and guidelines.

Corporate governance
A set of all international and national rules, regulations, values and principles which apply to companies and determine how these companies are to be managed and monitored.

Corporate responsibility
A form of corporate self-regulation integrated into a business model by taking societal and environmental aspects into account.

Coverage
The regular assessment of the economic and financial situation of a listed company by banks or financial research institutions.

Cross-selling effects
The action or practice of selling an additional product or service to an existing customer.

Distribution Services (DS)
One of NORMA Group's two ways to market, providing a wide range of high-quality, standardized joining products for a broad range of applications and customers.

Earnings before interest, taxes and amortization (EBITA)
EBITA describes earnings before interest, taxes and amortization of intangible assets. For long-term comparison and a better understanding of business development, NORMA Group adjusts the EBITA for certain one-time expenses. These are described in the Management Report as well as in the Notes to the Consolidated Financial Statements.

Earnings before interest, taxes, depreciation and amortization (EBITDA)
Earnings before interest, taxes, depreciation (of property, plant and equipment) and amortization (of intangible assets). It is a measure of a company's operating performance before investment expenses. For long-term comparison and a better understanding of its business development, NORMA Group adjusts the EBITDA for certain one-time expenses. These are described in the Management Report as well as in the Notes to the Consolidated Financial Statements.

EBITA margin (adjusted)
The adjusted EBITA margin is calculated from the ratio of adjusted EBITA to sales and is an indicator of the profitability of NORMA Group's business activities.

EBITDA margin (adjusted)
The adjusted EBITDA margin is calculated from the ratio of adjusted EBITDA to sales.

Economies of scale
Indicates the ratio of the production volume to the production factors used. In the case of positive scale effects, the production output is also increased with the intensification of production factors.

Elastomers
Stable but elastic plastics which are used at a temperature above their glass transition temperature. The plastics can deform under tensile or compressive load, but then return to their original shape.

EMEA
Abbreviation for the economic area of Europe (comprising Western and Eastern Europe), the Middle East and Africa.

Engineered Joining Technology (EJT)
One of NORMA Group's two ways to market. It provides customized, highly Engineered Joining Technology products primarily, but not exclusively, for industrial OEM customers.

Equity ratio
Equity in relation to total assets.

European market infrastructure regulation (EMIR)
EU regulation that regulates the over-the-counter market with derivative products. The main stipulation of this regulation obligates market participants to clear their over-the-counter standard derivative transactions through a central counterpart and report these transactions to a trade repository.

Fiat Chrysler Automobiles (FCA)
An automobile manufacturer formed from the merger of the Italian Fiat S.p.A. and the Us-Based Chrysler Group LLC.

Free cash flow
Indicates the amount of money that is available to pay dividends to shareholders and / or repay loans.

Gearing
Gearing is a measure of a company's debt level. Gearing is calculated from the ratio of net debt to equity.

Gemba walk
Daily walk through the production halls, inspecting individual processes in the opposite order of workflow and analyzing potential opportunities for improvements.

Global excellence program
A cost optimization program. It coordinates and manages all of NORMA Group's sites and business units.

IATF 16949
An international standard that combines the existing general demands on quality management systems of the (mostly North American and European) automotive industry.

IDW
The Institute of Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V.)

Initial public offering (IPO)
First offering of shares of a company on the regulated capital market.

Innovation roadmapping
Systematic approach to adapt company-specific product innovations to future market and technological developments.

Innovation scouting
Structured observation of changes, potentials and relevant knowledge of technological developments and processes.

International securities identification number (ISIN)
12-digit alphanumerical code used to identify a security traded on the stock market.

ISO 14001
An international environmental management standard that specifies the internationally accepted requirements for an environmental management system.

ISO 9001
International standard that defines the minimum requirements that quality management systems must meet.

ISO 45001
Health and Safety Management that replaces the current Occupational Health and Safety Assessment Series 18001 (OHSAS 18001)

Lean manufacturing
A systematic method for the elimination of waste within a manufacturing process. An integrated socio-technical system reduces or minimizes supply-side, customer-side and internal fluctuations.

Leverage
Leverage is a measure of a company's debt and is calculated as the ratio of net debt (without hedging instruments) to adjusted EBITDA over the last 12 months (LTM). For the purpose of a better comparison, adjusted EBITDA LTM includes the companies acquired during the year.

