

INTERIM REPORT



SECOND QUARTER

2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Overview of Key Figures

| | | Q2 2018 ¹ | Q2 2017 ¹ | H1 2018 ¹ | H1 2017 ¹ |
|-------------------------------------|--------------|----------------------|----------------------|----------------------|----------------------|
| Order situation | | | | | |
| Order book (Jun 30) | EUR millions | – | – | 373.4 | 310.7 |
| Income statement | | | | | |
| Revenue | EUR millions | 276.4 | 264.1 | 549.0 | 519.0 |
| (Adjusted) gross profit | EUR millions | 162.5 | 157.8 | 321.2 | 310.0 |
| Adjusted EBITA | EUR millions | 42.0 | 46.6 | 87.7 | 91.7 |
| Adjusted EBITA margin | % | 15.2 | 17.7 | 16.0 | 17.7 |
| EBITA | EUR millions | 41.0 | 45.7 | 85.3 | 88.8 |
| EBITA margin | % | 14.8 | 17.3 | 15.5 | 17.1 |
| Adjusted profit for the period | EUR millions | 27.3 | 28.7 | 56.9 | 55.8 |
| Adjusted EPS | EUR | 0.86 | 0.90 | 1.78 | 1.75 |
| Profit for the period | EUR millions | 22.9 | 24.6 | 47.9 | 47.1 |
| EPS | EUR | 0.72 | 0.77 | 1.50 | 1.47 |
| Cash flow | | | | | |
| Operating cash flow | EUR millions | 33.1 | 32.9 | 27.2 | 42.2 |
| Net operating cash flow | EUR millions | 30.2 | 36.0 | 16.4 | 40.5 |
| Cash flow from investing activities | EUR millions | –17.9 | –22.2 | –30.0 | –44.5 |
| Cash flow from financing activities | EUR millions | 63.7 | –28.0 | 62.8 | –29.0 |
| Balance sheet | | | | | |
| Total assets | EUR millions | 1,431.5 | 1,312.0 | | |
| Equity | EUR millions | 555.1 | 534.3 | | |
| Equity ratio | % | 38.8 | 40.7 | | |
| Net debt | EUR millions | 392.0 | 344.9 | | |
| Employees | | | | | |
| Core workforce | | 6,407 | 6,115 | | |

1_Adjustments are described on → PAGE 37.
2_Xetra price

| | | H1 2018 | H1 2017 |
|--------------------------------------------------------|--------------|-----------------------------------------|---------|
| Non-financial control parameters | | | |
| Number of invention applications | | 22 | 15 |
| Defective parts per million (PPM) | | 5 | 18 |
| Quality-related customer complaints per month | | 7 | 9 |
| Share data | | | |
| IPO | | April 2011 | |
| Stock exchange | | Frankfurt Stock Exchange, Xetra | |
| Market segment | | Regulated Market (Prime Standard), MDAX | |
| ISIN | | DE000A1H8BV3 | |
| Security identification number | | A1H8BV | |
| Ticker symbol | | NOEJ | |
| Highest price H1 2018 ² | EUR | 70.15 | |
| Lowest price H1 2018 ² | EUR | 55.05 | |
| Closing price as of June 30, 2018 ² | EUR | 58.75 | |
| Market capitalization as of June 30, 2018 ² | EUR millions | 1,871.9 | |
| Number of shares | | 31,862,400 | |

Date of publication: August 1, 2018

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Contents

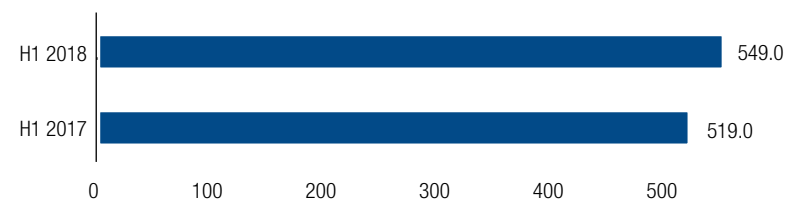
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|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Highlights First Half Year 2018

DEVELOPMENT OF SALES H1 2018

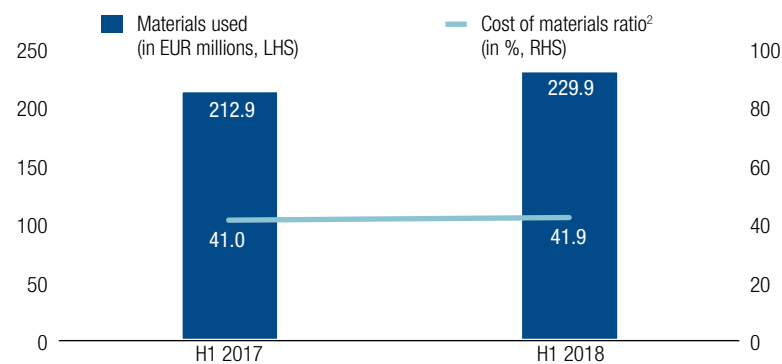
IN EUR MILLIONS



EFFECTS ON GROUP SALES

| | in EUR millions | Share in % |
|----------------------|-----------------|------------|
| Sales H1 2017 | 519.0 | |
| Organic growth | 57.0 | 11.0 |
| Acquisitions | 4.3 | 0.8 |
| Currency effects | -31.4 | -6.0 |
| Sales H1 2018 | 549.0 | 5.8 |

ADJUSTED COSTS OF MATERIALS AND COST OF MATERIALS RATIO¹

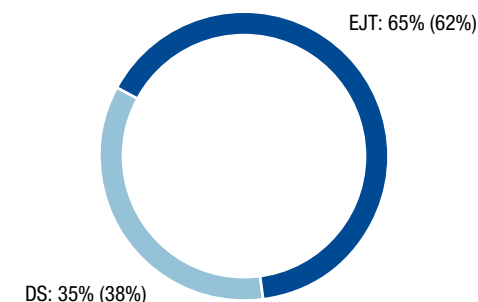


¹ Adjustments are described in the notes. → **NOTES, P. 37**

² In relation to sales.

DISTRIBUTION OF SALES BY SALES CHANNELS

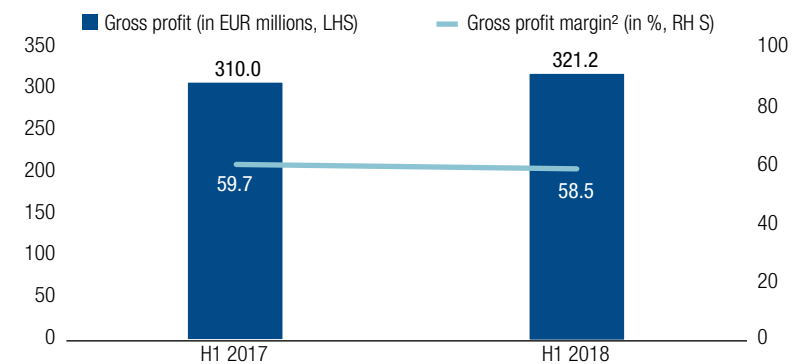
IN %, H1 2017 IN BRACKETS



DEVELOPMENT OF SALES CHANNELS

| | EJT | | DS | |
|-------------------------------|---------|---------|---------|---------|
| | H1 2018 | H1 2017 | H1 2018 | H1 2017 |
| Group sales (in EUR millions) | 353.4 | 321.9 | 192.3 | 193.9 |
| Growth (in %) | 9.8 | | -0.8 | |
| Share of sales (in %) | 64.8 | 62.4 | 35.2 | 37.6 |

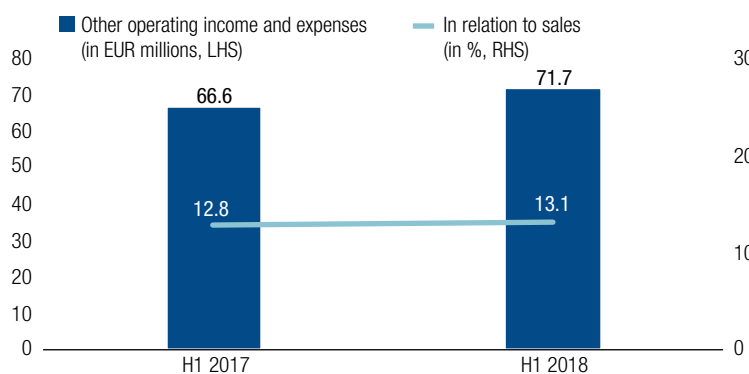
(ADJUSTED) GROSS PROFIT AND GROSS PROFIT MARGIN¹



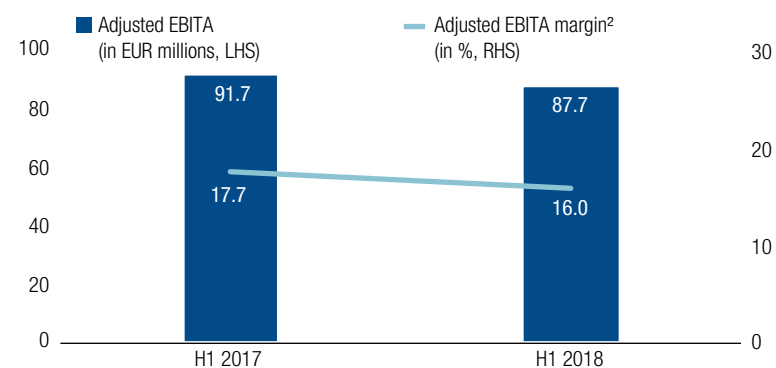
INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

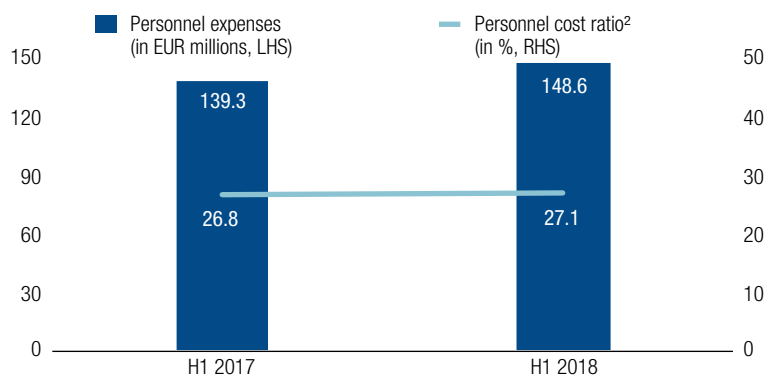
ADJUSTED OTHER OPERATING INCOME AND EXPENSES AS WELL AS IN RELATION TO SALES¹



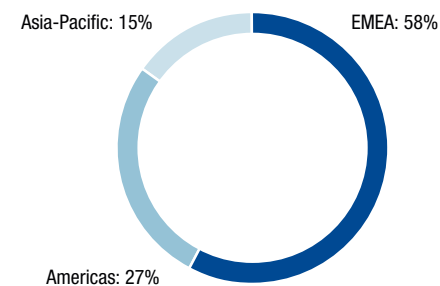
ADJUSTED EBITA AND ADJUSTED EBITA MARGIN¹



ADJUSTED PERSONNEL EXPENSES AND PERSONNEL COST RATIO¹



CORE WORKFORCE BY SEGMENT



NET OPERATING CASH FLOW

| IN EUR MILLIONS | H1 2018 | H1 2017 |
|-------------------------------------|---------|---------|
| Adjusted EBITDA ¹ | 100.9 | 104.1 |
| Changes in working capital | -57.9 | -45.4 |
| Investments from operating business | -26.6 | -18.2 |
| Net operating cash flow | 16.4 | 40.5 |

¹ Adjustments are described in the notes. -> **NOTES, P. 37**

² In relation to sales.