Long-term assignment
Long-term exchange program for employees to promote internal knowledge transfer, intercultural awareness, the development of networks and the individual development of participants.

Material cost ratio
The material cost ratio of NORMA Group results from the ratio of material expenses to sales.

Matching Stock Program (MSP)
The Matching Stock Program (MSP) provided a share price-based long-term incentive to commit to the success of the Company. The MSP is a share-based option right.

Net debt
Net debt is the sum of financial liabilities less cash and cash equivalents. Financial liabilities also include liabilities from derivative financial instruments that are held for trading purposes or as hedging instruments.

Net operating cash flow
Net operating cash flow is calculated on the basis of EBITDA plus changes in working capital, less investments from operating activities. Net operating cash flow is a key financial control figure for NORMA Group and serves as a measure for the Group's liquidity.

NORMA Value Added (NOVA)
A key financial control figure for NORMA Group that serves as a measure for the annual rise in corporate value.

OHSAS 18001
Occupational Health and Safety Assessment Series; certification of occupational health and safety management systems.

Original equipment manufacturer (OEM)
A company that retails products under its own name.

Peugeot Société Anonyme PSA
A French car manufacturer group that includes the Citroen, DS, Opel, Peugeot and Vauxhall brands.

Prime standard
A segment of the regulated stock market with higher inclusion requirements than the General Standard. It is the private law segment of the Frankfurt Stock Exchange with the highest transparency standards. All companies listed in the DAX, MDAX, TecDAX and SDAX must be included in the Prime Standard.

Reverse factoring
A financing solution initiated by the ordering party in order to help its suppliers finance their receivables more easily and at a lower interest rate than they would normally be offered.

Roadshow
Series of corporate presentations made to investors by an issuer at various financial locations to attract investment in the company.

Securities ID number (WKN)
A six-character combination of numbers and letters used in Germany to identify securities.

Selective catalytic reduction (SCR)
Selective catalytic reduction is a method used to reduce particle and nitric oxide emissions..

SMED (Single Minute Exchange of Die)
Optimization of set up times of processes through both organizational and technical measures.

Societas europaea (SE)
Legal form for stock companies in the European Union and the European Economic Area. With the SE, the EU started allowing for companies to be founded in accordance with a largely uniform legal framework at the end of 2004.

Thermoplasts (also known as plastomers)
Plastics which become elastic (thermoplastic) in a particular temperature range, whereby this process is reversible.

Weighted average cost of capital (WACC)
The weighted average cost of capital (WACC) represents a company's total costs of capital for liabilities and equity depending on the individual capital structure.

Working capital
Trade working capital describes the Group's current net operating assets and is calculated as the sum of inventories and trade receivables minus trade payables.

Xetra
An electronic trading system operated by Deutsche Börse AG for the spot market.

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Overview by Quarter

Overview by Quarter [1] T144

		Q1 2019 [2]	Q2 2019 [2]	Q3 2019 [2]	Q4 2019 [2]
Income statement					
Revenue	EUR million	275.6	289.0	274.0	261.4
Adjusted gross profit	EUR million	161.3	167.1	159.0	143.3
Adjusted EBITA	EUR million	39.6	40.9	38.7	25.5
Adjusted EBITA margin	%	14.4	14.2	14.1	9.8
EBITA	EUR million	36.9	32.8	35.0	23.3
Adjusted profit for the period	EUR million	25.2	25.7	23.3	13.7
Adjusted EPS	EUR	0.79	0.81	0.73	0.43
Profit for the period	EUR million	19.2	15.6	16.4	7.3
EPS	EUR	0.60	0.49	0.52	0.23
NOVA (NORMA Value Added) [3]	EUR million	10.9	10.5	8.1	– 4.5
Cash flow					
Cash flow from operating activities	EUR million	9.8	27.0	38.4	61.9
Net operating cash flow	EUR million	– 0.3	28.8	37.4	57.0
Cash flow from investing activities	EUR million	– 16.6	–11.6	– 11.3	– 17.5
Cash flow from financing activities	EUR million	– 13.9	– 40.8	– 8.1	– 30.4
Balance sheet		**Mar 31, 2019**	**Jun 30, 2019**	**Sep 30, 2019**	**Dec 31, 2019**
Total assets	EUR million	1,533.7	1,505.8	1,553.7	1,514.3
Equity	EUR million	631.6	602.5	634.9	629.5
Equity ratio	%	41.2	40.0	40.9	41.6
Net debt [4]	EUR million	455.5	479.0	464.2	420.8