NORMA GROUP ON THE CAPITAL MARKET

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

HIGH VOLATILITY ON THE INTERNATIONAL FINANCIAL MARKETS

The first half of 2018 was characterized by high volatility on the international financial markets. While the stock markets in January 2018 initially reflected the previous positive trend, there were significant price corrections in February due to weaker economic indicators in the euro zone, impending US import tariffs and fears of the US economy overheating. After a brief recovery, fears of an escalation in the trade dispute between the US and China then put renewed pressure on the international capital markets late in the second quarter.

In light of this environment, the German stock market was also volatile. Its export bias made it one of the greatest victims of the tensions, reflected in the development of the leading German index DAX. It ended the first half of 2018 down 4.7% from the end of December 2017 at 12,306 points. The MDAX closed at -1.3% at 25,854 points.

The US Dow Jones Index also showed a negative trend, closing at the end of June at -1.8% from the end of 2017. The more broadly defined S&P 500 index achieved a slight plus of 1.7%.

NORMA GROUP SHARE OUTPERFORMS MDAX

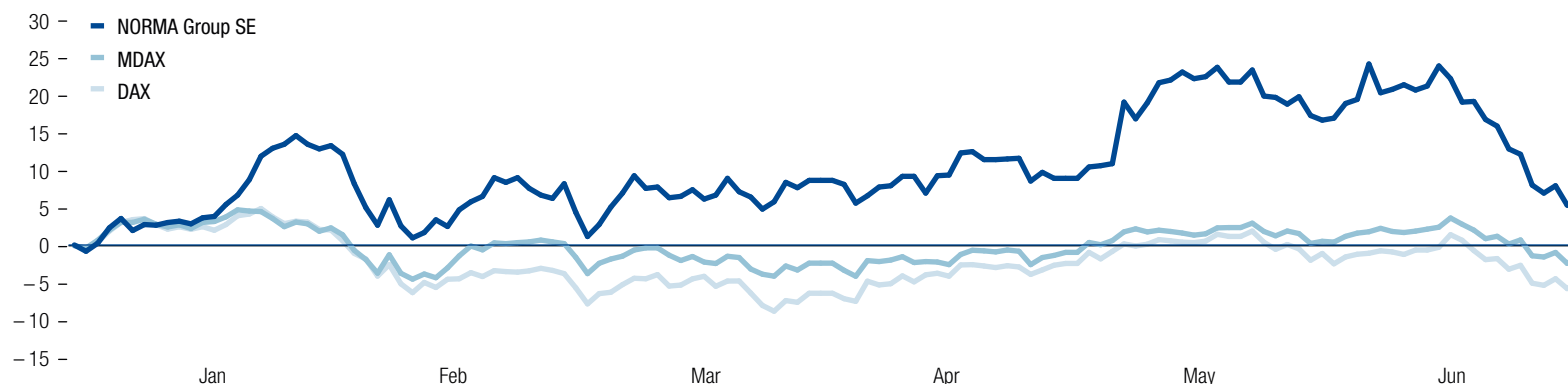
NORMA Group's share price was also volatile in the first half of 2018, reaching an all-time high of EUR 70.15 in mid-June. In the course of the weaker overall market, however, the price fell again towards the end of the second quarter, so that the share closed the first half of the year at EUR 58.75. Compared with the end of 2017, this corresponds to a positive price performance of 5.0%. As a result, the share clearly outperformed the MDAX index. The positive overall development is due in part to the strong sales development of the first quarter of 2018 as well as the associated increase of the Management Board's sales forecast for the full year of 2018 made in early May.

NORMA Group's market capitalization amounted to EUR 1.87 billion (Dec 31, 2017: EUR 1.78 billion) as of June 30, 2018, ranking 38th of 50 in the MDAX based on the market capitalization of the free float, a relevant metric for determining index membership.

TRADING VOLUME

In the period between January and June 2018, the average Xetra trading volume of the NORMA Group share was 81,909 per day (H1 2017: 108,480 shares). In terms of value, this equates to approximately EUR 5.06 million (H1 2017: EUR 4.88 million). The NORMA Group share thus ranked 49th out of 50 in the MDAX based on trading volume. The distribution of the total trading activities of NORMA Group shares on the various trading platforms is shown in the → **GRAPHIC: DISTRIBUTION OF TRADING ACTIVITY, P. 7.**

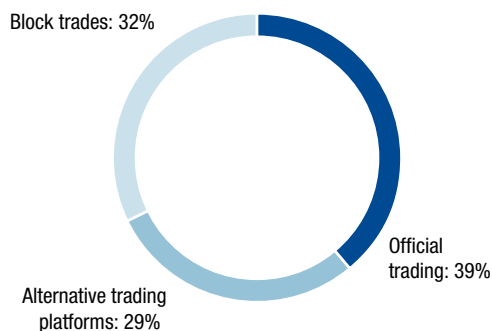
INDEX-BASED COMPARISON OF NORMA GROUP'S SHARE PRICE PERFORMANCE WITH THE MDAX AND THE DAX IN THE FIRST HALF OF 2018



INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

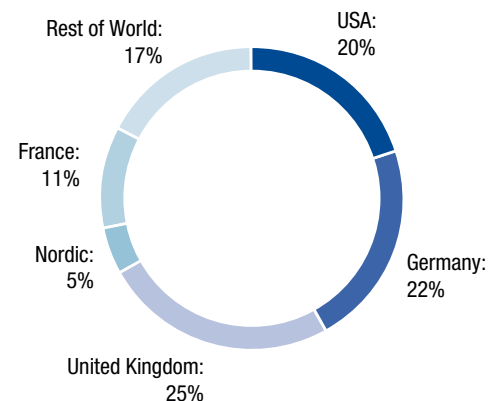
DISTRIBUTION OF TRADING ACTIVITY¹



REGIONALLY DIVERSIFIED SHAREHOLDER STRUCTURE

The NORMA Group share has gained greater international recognition in recent years due to active investor relations work. This has resulted in the rising importance of foreign investors. NORMA Group has therefore achieved a very regionally diversified shareholder base with a significant share of international investors, chiefly from the UK, the US, France and Scandinavia. → **GRAPHIC: FREE FLOAT BY REGION.** German investors currently account for about 22%.

FREE FLOAT BY REGION¹



According to voting rights notifications received as of the end of July 2018, shares of NORMA Group SE designated as free floating are held by the following institutional investors:

VOTING RIGHTS NOTIFICATIONS²

| IN % | |
|--------|----------------------------------------------------------|
| 10.001 | Allianz Global Investors Europe GmbH, Frankfurt, Germany |
| 5.57 | Ameriprise Financial Inc., Wilmington, DE, USA |
| 4.98 | AXA S.A., Paris, France |
| 4.91 | BNP Paribas Asset Management S.A., Paris, France |
| 3.31 | Impax Asset Management Group Plc, London, United Kingdom |
| 3.05 | The Capital Group Companies, Inc., Los Angeles, CA, USA |

¹ As of June 30, 2018

² As of July 31, 2018, all voting rights notifications are published on the Company's website.

INVESTORS.NORMAGROUP.COM

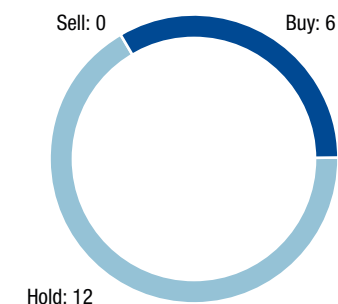
Institutional investors currently hold around 96% of the 31,862,400 NORMA Group shares. Management holds 0.6% of the shares. Another 3.8% are held by private shareholders. The number of private shareholders of 3,938 was slightly lower in the first half of 2018 than at the end of 2017 (3,356).

SUSTAINABLE INVESTOR RELATIONS ACTIVITIES

NORMA Group's investor relations activities seek to further increase awareness of the Company on the capital market, strengthen confidence in its share and achieve a realistic, fair valuation of the Company.

Maintaining ongoing, transparent dialogue with analysts represents one key element of investor relations work. 18 analysts are currently following the Company. Of these, there were six recommendations to 'buy,' twelve to 'hold' and none to 'sell' as of June 30, 2018. The average price target was EUR 66.22 (Dec 31, 2017: EUR 57.83).

ANALYST RECOMMENDATIONS¹



INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

ANNUAL GENERAL MEETING 2018: DIVIDEND OF EUR 1.05 RESOLVED

The Annual General Meeting of NORMA Group SE was held in Frankfurt/Main on May 17, 2018. The proposal of the Management and Supervisory Boards to pay a dividend of EUR 1.05 per share (2017: EUR 0.95) was approved by the Annual General Meeting with a majority of 99.99%.