1_Minor deviations may occur due to commercial rounding for the full year 2019 compared with the summation of the corresponding quarterly amounts.
2_The adjustments are described in the Notes. → NOTES, P. 148
3_NOVA for Q1 bis Q3 2019 as reported on the corresponding reporting dates.
4_Including derivative hedging instruments.

Multi-Year Overview

Multi-Year Overview [1]

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		2019 [2]	2018	2017	2016	2015	2014	2013	2012 [3]
Order situation									
Order book (Dec 31)	EUR million	358.3	379.2	329.1	302.4	295.8	279.6	236.7	215.4
Income statement									
Revenue	EUR million	1,100.1	1,084.1	1,017.1	894.9	889.6	694.7	635.5	604.6
thereof EMEA	EUR million	486.0	494.8	485.9	432.0	416.0	394.5	388.0	367.5
thereof Americas	EUR million	450.8	441.5	411.3	381.6	395.3	237.8	191.5	193.3
thereof Asia-Pacific	EUR million	163.4	147.8	119.9	81.3	78.2	62.5	56.0	43.8
EJT	EUR million	665.5	684.6	638.2	535.9	540.3	481.0	443.9	427.6
DS	EUR million	430.2	393.8	372.3	354.5	344.1	211.5	193.6	174.5
Adjusted gross profit	EUR million	630.6	626.6	601.3	545.6	533.1	405.6	371.4	344.4
Adjusted EBITA	EUR million	144.8	173.2	174.5	157.5	156.3	121.5	112.6	105.4
Adjusted EBITA margin	%	13.2	16.0	17.2	17.6	17.6	17.5	17.7	17.4
EBITA	EUR million	127.9	164.8	166.8	150.4	150.5	113.3	112.1	105.1
EBITA margin	%	11.6	15.2	16.4	16.8	16.9	16.3	17.6	17.4
Adjusted profit for the period	EUR million	87.8	114.8	105.0	94.6	88.7	71.5	62.1	61.8
Profit for the period	EUR million	58.4	91.8	119.8	75.9	73.8	54.9	55.6	56.6
Adjusted EPS	EUR	2.76	3.61	3.29	2.96	2.78	2.24	1.95	1.94
EPS	EUR	1.83	2.88	3.76	2.38	2.31	1.72	1.74	1.78
Financial result	EUR million	– 15.5	– 11.7	– 16.1	– 14.6	– 17.2	– 14.5	– 15.6	– 13.2
Adjusted tax rate	%	27.1	24.9	30.0	28.9	32.1	33.3	32.6	30.3
R&D expenses	EUR million	31.2	30.5	29.4	28.8	25.4	25.7	21.9	22.1
R&D ratio (in relation to EJT sales)	%	4.7	4.5	4.6	5.4	4.7	5.3	4.9	5.1
(Adjusted) cost of materials	EUR million	477.4	473.1	418.6	352.9	362.9	289.9	269.4	263.5
(Adjusted) cost of materials ratio	%	43.4	43.6	41.2	39.4	40.8	41.7	42.4	43.6
(Adjusted) Personnel expenses	EUR million	302.4	280.8	269.6	243.9	234.1	188.3	169.7	156.5
(Adjusted) personnel cost ratio	%	27.5	25.9	26.5	27.3	26.3	27.1	26.7	25.9
NOVA (NORMA Value Added)	EUR million	17.3	60.8	54.9	53.1	48.3	n/a	n/a	n/a

CONTINUED ON NEXT PAGE

Multi-Year Overview [1] (continued)