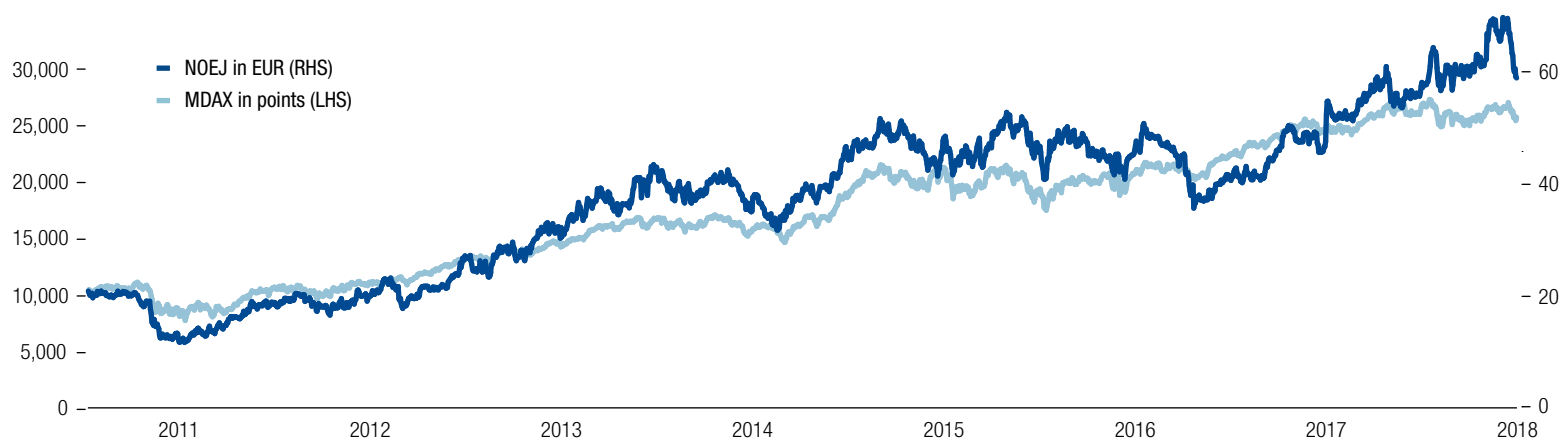
This year's Annual General Meeting also voted on the re-election of five incumbent candidates and the election of one new candidate to the Supervisory Board. In individual elections, 50.41% of the registered shareholders voted against re-electing the Chairman of the Supervisory Board, Dr. Stefan Wolf. The remaining candidates were elected by the necessary majority. Furthermore, the Annual General Meeting elected Rita Forst as a new member of the Supervisory Board. She replaces Dr. Christoph Schug, who did not run for re-election. The Supervisory Board elected Lars Magnus Berg as Chairman of the Supervisory Board. Erika Schulte was elected Deputy Chairman of the Supervisory Board.

All other items on the agenda were approved by a clear majority. All voting results can be found on the NORMA Group website in the Investor Relations section. INVESTORS.NORMAGROUP.COM

KEY FIGURES OF THE NORMA GROUP SHARE¹

| | H1 2018 |
|---------------------------------------------------|------------|
| Closing price ² as of June 30 (in EUR) | 58.75 |
| Highest price ² (in EUR) | 70.15 |
| Lowest price ² (in EUR) | 55.05 |
| Number of unweighted shares as of June 30 | 31,862,400 |
| Market capitalization (in EUR millions) | 1,871.9 |
| Average daily Xetra volume | |
| Shares | 81,909 |
| EUR millions | 5.06 |
| Earnings per share (in EUR) | 1.50 |
| Adjusted earnings per share (in EUR) | 1.78 |

DEVELOPMENT OF THE NORMA GROUP SHARE SINCE THE IPO IN 2011 COMPARED TO THE MDAX



¹ As of June 30, 2018

² Xetra price

CONSOLIDATED INTERIM MANAGEMENT REPORT

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Principles of the Group

The 2017 Annual Report provides a detailed overview of business activities, objectives and the strategy of NORMA Group SE. The statements contained therein remain valid. There were no major changes in the first half of 2018.

The developments of the most important financial and non-financial performance indicators in the first half of 2018 are shown in the following tables.

FINANCIAL CONTROL PARAMETERS

| | H1 2018 | H1 2017 |
|-------------------------------------------|---------|---------|
| Group sales (in EUR millions) | 549.0 | 519.0 |
| Adjusted EBITA margin (in %) | 16.0 | 17.7 |
| Net operating cash flow (in EUR millions) | 16.4 | 40.5 |

NON FINANCIAL CONTROL PARAMETERS

| | H1 2018 | H1 2017 |
|-----------------------------------------------|---------|---------|
| Number of invention applications | 22 | 15 |
| Defective parts per million (PPM) | 5 | 18 |
| Quality-related customer complaints per month | 7 | 9 |

RESEARCH AND DEVELOPMENT

The main activities of the Research and Development department of NORMA Group are described in detail in the 2017 Annual Report. → [2017 ANNUAL REPORT, P. 55 TO 57](#)

In the first six months of fiscal year 2018, R&D activities focused on updating and analyzing the Innovation Roadmap and its ongoing implementation. This Roadmap is designed to help NORMA Group detect megatrends and relevant changing market requirements earlier so that appropriate development projects can be planned and conducted. So-called '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, as well as developing and implementing a strategy geared to all regions and business sectors.

Besides e-mobility, the areas of water management and digitalization were focal points in the reporting period. Technologies not yet in application were scientifically investigated in greater detail.

With respect to its core competencies, NORMA Group has advanced the identification and validation of new plastic materials even further and optimized its testing processes. This has significantly improved the informative value for its applications in certain areas, for example in the area of cooling water and thermal management solutions for electric vehicles. In this case, the emphasis was mainly on the application-related properties of materials and material combinations. Furthermore, the R&D department provided support for various customer projects by conducting basic research.

R&D KEY FIGURES

| | H1 2018 | H1 2017 |
|----------------------------------------------------------|---------|---------|
| Number of R&D employees | 357 | 345 |
| R&D employee ratio in relation to permanent staff (in %) | 5.6 | 6.1 |
| R&D expenses in the area of EJT (in EUR millions) | 14.8 | 15.8 |
| R&D ratio in relation to EJT sales (in %) | 4.2 | 4.9 |

Economic Report

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Global economy continues to grow at a slower pace

The global economy continued to grow with less momentum in the first half of 2018. Despite rising interest rates in the US and many emerging markets, monetary and fiscal policy continued to provide global support. However, capacity bottlenecks and above all uncertainty about new trade restrictions increasingly burdened the global economy. US industrial production increased only slightly when excluding the energy sector (Q1: +1.4%, Q2: +2.2%). In June, capacity utilization was 78.0% (June 2017: 77.0%). According to first official estimates, US GDP rose by 4.1% (Q1: +2.2%) on an annualized basis in the second quarter. The Chinese economy continued to grow unabated. By the end of June, industrial production had risen by 6.7% and GDP by 6.8%. The upswing also continued in the eurozone. The Ifo Institute estimates that industrial production increased by 2.5% in the second quarter (Q1: +3.1%). During the same period, industrial capacity utilization was 84.1% (Q2 2017: 82.7%) and GDP is expected to have grown by 2.1% (Q1: +2.5%) (Eurostat).

Continued broad upswing in Germany, industry almost at full capacity

According to the Deutsche Bundesbank, the German economy is experiencing a boom, but without last year's very high rate of growth. The most recent impetus has come from investments in equipment and robust exports. Construction investments and private consumption also continued to rise. Industrial production remained buoyant (Q1: +4.4%, April: +1.7%, May: +3.0%). According to Eurostat, capacity utilization climbed to a very high 87.8% in the second quarter of 2018 (Q2 2017: 86.3%). In this environment,

the German gross domestic product grew by 1.6% in the first quarter of 2018 (+2.3% on a calendar-adjusted basis) according to Destatis figures. Growth is estimated to be somewhat higher in the second quarter. According to the Ifo Institute's forecast, the GDP rose by 2.0% throughout the first half of the year.

Mechanical engineering and construction on the upswing worldwide, German manufacturers producing at the limit

Supported by the strong global economy and internationally still buoyant industrial production, industry continued its global upswing, VDMA reports. Accordingly, high order backlogs are securing sales for a considerable period of time. Nevertheless, according to the VDMA, the escalation of trade conflicts has already made itself felt. For example, German mechanical and plant engineering expanded production by 4.2% in real terms in the first four months of 2018, with exports increasing by 3.4% in real terms. Incoming orders were recently characterized mainly by brisk domestic orders. According to the VDMA, capacity utilization in industry had risen to just over 90% by the end of April 2018. Manufacturers often experienced bottlenecks in terms of supplies and expert personnel. This limited production growth.

Automotive industry with robust growth at a high level

According to data from LMC Automotive, global sales of light vehicles (LV, up to 6 tons) increased by +3.5% (Q1: +2.4%) to 48.3 million units in the first half year. In Eastern Europe, Brazil and Argentina, sales of light vehicles grew at double-digit rates. China (+4.9%) stood out among the volume markets. Sales volumes rose by 2.1% in both the US and Western Europe. For Europe as a whole, the ACEA association reports passenger car sales at +2.8%. LV production in the Asia-Pacific region declined significantly, according to

the LMCA. Despite slightly higher production in North America and Europe, global LV production was down (Q1: -3.4% Q2: -0.9%).

Following the strong increase of the previous year, the global commercial vehicle market stagnated in terms of sales and production according to the LMCA (commercial vehicles, over 6 tons). While the Asian market is declining, North America continues to grow very strongly. According to the ACEA, commercial vehicle sales in Western Europe rose robustly by 4.7% in the second quarter (Q1: +1.9%).

Global construction industry still with strong tailwind

The construction industry continued to grow as a result of the high demand for new construction and renovation, the continuing good financing environment and fiscal policy stimuli. US construction spending rose by 4.3% in nominal terms by the end of May, 6.4% of which was residential construction (US Consensus Bureau). According to the National Bureau of Statistics (NBS), building investments in China rose by 9.7% in nominal terms in the first half of the year. Residential construction grew by 13.6%. The construction upswing also continued in Europe. Real construction output in the eurozone rose by 1.2% in April and 1.8% in May (Q1: +2.5%), as strong as in the EU as a whole (Eurostat). Although development in Italy and France was restrained, the sector recorded strong boosts in the Netherlands, Austria and the EU member states in Scandinavia and Eastern Europe. German construction output rose by 3.5% in real terms in the first quarter of 2018. In April (-0.1%) and May (+3.8%), the trend continued with fluctuations. In the German construction industry, total turnover grew nominally by 6.6% by the end of April (Destatis).

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

SIGNIFICANT EVENTS IN THE FIRST HALF OF 2018

Acquisition of Kimplas Piping Systems Ltd.

NORMA Group announced its plan to acquire Indian water specialist Kimplas Piping Systems Ltd. ('Kimplas') in April 2018. The acquisition of 100% of the shares in the company was successfully completed on July 5, 2018. Consolidation will take place as of this date.

Based in Nashik, Maharashtra State, India, Kimplas has been developing and producing injection molded parts since 1996 and has around 690 employees. Its product portfolio includes compression fittings, sprinklers and drippers, valves, filters and electrofusion fittings such as tapping T-pieces for gas and water pipes. The company's certified products are used for safe, leak-free drinking water and gas supply in rural and urban areas and provide filtered water for micro-irrigation systems. Kimplas's customers include exporters, water associations, gas suppliers in India and abroad, suppliers of micro-irrigation systems and construction companies. The company also sells plastic piping and imported nozzles as well as machines and tools for electrofusion fittings. Kimplas sells its products primarily within India and achieved total sales of around EUR 21 million in fiscal year 2018 (April 2017 to March 2018).

Agreement to acquire Statek Stanzereitechnik GmbH

NORMA Group signed an agreement to acquire Statek Stanzereitechnik GmbH ('Statek') in early June 2018. Closure is expected in mid-2018 following antitrust approval.

Statek has many years of experience and a high level of production expertise in stamping, bending and forming technology for almost all commonly used metals. The company, which is also based in Maintal, was founded in 1980 and produces, among other products, contact and stamped parts, housings and wave springs. Statek has around 60 employees and supplies well-known German and international customers in the electrical engineering, automotive and reactor technology industries. NORMA Group has conducted business with Statek for many years, buying housings and spring inserts for worm-drive hose clamps from the medium-sized company. Statek generated sales of around EUR 17.2 million in fiscal year 2017, around 70% of which came from NORMA Group, its largest customer. Statek's competence will systematically expand the NORMA Group value chain while increasing flexibility in important product areas.

Personnel changes in the Supervisory Board of NORMA Group SE

NORMA Group's Supervisory Board underwent personnel changes this year at the Company's Annual General Meeting on May 17, 2018. Long-serving Chairman of the Supervisory Board, Dr. Stefan Wolf, was up for re-election, but was not re-elected by the Annual General Meeting by a narrow majority of 50.41%. Rita Forst was elected to the Supervisory Board, replacing Dr. Christoph Schug, who did not run for re-election. The Supervisory Board has elected Lars Magnus Berg as Chairman following the Annual General Meeting. Erika Schulte was elected his Deputy. The curriculum vitae of the Supervisory Board members are published on NORMA Group's website.

[INVESTORS.NORMAGROUP.COM](http://investors.normagroup.com)

GENERAL STATEMENT BY THE BOARD OF MANAGEMENT ON THE COURSE OF BUSINESS AND COMPARISON OF TARGET AND ACTUAL VALUES

With Group sales of EUR 549.0 million (H1 2017: EUR 519.0 million) and 5.8% sales growth year-on-year (organic: 11.0%), NORMA Group's business developed better than originally expected in the first half of 2018. For this reason and on the basis of its expectations for the second half of 2018, the Management Board raised its forecast for organic sales growth for the year as a whole on May 7, 2018, from originally around 3% to 5% to now around 5% to 8%, whereby the upper end of the range is now being targeted.

At 16.0%, the adjusted EBITA margin in the first half of 2018 was below the Management Board's expectations and the forecast published in the 2017 Annual Report of more than 17%. The reason for this was the tense situation on the international raw material markets. Higher prices for stainless steel and alloy surcharges, force majeure in the area of important plastic components and US punitive duties on steel had a negative impact on NORMA Group's cost of materials ratio. In addition, the increasing shortage of materials on the raw materials markets and strong sales growth are temporarily leading to variable extra costs in the areas of purchasing, production and logistics. The Management Board does not expect the situation on the raw materials markets to improve significantly in the second half of the year either and therefore adjusted its forecast for the adjusted EBITA margin and net operating cash flow on July 26, 2018. → **FORECAST REPORT, P. 20**

The other key financial figures do not differ significantly from the figures forecast in the 2017 Annual Report.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

EARNINGS, ASSETS AND FINANCIAL POSITION

Adjustments

In the first six months of 2018, net expenses totaling EUR 0.6 million were adjusted in EBITDA (earnings before interest, taxes, depreciation and amortization of intangible assets). These relate to expenses in connection with the acquisition of Kimplas and were adjusted within other operating expenses (EUR 0.6 million) and employee benefit expenses (EUR 8 thousand). As in previous years, depreciation of tangible assets from purchase price allocations in the amount of EUR 1.8 million (H1 2017: EUR 2.0 million) were also adjusted within EBITA (earnings before interest, taxes and amortization of intangible assets) and amortization of intangible assets from purchase price allocations in the amount of EUR 9.8 million (H1 2017: EUR 10.3 million) were adjusted within EBIT. Notional income taxes resulting from the adjustments are calculated using the tax rates of the respective local companies affected and taken into account in the adjusted result after taxes.

Adjusted values are shown in the following. More information on unadjusted values is provided in the Notes to the Consolidated Financial Statements.

→ **NOTES, P. 30**

ADJUSTMENTS ¹

| IN EUR MIO. | H1 2018 reported | Total adjustments | H1 2018 adjusted |
|---------------------------------------------------------------|---------------------|----------------------|---------------------|
| Revenue | 549.0 | 0 | 549.0 |
| Changes in inventories of finished goods and work in progress | 0.4 | 0 | 0.4 |
| Other own work capitalized | 1.7 | 0 | 1.7 |
| Raw materials and consumables used | -229.9 | 0 | -229.9 |
| Gross profit | 321.2 | 0 | 321.2 |
| Other operating income and expenses | -72.3 | 0.6 | -71.7 |
| Employee benefits expense | -148.6 | 0 | -148.6 |
| EBITDA | 100.3 | 0.6 | 100.9 |
| Depreciation | -14.9 | 1.8 | -13.1 |
| EBITA | 85.3 | 2.4 | 87.7 |
| Amortization | -13.6 | 9.8 | -3.8 |
| Operating profit (EBIT) | 71.7 | 12.2 | 83.9 |
| Financial costs – net | -6.1 | 0 | -6.1 |
| Earnings before taxes | 65.6 | 12.2 | 77.8 |
| Income tax | -17.7 | -3.2 | -21.0 |
| Profit for the period | 47.9 | 9.0 | 56.9 |
| Non-controlling interests | 0.1 | 0 | 0.1 |
| Profit attributable to shareholders of the parent | 47.8 | 9.0 | 56.7 |
| Earnings per share (in EUR) | 1.50 | 0.28 | 1.78 |

¹ Deviations in decimal places are the result of commercial rounding.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Earnings Position

Order backlog

The order backlog (excluding Lifial and Fengfan) was EUR 373.4 million as of June 30, 2018 (June 30, 2017: EUR 310.7 million, excluding Autoline, Lifial and Fengfan). The order backlog adjusted by Autoline was at EUR 366.1 million as of June 30, 2018, and thus 17.8% higher than in the previous year. The increase is mainly due to the increased order volume in Europe and North America. Currency effects, particularly in connection with the US dollar, had a negative effect on the level of the order backlog.

Solid organic sales growth in the first half of 2018

Group sales increased by 5.8% to EUR 549.0 million in the first half of 2018 (H1 2017: EUR 519.0 million). Organic growth amounted to 11.0%. Sales revenue from acquisitions (Fengfan) contributed EUR 4.3 million or 0.8% to growth. Currency effects had a negative impact of 6.0% in the first half of the year.

At EUR 276.4 million, Group sales in the second quarter of 2018 were 1.4% higher than in first quarter of 2018 and 4.6% higher than in the second quarter of 2017 (Q2 2017: EUR 264.1 million). Organic growth in the period from April to June was 8.5%, a persistently high level even if somewhat weakened from the first quarter of 2018 (13.6%). Fengfan contributed EUR 1.8 million or 0.7% to Group sales in the second quarter. Currency translation effects were weaker than in the first quarter of 2018, but continued to have a negative effect of 4.5%.

Organic growth compared to the same quarter of the previous year resulted mainly from the good order situation and the positive sales development in all three regions in the second quarter of 2018, driven once again by the Asia-Pacific region, which recorded a high double-digit growth rate due in particular to the good order situation in the automotive industry and supported by additional sales revenues from the acquisition of Fengfan. The year-on-year sales growth in

the Americas region was mainly due to catch-up effects in the commercial vehicle and agricultural machinery sectors in the US and the revival of the water business at NDS, which was negatively impacted by severe weather conditions in the previous year. Growth impulses in the EMEA region particularly came from the EJT sector.

Growth in both distribution channels slowed by currency effects

Through its EJT distribution channel, NORMA Group generated sales revenue of EUR 353.4 million in the first half of 2018, equating to growth of 9.8% over the previous year (H1 2017: EUR 321.9 million). Double-digit organic growth was burdened by negative currency effects.

In the second quarter of 2018, sales in the EJT segment amounted to EUR 172.3 million, 8.6% more than in the same quarter of the previous year (Q2 2017: EUR 158.7 million).

Between January and June 2018, sales revenue in the DS distribution channel amounted to EUR 192.3 million, 0.8% below the level of the same period of the previous year (H1 2017: EUR 193.9 million). The decline in sales resulted from negative currency effects that outweighed the segment's solid organic growth.

In the second quarter of 2018, DS sales amounted to EUR 102.3 million, down 1.4% year-on-year (Q2 2017: EUR 103.8 million).

Cost of materials ratio affected by higher raw material prices, force majeure and US punitive tariffs

Cost of materials amounted to EUR 229.9 million in the first half of 2018, 8.0% higher than in the same period of the previous year (H1 2017: EUR 212.9 million). Based on the sales revenue achieved in the first half of 2018, this resulted in a year-on-year increase in the cost of materials ratio to 41.9% (H1 2017:

adjusted 41.0%). The cost of materials ratio with regard to total output was 41.7% (H1 2017: adjusted 40.7%).

In the second quarter of 2018, costs of materials amounted to EUR 113.8 million, 8.2% higher than in the same quarter of the previous year (Q2 2017: EUR 105.1 million). This resulted in a cost of materials ratio of 41.2% (Q2 2017: 39.8%).

The increase in the cost of materials ratio is due to significantly higher commodity prices than the previous year, especially in the area of alloy surcharges. Force majeure for certain plastic components and the US steel tariffs also had a negative impact on commodity prices, and thus on the cost of materials for NORMA Group. In addition, the increasing shortage of materials supply and the strong sales growth temporarily lead to variable extra costs in the areas of purchasing, production and logistics.

Gross margin down

NORMA Group's gross profit (revenue less cost of materials and changes in inventories plus other own work capitalized) was negatively impacted by the rise in the cost of materials, amounting to EUR 321.2 million in the first half of 2018. This represents an increase of 3.6% from the same period of the previous year (H1 2017: adjusted EUR 310.0 million) and a gross margin (in relation to sales) of 58.5% (H1 2017: adjusted 59.7%).

In the second quarter of 2018, NORMA Group generated gross profit of EUR 162.5 million, an increase of 3.0% compared to the previous year (Q2 2017: adjusted EUR 157.8 million). The gross margin was 58.8% (Q2 2017: 59.7%).

Adjusted personnel cost ratio increased

On June 30, 2018, NORMA Group had 8,349 employees worldwide, including temporary employees, 6,407 of whom were permanent staff. The num-

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

ber of permanent employees therefore rose by 12.3% from June 30, 2017 (5,705).

PERSONNEL DEVELOPMENT

| | Jun 30, 2018 | Jun 30, 2017 | Change in % |
|-------------------------------------------------------|-----------------|-----------------|----------------|
| EMEA | 3,710 | 3,250 | 14.2 |
| Americas | 1,704 | 1,482 | 15.0 |
| Asia-Pacific | 993 | 973 | 2.1 |
| Core workforce | 6,407 | 5,705 | 12.3 |
| Temporary workers | 1,942 | 1,709 | 13.6 |
| Total number of employees including temporary workers | 8,349 | 7,414 | 12.6 |
| | H1 2018 | H1 2017 | Change in % |
| Average number of employees (core workforce) | 6,346 | 5,584 | 13.7 |

One consequence of the 13.7% higher average number of employees was a 6.7% increase in adjusted expenses for employee benefits in the first half of 2018 to EUR 148.6 million (H1 2017: EUR 139.3 million). With respect to sales, this resulted in a higher adjusted personnel cost ratio of 27.1% compared to the previous year (H1 2017: 26.8%).