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		2019 [2]	2018	2017	2016	2015	2014	2013	2012 [3]
Cash flow									
Cash flow from operating activities	EUR million	137.1	130.8	146.0	149.2	128.2	96.4	115.4	96.1
Net operating cash flow	EUR million	122.9	124.4	132.9	148.5	134.7	109.2	103.9	81.0
Cash flow from investing activities	EUR million	– 57.0	– 129.5	– 70.8	– 133.8	– 44.5	– 265.1	– 43.4	– 58.1
Cash flow from financing activities	EUR million	– 93.2	31.3	– 77.7	49.6	– 70.4	57.7	51.7	– 34.1
Balance sheet									
Total assets	EUR million	1,514.3	1,471.7	1,312.0	1,337.7	1,167.9	1,078.4	823.7	691.8
Equity	EUR million	629.5	602.4	534.3	483.6	429.8	368.0	319.9	289.2
Equity ratio	%	41.6	40.9	40.7	36.2	36.8	34.1	38.8	41.8
Net debt [4]	EUR million	420.8	400.3	344.9	394.2	360.9	373.1	153.5	199.0
Working capital	EUR million	192.5	179.2	158.2	144.5	151.9	141.8	110.8	115.9
Working capital ratio	%	17.5	16.5	15.6	16.1	17.1	20.4	17.4	19.2
Employees									
Core workforce		6,523	6,901	6,115	5,450	5,121	4,828	4,134	3,759
Total workforce incl. temporary workers		8,521	8,865	7,667	6,664	6,306	5,975	4,947	4,485
Share									
Number of shares (weighted)		31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400
Number of shares (year-end)		31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400

1_Key figures prior to the IPO are not shown due to lack of comparability between HGB and IFRS. For this reason, the multi-year-overview includes only the years from 2010 onwards.
2_In 2019, adjustments were made which especially relate to the acquisitions and the rightsizing program which was initiated in the fourth quarter of 2018. The adjustments are described in the Notes.
→ NOTES, P. 148 The adjustments of prior years can be found in the corresponding Annual Reports.
3_2012: The accounting rules changed in 2013 due to the first-time application of IAS 19R. In order to better compare the earnings, assets and financial positions, the 2012 figures have been adjusted to suit the new accounting rules and may therefore deviate from the figures published in the 2012 Annual Report.
4_Including derivative hedging instruments.

Financial Calendar, Contact and Imprint

Financial Calendar 2020 T146

Date	Event
May 6, 2020	Publication of Interim Statement Q1 2020
June 30, 2020	Ordinary Annual General Meeting 2020, Frankfurt
Aug 5, 2020	Publication of Interim Report Q2 2020
Nov 4, 2020	Publication of Interim Statement Q3 2020

The financial calendar is constantly updated. Please visit the Investor Relations section on the Company website
WWW.NORMAGROUP.COM/CORP/EN/INVESTORS/

Editor

NORMA Group SE
Edisonstraße 4
63477 Maintal
Phone: + 49 6181 6102-740
E-mail: info@normagroup.com
www.normagroup.com

Contact

E-mail: ir@normagroup.com

Contact persons

Andreas Trösch
Vice President Investor Relations
Phone: + 49 6181 6102-741
E-mail: andreas.troesch@normagroup.com

Vanessa Wiese
Senior Manager Investor Relations
Phone: + 49 6181 6102-742
E-mail: vanessa.wiese@normagroup.com

Chiara von Eisenhart Rothe
Manager Investor Relations
Phone: + 49 6181 6102-748
E-mail: chiara.voneisenhartrothe@normagroup.com

Ivana Blazanovic
Manager Investor Relations
Phone: + 49 6181 6102-7603
E-mail: ivana.blazanovic@normagroup.com

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NORMA Group
MPM Corporate Communication Solutions, Mainz

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Note on the Annual Report
This Annual Report is also available in German. If there are differences between the two, the German version takes priority.

Note on rounding
Please note that slight differences may arise as a result of the use of rounded amounts and percentages.

Forward-looking statements
This Annual Report contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as 'believe,' 'estimate,' 'assume,' 'expect,' 'forecast,' 'intend,' 'could' or 'should' or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the Company's current assumptions, which may not in the future take place or be fulfilled as expected. The Company points out that such future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of NORMA Group SE and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for NORMA Group SE, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-orientedstatements in this Annual Report, no guarantee can be given that this will continue to be the case in the future.

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NORMA Group SE
Edisonstraße 4
63477 Maintal, Germany

Phone: + 49 6181 6102-740
E-mail: info@normagroup.com
Internet: www.normagroup.com