In the second quarter of 2018, adjusted personnel expenses amounted to EUR 75.0 million, an increase by 7.2% from the second quarter of 2017 (EUR 70.0 million). The adjusted personnel expenses ratio was 27.1% in the second quarter of 2018 (Q2 2017: 26.5%).

The increase in personnel expenses is among other factors a consequence of the worldwide shortage of

materials supply and the resulting variable extra costs for overtime and weekend shifts.

Adjusted other operating income and expenses increased

The balance from adjusted other operating income and expenses amounted to EUR –71.7 million in the first half of 2018, 7.8% above the previous year's level of EUR –66.6 million. At 13.1%, the share of sales was slightly higher than in the same period of the previous year (H1 2017: 12.8%).

Adjusted other operating income and expenses amounted to EUR –38.8 million in the second quarter of 2018, 11.0% higher than in the same quarter of the previous year (Q2 2017: EUR –35.0 million). This corresponds to 14.0% of sales (Q2 2017: 13.2%).

→ **NOTES, P. 39**

The increase in other operating expenses is mainly related to the shortage of materials in the commodity markets, which resulted in delays in production and consequently higher logistics costs.

Operating income affected by high cost of materials

Adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) amounted to EUR 100.9 million in the first half of 2018, 3.1% lower than in the previous year (H1 2017: EUR 104.1 million). This resulted in an adjusted EBITDA margin of 18.4% for the first half of 2018 (H1 2017: 20.1%).

In the second quarter of 2018, adjusted EBITDA amounted to EUR 48.7 million, 7.9% lower than the previous year's figure (Q2 2017: EUR 52.8 million). The adjusted EBITDA margin in the second quarter of 2018 was 17.6% (Q2 2017: 20.0%).

EBITA adjusted for depreciation and amortization of tangible assets from purchase price allocations in addition to the above adjustments amounted to EUR 87.7 million for the period from January to June 2018,

4.3% below the previous year's figure (H1 2017: EUR 91.7 million). In relation to sales, this equates to an adjusted EBITA margin of 16.0% for the first half of 2018 (H1 2017: 17.7%).

In the second quarter of 2018, adjusted EBITA amounted to EUR 42.0 million, 9.9% below the level of the same quarter of the previous year (Q2 2017: EUR 46.6 million). The adjusted EBITA margin was 15.2% (Q2 2017: 17.7%).

The development of adjusted operating earnings (adjusted EBITA) and the adjusted EBITA margin in the first half of 2018 reflected the effects of the continued price increase for raw materials and the extra costs associated with the shortage of materials supply.

Financial result improved

The financial result for the first six months of the year was EUR –6.1 million, an improvement of 22.1% on the same period of the previous year (H1 2017: EUR –7.9 million). → **NOTES, P. 40** The improvement is mainly attributable to a better currency result from financing activities and lower net interest expense.

The financial result amounted to EUR –2.7 million in the second quarter of 2018, 31.3% lower than the same quarter of the previous year (Q2 2017: EUR –3.9 million).

Adjusted earnings after taxes positively impacted by US tax reform

Adjusted income taxes for the first six months of 2018 amounted to EUR 21.0 million (H1 2017: EUR 23.8 million). This resulted in a lower tax rate of 26.9% compared to the same period of the previous year (H1 2017: 29.9%). Due to the large share of US business, the US tax reform implemented in late 2017 had a positive effect on the Group tax rate.

Earnings after taxes adjusted for the aforementioned special effects and depreciation and amortization from purchase price allocations amounted to

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

EUR 56.9 million in the reporting period, 1.9% higher than the previous year's level of EUR 55.8 million.

The adjusted profit for the period amounted to EUR 27.3 million in the second quarter, a decrease of 4.7% from the same quarter of the previous year (Q2 2017: EUR 28.7 million).

Adjusted earnings per share

Adjusted earnings per share were EUR 1.78 in the first half of 2018, 1.9% higher than the same period of the previous year (H1 2017: EUR 1.75).

Adjusted earnings per share amounted to EUR 0.86 in the second quarter of 2018, a decrease of 4.6% from the previous year's figure of EUR 0.90. → **NOTES, P. 41**
The number of shares that the calculation is based on remained unchanged at 31,862,400.

Asset position

Due to the first-time application of IFRS 15 and IFRS 9 in fiscal year 2018, the effects on the individual balance sheet items as of January 1, 2018, are presented in the Notes to the Consolidated Financial Statements for comparison purposes. The overall effect on the balance sheet total amounted to EUR -0.7 million. → **NOTES, P. 32** Due to this insignificant effect, the previous year's figures are used below for comparison purposes without taking the new accounting regulations into consideration.

Total assets

Total assets amounted to EUR 1,431.5 million on June 30, 2018, 9.1% higher than at the end of 2017 (Dec 31, 2017: EUR 1,312.0 million).

Assets increased

Non-current assets amounted to EUR 835.0 million on June 30, 2018, a slight increase of 1.2% compared to December 31, 2017 (EUR 825.5 million). This was partly due to the increase in property, plant and equipment. Goodwill also increased due to positive currency effects in relation to the US dollar. → **NOTES, P. 40**

The share of non-current assets in total assets was 58.3% on June 30, 2018 (Dec 31, 2017: 62.9%).

Current assets amounted to EUR 596.5 million on June 30, 2018, 22.6% higher than at the end of 2017 (Dec 31, 2017: EUR 486.6 million). The increase compared to the end of 2017 mainly resulted from the EUR 59.9 million or 38.5% increase in cash and cash equivalents to EUR 215.2 million (Dec 31, 2017: EUR 155.3 million). Trade receivables also increased by EUR 37.9 million or 24.8% to EUR 190.6 million (Dec 31, 2017: EUR 152.7 million) as a result of good business activity and strong sales growth in the first half of 2018. Inventories increased as well, by EUR 13.8 million (+9.1%) from the end of the year. Current assets accounted for 41.7% of total assets on June 30, 2018 (Dec 31, 2017: 37.1%).

(Trade) working capital

(Trade) working capital (inventories plus receivables minus liabilities, mainly trade payables) amounted to EUR 218.3 million as of June 30, 2018, an increase of 38.0% from December 31, 2017 (EUR 158.2 million). This development is mainly due to the disproportionate increase in inventories and trade receivables in relation to trade payables in the first half of 2018. The increase on the assets side results from stronger business activity in the first half of the year than in the same period of the previous year as well as the expected good business activity in the second half of 2018.

Equity ratio down

The equity ratio fell to 38.8% as of June 30, 2018, (Dec 31, 2017: 40.7%) due to the fact that additional loans were taken out in the second quarter of 2018.

Group equity amounted to EUR 555.1 million as of June 30, 2018, an increase of EUR 20.8 million or 3.9% from December 31, 2017 (EUR 534.3 million). Equity was positively influenced by the profit for the period (EUR 47.9 million) and positive currency translation differences (EUR 6.1 million). The dividend distribution in May 2018 (EUR -33.5 million) reduced equity.

Financial liabilities increased due to loans

Non-current liabilities amounted to EUR 647.2 million as of June 30, 2018, an increase of 19.0% from the end of the year (Dec 31, 2017: EUR 544.0 million). The increase is mainly due to the inclusion of the accordion facility in the amount of EUR 102 million agreed under the syndicated loan agreement, which serves to finance acquisitions and to refinance a promissory note tranche. → **NOTES, P. 42**

Current liabilities decreased by EUR 4.5 million or 1.9% in the first half of 2018 compared to the end of the previous year. This is mainly due to the decrease in trade payables by EUR 8.5 million or 5.8%.

As of the balance sheet date, non-current liabilities amounted to 45.2% (Dec 31, 2017: 41.5%) and current liabilities to 16.0% (Dec 31, 2017: 17.8%) of total assets.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Net debt increased

Net debt amounted to EUR 392.0 million as of June 30, 2018, an increase of 13.7% or EUR 47.1 million from December 31, 2017 (EUR 344.9 million). This was mainly due to a decrease in cash and cash equivalents (excluding loans) due to net cash outflows from total cash flow from operating activities of EUR 27.2 million, net cash outflows from the procurement and sale of non-current assets of EUR 27.1 million and the payment of EUR 33.6 million in dividends. The aforementioned non-cash currency effects on foreign currency loans and current interest expenses also increased net debt in the fiscal year. → **NOTES, P. 42**

At 0.7, gearing (ratio of net debt to equity) as of June 30, 2018, was slightly higher than at the end of 2017 (Dec 31, 2017: 0.6).

Leverage (net debt excl. derivatives in relation to EBITDA of the last 12 months) was 2.0 at the end of 2017 (Dec 31, 2017: 1.7).

Financial position

Group-wide financial management

A detailed overview of the general financial management of NORMA Group is provided in the 2017 Annual Report. → **2017 ANNUAL REPORT, P. 54**

Net operating cash flow influenced by working capital

Net operating cash flow in the first half of 2018 amounted to EUR 16.4 million (H1 2017: EUR 40.5 million). Reasons for the decline include higher investments from the operating business as well as the negative impact on the operating net cash flow resulting from the significant increase in trade working capital.

Capital expenditure of EUR 26.6 million mainly related to plants in Germany, the UK, Serbia, Poland, China, Mexico and the US.

As a percentage of sales, net operating cash flow in the first half of 2018 was 3.0% (H1 2017: 7.8%).

Cash flow from operating activities

In the first six months of fiscal year 2018, NORMA Group generated cash flow from operating activities of EUR 27.2 million (H1 2017: EUR 42.2 million). The year-on-year decline was mainly influenced by the increase in working capital in the reporting period. This resulted in a negative effect on cash flow of EUR 52.8 million in the first half of 2018 from EUR 37.3 million in the same period of the previous year. That includes cash flows from reverse factoring and the ABS program → **NOTES, P. 48** Cash flow from operating activities in the first half of 2018 largely includes share-based payments in the amount of EUR 3.5 million (H1 2017: EUR 4.0 million).

Cash inflow from operating activities in the second quarter of 2018 was EUR 33.1 million, slightly higher than in the second quarter of 2017 (EUR 32.9 million).

Cash flow from investing activities

In the first half of 2018, NORMA Group reported cash outflow from investing activities of EUR 30.0 million (H1 2017: EUR 44.5 million). This mainly includes investments in the acquisition of intangible assets and property, plant and equipment (EUR 27.9 million), particularly relating to plants in Germany, the UK, Poland, Serbia, China, Mexico and the US. Cash flow from investing activities also includes net payments of EUR 3.0 million for acquisitions. These related to the payments of the remaining purchase price liabilities in connection with the acquisition of Fengfan. Net cash outflows for acquisitions in the prior-year period were EUR 23.7 million and related to payments for the acquisition of Fengfan in the second quarter of 2017 (EUR 12.2 million), the acquisition of Lifial in the first quarter of 2017 (EUR 11.9 million) and payments related to the Autoline business acquired in the fourth quarter of 2016 (EUR 1.1 million). Acquired cash and cash equivalents of EUR 1.4 million are also included in net cash paid for acquisitions.

For the first half of 2018, this resulted in an investment ratio based on sales (excluding acquisitions and proceeds from the sale of property, plant and equipment) of 5.1% (H1 2017: 4.1%).

In the second quarter of 2018, cash flow from investing activities amounted to EUR 17.9 million (Q2 2017: EUR 22.2 million) and mainly included, besides net cash used to acquire intangible assets and property, plant and equipment (EUR 15.2 million), the net cash used in connection with the acquisition of Fengfan.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Cash flow from financing activities

In the first half of 2018, NORMA Group reported cash flow from financing activities of EUR 62.8 million (H1 2017: EUR –29.0 million). The significant year-on-year increase in cash flow from financing activities was particularly influenced by borrowing EUR 102 million in the second quarter of 2018 and dividend payments of EUR 33.6 million. → **NOTES, P. 49** In the second quarter of 2018, cash flow from financing activities therefore amounted to EUR 63.7 million (H1 2017: EUR –28.0 million).

SEGMENT REPORTING

In the first six months of 2018, the share of Group sales generated abroad amounted to around 80.7% (H1 2017: 80.3%).

Good sales growth in EMEA, margin impacted by difficult raw material supply

External sales in the EMEA region amounted to EUR 258.1 million in the first half of 2018, an increase of 2.6% from the same period of the previous year (H1 2017: EUR 251.6 million). This was due to solid organic sales growth supported by growth in the automotive sector with rising sales and production figures

in the first half of the year. The DS business recorded slight organic growth, which, however, was offset by negative currency effects. The region accounted for around 47% of total sales in the first half of 2018 (H1 2017: 48%).

Adjusted EBITDA in the EMEA region amounted to EUR 51.4 million in the reporting period, decreasing by 3.6% from the previous year (H1 2017: EUR 53.3 million). The adjusted EBITDA margin was 18.0% (H1 2017: 19.7%). Adjusted EBITA for the six-month period amounted to EUR 45.4 million (H1 2017: EUR 47.7 million), a decrease of 4.9%. The adjusted EBITA margin in the region was 15.9% (H1 2017: 17.6%). In the EMEA region, higher costs for alloy surcharges and plastic components and the shortage of materials supply had a particularly negative impact on the margin in the first half of 2018.

Investments in the EMEA region amounted to EUR 12.2 million as of June 30, 2018, (H1 2017: EUR 8.6 million) relating in particular to plants in Germany, the UK, Serbia and Poland. Assets amounted to EUR 591.9 million on the balance sheet date, falling slightly by 1.6% from the end of 2017 (Dec 31, 2017: EUR 601.3 million), partly due to currency effects. Liabilities amounted to

EUR 194.7 million as of June 30, 2018, (Dec 31, 2017: EUR 206.5 million) a decrease of 5.7%.

Strong organic sales growth in the Americas region

In the Americas region, NORMA Group generated external sales of EUR 222.7 million (H1 2017: EUR 212.6 million) in the first half of 2018, an increase of 4.7% over the same period last year. Strong growth in the Americas region is mainly due to catch-up effects in the commercial vehicles and agricultural machinery sectors in the US and the revival of NDS's water business, which was negatively impacted by the turbulent weather of the previous year. However, strong organic growth in the region was held back by currency effects related to the US dollar. The Americas region accounted for 41% of sales in the first half of 2018, unchanged from the previous year.

Adjusted EBITDA amounted to EUR 44.2 million in the first half of 2018, down 2.7% compared to the same period of the previous year (H1 2017: EUR 45.4 million). The adjusted EBITDA margin was 19.4% (H1 2017: 20.7%). Adjusted EBITA fell by 2.5% year-on-year to EUR 39.9 million (H1 2017: EUR 40.9 million). At 17.5%, the adjusted EBITA margin was lower than in the previous year (H1 2017: 18.7 %). In the Ameri-

DEVELOPMENT OF SEGMENTS

| IN EUR MILLIONS | EMEA | | | Americas | | | Asia-Pacific | | |
|-------------------------------------------------|---------|---------|------|----------|---------|------|--------------|---------|------|
| | H1 2018 | H1 2017 | Δ | H1 2018 | H1 2017 | Δ | H1 2018 | H1 2017 | Δ |
| Total segment revenue | 285.0 | 270.9 | 5.2 | 227.6 | 219.0 | 3.9 | 69.8 | 56.9 | 22.7 |
| Revenue from external customers | 258.1 | 251.6 | 2.6 | 222.7 | 212.6 | 4.7 | 68.2 | 54.9 | 24.3 |
| Contribution to consolidated Group sales (in %) | 47 | 48 | n/a | 41 | 41 | n/a | 12 | 11 | n/a |
| Adjusted EBITDA ¹ | 51.4 | 53.3 | –3.6 | 44.2 | 45.4 | –2.7 | 9.7 | 10.0 | –3.4 |
| Adjusted EBITDA margin (in %) ^{1,2} | 18.0 | 19.7 | n/a | 19.4 | 20.7 | n/a | 13.8 | 17.6 | n/a |
| Adjusted EBITA ¹ | 45.4 | 47.7 | –4.9 | 39.9 | 40.9 | –2.5 | 7.5 | 8.3 | –9.5 |
| Adjusted EBITA margin (in %) ^{1,2} | 15.9 | 17.6 | n/a | 17.5 | 18.7 | n/a | 10.8 | 14.7 | n/a |

¹ The adjustments are described on → **PAGE 37**.

² In relation to segment sales

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

cas region, too, cost increases for steel and alloy surcharges had a particularly negative impact on the margin. In addition, extra costs related to the shortage of raw materials had a negative effect.

Investments in the Americas region amounted to EUR 10.0 million in the first six months of the year (H1 2017: EUR 6.5 million), relating in particular to plants in the US and Mexico. Assets amounted to EUR 617.3 million as of June 30, 2018, an increase of 2.9% from the end of the year (Dec 31, 2017: EUR 599.9 million). This is due in large part to exchange rate effects. Debt decreased by 4.6% from EUR 292.8 million as of December 31, 2017, to EUR 279.4 million as of June 30, 2018. This is due in part to the scheduled repayment of internal loans.

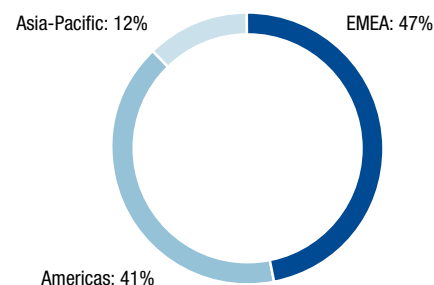
Double-digit sales growth in the Asia-Pacific region

External sales in the Asia-Pacific region amounted to EUR 68.2 million in the first half of 2018, an increase over the previous year (H1 2017: EUR 54.9 million) of 24.3%. Successfully completed localizations, high demand for joining technology, especially in the EJT division, and additional sales from the acquisition of Fengfan contributed to the region's strong sales development. The segment's share of sales increased from 11% in the previous year to 12%.

Adjusted EBITDA in the Asia-Pacific region amounted to EUR 9.7 million in the first half of 2018, 3.4% lower than in the same period of the previous year (H1 2017: EUR 10.0 million). The adjusted EBITDA margin for this region was 13.8% (H1 2017: 17.6%). At the same time, adjusted EBITA decreased to EUR 7.5 million (H1 2017: EUR 8.3 million), resulting in a reduced adjusted EBITA margin of 10.8% (H1 2017: 14.7%).

Capital expenditure in the first half of 2018 amounted to EUR 3.2 million (H1 2017: EUR 2.0 million) and related mainly to plants in China. Assets increased by 45.0% to EUR 230.6 million (Dec 31, 2017: EUR 159.1 million) compared to the end of 2017 due to a capital increase for the acquisition of Kimplas. Debt decreased by 6.1% to EUR 50.7 million (Dec 31, 2017: EUR 54.0 million).

SHARE OF SALES BY SEGMENT



INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

NON-FINANCIAL PERFORMANCE INDICATORS

The most important non-financial control parameters for NORMA Group include the extent of market penetration, the Group's power of innovation, the employees' problem-solving behavior and the sustainable overall development of NORMA Group. The development of these performance indicators in the first half of 2018 is described here.

Other non-financial performance indicators include employee and environmental indicators and indicators on occupational safety and healthcare within the Group. They are reported on once per year in the CR Report. → [CR REPORT 2017](#)

Maintaining the Group's market position

NORMA Group continuously works on sustainably expanding its business and achieving sales growth and profitability that is higher than the market average. By using innovative solutions and considering sustainable business practices and relationships, NORMA Group is able to add 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.

Maintaining the Group's power of innovation

Sustainably securing its technological leadership is a key driver of NORMA Group's future growth. The development of new products that are based on the changed requirements of end markets, customers and legal regulations is indispensable. NORMA Group therefore encourages the spirit of invention among its employees through targeted incentive systems, and records, manages and reports the number of annual invention applications in the Group. 22 invention applications were filed in the first half of 2018.

Quality and delivery reliability

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. The Group therefore relies on the highest quality standards in developing and manufacturing its products. 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 quality-related 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. In the first half of 2018, the number of defective parts (PPM) was 5 (H1 2017: 18). The average number of quality-related complaints per month was 7 (H1 2016: 9).

Acting responsibly in all areas of the company

NORMA Group considers it to be its primary responsibility to bring the effects of its business activity into balance with the expectations and needs of society. For this reason, operational decisions are based on the principles of responsible corporate governance and sustainable action. NORMA Group's strategy and goals in the area of Corporate Responsibility (CR) are evaluated and updated on a regular basis. The current scope of action was published in the CR Roadmap 2020. A detailed description of each area of action and its strategic contents is described in the Group's CR Report. → [CR REPORT 2017](#)

Forecast Report

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Clouded growth prospects for the global economy

Despite rising interest rates and higher uncertainties, the global economic outlook remains initially solid (ECB, Ifo, IMF). This is due in large part to stimulating fiscal policy, especially in the US. In its July forecast, the IMF continues to expect global growth of around 3.9% for 2018, but stresses that risks have markedly risen and that the pace of growth in many industrialized countries (eurozone, UK, Japan) is declining and being assessed more cautiously. According to the IMF, the US is expected to grow by 2.9%, China by 6.6% and the eurozone by 2.2% in 2018. The main risk to the global economy is seen in an escalation in trade conflicts. According to an initial IMF estimate, the further actions already threatened could burden global growth by 0.5 percentage points by 2020. The IMF also sees higher political uncertainties and risks in Europe and is likely to lower its global growth forecasts for October.

FORECASTS FOR GDP GROWTH (REAL)

| IN % | 2017 | 2018e | 2019e |
|------------------------------|--------------------|------------------|------------------|
| World ¹ | 3.7 | 3.9 | 3.9 |
| USA ¹ | 2.3 | 2.9 | 2.7 |
| China ¹ | 6.9 | 6.6 | 6.4 |
| Euro region | 2.4 ^{1,2} | 2.2 ¹ | 1.9 ¹ |
| Germany | | | |
| > IMF ¹ | 2.5 | 2.2 | 2.1 |
| > Ifo Institute ³ | 2.2 ⁴ | 1.8 | 1.8 |

1_IMF WEO update July 2018

2_Eurostat/ECB

3_Ifo summer forecast 2018

4_Destatis: unadjusted (adjusted 2.5% for 2017 and 2.3% for Q1/2018)

German economy loses momentum – upswing increasingly risky

Germany is expected to continue its economic upswing in 2018. It is being driven by private consumption and the construction industry. Despite the international slowdown, companies will continue to invest in capacity expansion due to the current bottlenecks (Ifo Institute, German Central Bank). However, this development is vulnerable to protectionism and geopolitical tensions. In addition, early indicators have worsened and industrial order intake has markedly declined (German Central Bank). The very high growth rate of the previous year is therefore plateauing. For 2018, the Ifo Institute currently expects GDP growth of only 1.8% (IMF: +2.2%). Escalating trade conflicts could slow down development even further.

Mechanical engineering and construction – the global industry boom could be at risk

Global industry sales by all manufacturers are expected to increase by 4% in real terms in 2018 according to previous estimates by the VDMA. The association expects real sales growth of 3% for manufacturers in Germany. The VDMA reports that their production is expected to grow by 5% in real terms in 2018. This is based on manufacturers' own high order backlog and largely full capacity utilization among industrial customers. However, the global industry environment is clouding over as uncertainty increases due to trade disputes. After a strong start to the year (order intake in Q1 2018: +7% in real terms), orders from German manufacturers, supported by domestic orders, have risen only moderately since then (March to May: +2% in real terms). The association does not yet view the monthly decline in May of –1% in real terms (domestic –1%, international –2%, of which eurozone –5%) as a turnaround but rather as a letup. Nevertheless, it cannot be ruled out that an escalation in trade dis-

putes will have a noticeably negative impact on prospects moving forward.

MECHANICAL ENGINEERING: CHANGE IN PRODUCTION AND ORDER INFLOW IN GERMANY (REAL)

| IN % | 2017 | Q1 2018 | Q2 2018 |
|----------------------------------|------|---------|-----------------------|
| Production ¹ | 4.5 | 4.9 | Apr.: 2.4 May: 2.5 |
| > according to VDMA ² | 3,9 | – | 4 M: 4.2 |
| Order inflow ² | 8.0 | 7.0 | Mar-May: 2.0 |
| > Domestic | 5.0 | 9.0 | Mar-May: 7.0 |
| > Abroad | 10.0 | 6.0 | Mar-May: –1.0 |

1_German Central Bank/Destatis

2_VDMA (partly prelims)

Automotive industry on growth course despite technological change – trade war as a main risk

The global market for light vehicles (LV, up to 6 tons) is expanding moderately despite the challenges posed by technological change in the automotive industry. According to LMC Automotive, sales are expected to grow by 2.2% in 2018. Production is expected to increase by 2.0% to 96.9 million units, with dynamics in the main regions (Europe, North America, Asia-Pacific) being almost the same, but below average. A stronger increase is expected for production, especially in South America.

The global commercial vehicle market should be able to maintain its high-volume level according to LMCA (production in 2018: +0.2%). Production is expected to increase by 3.0% in Western Europe and by as much as 15.2% in North America. Should trade conflicts escalate and massive special taxes on automobiles be implemented, market forecasts for the automotive industry would have to be revised downwards, possibly significantly.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

AUTOMOTIVE INDUSTRY: GLOBAL PRODUCTION AND SALES DEVELOPMENT

| IN % | 2017 | 2018e | 2019e |
|--------------------------------|------|-------|-------|
| Light vehicles | | | |
| Global sales ¹ | 2.4 | 2.2 | 2.5 |
| Global production ¹ | 2.3 | 2.0 | 2.6 |
| Commercial vehicles | | | |
| Global sales ² | 20.2 | 0.3 | -1.9 |
| Global production ¹ | 20.2 | 0.2 | -1.9 |

1_LMC Automotive

2_LMC Automotive (Trucks > 6t)

International construction industry on stable expansion course

Despite the turnaround in interest rates, the environment for the US construction industry is expected to remain positive due to the economic situation. Government investment and massive tax cuts are also stimulating. China is continuing to invest in residential construction and infrastructure. The industry network Euroconstruct (lfo among others) assesses the upswing of the European construction industry up to 2020 as intact with a flattening dynamic. Construction output in Europe's 19 core markets is expected to increase by 2.7% in real terms in 2018 (previous year: 3.9%). Impulses should come from new construction and renovation. The markets of Western Europe are expected to increase real construction output by 2.3% in 2018 (Germany: +0.8%). An increase of 10.4% is expected for Eastern Europe. According to lfo estimates, real construction investments in Germany will rise by 3.6% in real terms in 2018. The associations HDB and ZDB expect nominal sales growth in the German construction industry of 4% in 2018 (residential: +3.5%, economic: +4%, public construction: +4%).

CONSTRUCTION INDUSTRY: DEVELOPMENT OF EUROPEAN CONSTRUCTION INDUSTRY

| IN % | 2017 | 2018e | 2019e |
|------------------------------------|------|-------|-------|
| Europe (core markets) ¹ | 3.9 | 2.7 | 1.9 |
| > Western Europe (EU15) | 3.6 | 2.3 | 1.5 |
| > Eastern Europe (EU4) | 9.1 | 10.4 | 9.1 |

1_lfo/Euroconstruct

FUTURE DEVELOPMENT OF NORMA GROUP SE

NORMA Group is not planning any significant changes to its business objectives and strategy. A detailed description of its strategic goals can be found in the 2017 Annual Report. → **2017 ANNUAL REPORT**

May 7, 2018:

Forecast for organic sales growth adjusted

NORMA Group raised its forecast for organic Group sales growth published in the 2017 Annual Report on May 7, 2018, due to better than expected sales development in the first quarter and on the basis of the expected Group sales for the year as a whole.

The Management Board now expects organic growth, i.e. excluding currency and acquisition effects, of around 5% to 8% in 2018 compared to 2017 (previous forecast: solid organic growth of around 3% to 5%), now aiming at the upper end of the bandwidth. The increase in the sales growth forecast is based on the following adjusted sales expectations in the three regional segments:

In the Americas region, the Management Board now expects strong organic growth (previous forecast: solid organic growth). This is attributable to better than expected development of the markets for commercial vehicles and agricultural machinery. Demand in the area of water management is also increasing more than expected as a result of catch-up effects.

In the Asia-Pacific region, demand for advanced joining technology is being driven more strongly than originally forecast, primarily by stricter emission requirements of OEM customers, particularly in China and India. In light of this, the Management Board expects double-digit organic growth to be higher than originally assumed.

The forecast for organic sales growth in the EMEA region remains unchanged (solid organic growth).

Due to the regions' improved growth prospects, the Management Board now expects strong growth (previous forecast: solid growth) for the EJT sales channel and solid growth for the DS segment.

As a result of the acquisition of the Indian water specialist Kimplas, which was closed at the beginning of July 2018, the Management Board now expects additional sales revenues of EUR 10 million from this acquisition for fiscal year 2018. Sales revenues from acquisitions (Fengfan and Kimplas) of EUR 15 million are expected in fiscal year 2018.

July 26, 2018:

Revision of the forecast for the adjusted EBITA margin and net operating cash flow

At the end of July, the Management Board of NORMA Group lowered its forecast for the adjusted EBITA margin and net operating cash flow for the full year 2018 and now expects an adjusted EBITA margin of between 16% and 17% (previously: at the level of previous years of more than 17%) and net operating cash flow of EUR 130 million (previously: EUR 140 million). The reason for this is the tense situation on the international raw material markets, which leads to price increases, supply shortages and consequently to an increase in material costs and additional costs in the areas of purchasing, production and logistics. The Management Board does not expect the situation on

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

the raw material markets to improve significantly in the second half of the year either.

The revised forecast is shown in the following table:

FORECAST FOR THE FISCAL YEAR 2018 (REVISED)

| | |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consolidated sales | Organic growth of around 5% to 8%, additionally around EUR 15 million from acquisitions EMEA: solid organic growth Americas: strong organic growth APAC: higher than originally assumed organic growth in the double-digit range EJT: strong growth DS: solid growth |
| Adjusted cost of materials ratio | roughly at the same level as in previous years |
| Adjusted personnel cost ratio | roughly at the same level as in previous years |
| Investments in R&D (in relation to EJT sales) | around 5% of EJT sales |
| Adjusted EBITA margin | between 16% and 17% |
| Financial result | up to EUR – 15 million |
| Tax rate | around 26% to 28% |
| Adjusted earnings per share | strong increase |
| Investment rate (without acquisitions) | operational investments of around 5% of Group sales |
| Net operating cash flow | around EUR 130 million |
| Dividend | approx. 30% to 35% of adjusted net profit for the Group |
| Number of invention applications per year | more than 20 |
| Number of defective parts (PPM) | less than 20 |
| Number of quality-related complaints per month | less than 8 |

Risk and Opportunity Report

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

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 position and its performance. For this reason, opportunity and risk management represents an integral component of corporate management for NORMA Group SE, 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.

The 2017 Annual Report contains a detailed description of the risks and opportunities NORMA Group currently faces. → [2017 ANNUAL REPORT, P. 85](#)

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 according to the relation to EBITA. Here, the following five categories are used:

- › 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 interval of the risk's or the opportunity's impact 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 Consolidated 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

Compared to the risk and opportunity assessment published in the 2017 Annual Report, apart from one-off changes in the probability of occurrence of individual risks, there is only one significant change in commodity price risk. Thus, increasing trade barriers, e.g. US punitive tariffs and the growing demand for scarce resources (including technical plastic components and stainless steel) lead to rising purchase prices. Due to the persistence of protectionist tendencies and the continuing expectation of increasing demand for raw materials, NORMA Group now considers the probability of occurrence of commodity price risks to be very likely and its financial impact to be moderate.

RISK AND OPPORTUNITY PORTFOLIO OF NORMA GROUP¹

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

| | | Probability | | | | | Financial impact | | | | | | |
|--------------------------------------------------------------------|---------------|---------------|----------|----------|--------|-------------|--------------------|--------------------|-------|----------|------------------|------|-----------------------|
| | | Very unlikely | Unlikely | Possible | Likely | Very likely | Change to Dec 2017 | Insignifi- cant | Minor | Moderate | Signifi- cant | High | Change to Dec 2017 |
| 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 | | | • | | | → | | | • | | | → |
| Operative Risiken und Chancen | | | | | | | | | | | | | |
| 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.

→ unchanged ↗ higher ↘ lower

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Report on Significant Transactions with Related Parties

In the reporting period from January to June 2018, there were no significant transactions with related parties subject to reporting.

Maintal, August 1, 2018

NORMA Group SE

The Management Board



Bernd Kleinhens

Dr. Michael Schneider

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Consolidated Statement of Comprehensive Income for the period from January 1 to June 30, 2018

| IN EUR THOUSANDS | Note | H1 2018 | H1 2017 |
|------------------------------------------------------------------------------------------|------------|----------------|----------------|
| Revenue | (5) | 548,984 | 519,041 |
| Changes in inventories of finished goods and work in progress | | 443 | 2,490 |
| Other own work capitalized | | 1,747 | 1,402 |
| Raw materials and consumables used | (5) | -229,931 | -213,494 |
| Gross profit | | 321,243 | 309,439 |
| Other operating income | (6) | 8,053 | 9,886 |
| Other operating expenses | (6) | -80,394 | -76,692 |
| Employee benefits expense | (7) | -148,627 | -139,303 |
| Depreciation and amortization | | -28,540 | -29,061 |
| Operating profit | | 71,735 | 74,269 |
| Financial income | | 428 | 143 |
| Financial costs | | -6,550 | -8,006 |
| Financial costs – net | (8) | -6,122 | -7,863 |
| Profit before income tax | | 65,613 | 66,406 |
| Income taxes | | -17,720 | -19,324 |
| Profit for the period | | 47,893 | 47,082 |
| Other comprehensive income for the period, net of tax | | | |
| Other comprehensive income that can be reclassified to profit or loss, net of tax | | 7,101 | -21,615 |
| Exchange differences on translation of foreign operations | | 6,073 | -21,346 |
| Cash flow hedges, net of tax | | 1,028 | -269 |
| Other comprehensive income for the period, net of tax | | 7,101 | -21,615 |
| Total comprehensive income for the period | | 54,994 | 25,467 |
| Profit attributable to | | | |
| Shareholders of the parent | | 47,755 | 46,961 |
| Non-controlling interests | | 138 | 121 |
| | | 47,893 | 47,082 |
| Total comprehensive income attributable to | | | |
| Shareholders of the parent | | 54,839 | 25,367 |
| Non-controlling interests | | 155 | 100 |
| | | 54,994 | 25,467 |
| (Un)diluted earnings per share (in EUR) | (9) | 1.50 | 1.47 |

Consolidated Statement of Financial Position as of June 30, 2018

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

ASSETS

| IN EUR THOUSANDS | Note | Jun 30, 2018 | Dec 31, 2017 | Jun 30, 2017 |
|-------------------------------|------|------------------|------------------|------------------|
| Non-current assets | | | | |
| Goodwill | (10) | 361,961 | 356,717 | 364,608 |
| Other intangible assets | (10) | 251,298 | 255,729 | 277,275 |
| Property, plant and equipment | (10) | 213,174 | 205,153 | 199,563 |
| Other non-financial assets | | 1,247 | 1,048 | 321 |
| Derivative financial assets | (17) | 3,331 | 1,885 | 1,155 |
| Income tax assets | | 104 | 76 | 111 |
| Deferred income tax assets | | 3,890 | 4,845 | 7,636 |
| | | 835,005 | 825,453 | 850,669 |
| Current assets | | | | |
| Inventories | (11) | 164,985 | 151,229 | 146,618 |
| Other non-financial assets | | 17,446 | 15,754 | 19,006 |
| Other financial assets | | 1,083 | 1,001 | 4,757 |
| Derivative financial assets | (17) | 237 | 640 | 771 |
| Income tax assets | | 5,898 | 9,884 | 6,041 |
| Trade and other receivables | (11) | 190,639 | 152,746 | 165,213 |
| Contract assets | (2) | 1,051 | 0 | 0 |
| Cash and cash equivalents | (18) | 215,185 | 155,323 | 130,343 |
| | | 596,524 | 486,577 | 472,749 |
| Total assets | | 1,431,529 | 1,312,030 | 1,323,418 |

EQUITY AND LIABILITIES

| IN EUR THOUSANDS | Note | Jun 30, 2018 | Dec 31, 2017 | Jun 30, 2017 |
|------------------------------------------------------------|-------------|------------------|------------------|------------------|
| Equity attributable to equity holders of the parent | | | | |
| Subscribed capital | | 31,862 | 31,862 | 31,862 |
| Capital reserve | | 210,323 | 210,323 | 210,323 |
| Other reserves | | -1,280 | -8,364 | 5,483 |
| Retained earnings | | 311,742 | 298,077 | 225,695 |
| Equity attributable to shareholders | | 552,647 | 531,898 | 473,363 |
| Non-controlling interests | | 2,462 | 2,423 | 2,657 |
| Total equity | (12) | 555,109 | 534,321 | 476,020 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Retirement benefit obligations | | 12,025 | 12,127 | 11,755 |
| Provisions | (13) | 8,738 | 10,239 | 8,975 |
| Borrowings | (14) | 560,507 | 455,111 | 493,323 |
| Other non-financial liabilities | (15) | 454 | 489 | 534 |
| Other financial liabilities | (16) | 4,267 | 4,224 | 5,494 |
| Derivative financial liabilities | (14), (17) | 865 | 1,226 | 1,872 |
| Deferred income tax liabilities | | 60,319 | 60,543 | 96,534 |
| | | 647,175 | 543,959 | 618,487 |
| Current liabilities | | | | |
| Provisions | (13) | 8,056 | 8,545 | 7,351 |
| Borrowings | (14) | 36,677 | 33,136 | 48,579 |
| Other non-financial liabilities | (15) | 33,680 | 31,860 | 32,447 |
| Contract liabilities | (2) | 254 | 0 | 0 |
| Other financial liabilities | (16) | 4,295 | 6,307 | 4,853 |
| Derivative financial liabilities | (14), (17) | 538 | 193 | 76 |
| Income tax liabilities | | 8,447 | 7,960 | 14,124 |
| Trade and other payables | | 137,298 | 145,749 | 121,481 |
| | | 229,245 | 233,750 | 228,911 |
| Total liabilities | | 876,420 | 777,709 | 847,398 |
| Total equity and liabilities | | 1,431,529 | 1,312,030 | 1,323,418 |

Consolidated Statement of Cash Flows

for the period from January 1 to June 30, 2018

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

| IN EUR THOUSANDS | Note | H1 2018 | H1 2017 |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------|----------------|
| Operating activities | | | |
| Profit for the period | | 47,893 | 47,082 |
| Depreciation and amortization | | 28,540 | 29,061 |
| Gain (-)/loss (+) on disposal of property, plant and equipment | | 167 | -5 |
| Change in provisions | | 1,419 | 1,123 |
| Change in deferred taxes | | -754 | -1,321 |
| Change in inventories, trade account receivables and other receivables, which are not attributable to investing or financing activities | | -48,689 | -51,206 |
| Change in trade and other payables, which are not attributable to investing or financing activities | | -9,451 | 7,542 |
| Change in reverse factoring liabilities | | 5,306 | 6,369 |
| Payments for share-based payments | | -3,513 | -3,981 |
| Interest expenses in the period | | 6,465 | 6,867 |
| Income (-)/expenses (+) due to measurement of derivatives | | 194 | -3,064 |
| Other non-cash expenses (+)/income (-) | | -340 | 3,767 |
| Cash flows from operating activities | (18) | 27,237 | 42,234 |
| thereof interest received | | 161 | 134 |
| thereof income taxes | | -13,961 | -12,795 |
| Investing activities | | | |
| Payments for acquisitions of subsidiaries, net | | -2,989 | -23,746 |
| Investments in property, plant and equipment and intangible assets | | -27,910 | -21,128 |
| Proceeds from the sale of property, plant and equipment | | 852 | 353 |
| Cash flows from investing activities | | -30,047 | -44,521 |
| Financing activities | | | |
| Proceeds from outstanding capital contributions to a newly acquired subsidiary by former owner | | 0 | 3,924 |
| Interest paid | | -3,031 | -3,458 |
| Dividends paid to shareholders | (12) | -33,456 | -30,269 |
| Dividends paid to non-controlling interests | (12) | -99 | -82 |
| Proceeds from borrowings | | 102,004 | 0 |
| Repayment of borrowings | (14) | -2,385 | -2,426 |
| Proceeds from repayment of derivatives | (17) | -171 | 3,413 |
| Repayment of lease liabilities | | -88 | -79 |
| Cash flows from financing activities | (18) | 62,774 | -28,977 |
| Net change in cash and cash equivalents | | 59,964 | -31,264 |
| Cash and cash equivalents at the beginning of the year | | 155,323 | 165,596 |
| Effect of foreign exchange rates on cash and cash equivalents | | -102 | -3,989 |
| Cash and cash equivalents at the end of the period | (18) | 215,185 | 130,343 |

Notes to the Consolidated Financial Statements (condensed)

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

1. GENERAL INFORMATION

The condensed Consolidated Financial Statements of NORMA Group as of June 30, 2018, have been prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the EU.

The condensed Consolidated Financial Statements are to be read in connection with the Consolidated Annual Financial Statements for 2017, which are available on the website INVESTORS.NORMAGROUP.COM. All IFRS to be applied for financial years beginning January 1, 2018, as adopted by the EU, have been taken into account.

The condensed Financial Statements were approved by NORMA Group management on July 31, 2018, and released for publication.

2. BASIS OF PREPARATION

The condensed Financial Statements are prepared using the same accounting methods and consolidation principles as in the notes to the Consolidated Annual Financial Statements for 2017. A detailed description of significant accounting principles is contained in the Consolidated Annual Financial Statements for 2017. → **NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES'** An exception are the adoption of new and amended standards to be applied for the first time from January 1, 2018. The following standards and interpretations were applied for the first time with effect from January 1, 2018:

- › IFRS 9 Financial Instruments
- › IFRS 15 Revenue from Contracts with Customers
- › Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- › Annual improvements 2014–2016 cycle
- › IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

Due to the first-time adoption of IFRS 9 and IFRS 15 since January 1, 2018, the Group's consolidated financial statements have undergone transition effects in the following areas, which led to a change in the accounting method. NORMA Group has applied the modified retrospective approach for the transition to IFRS 9 and IFRS 15. Conversion effects at the date of first-time adoption were cumulatively recognized in equity and the comparative period is presented in accordance with the previous rules.

The effects of the first-time application of IFRS 9 and IFRS 15 on retained earnings are shown below:

RETAINED EARNINGS RECONCILIATION: IFRS 9 AND IFRS 15

| IN EUR THOUSANDS | Retained earnings |
|---------------------------------------------------------------------|-------------------|
| Retained earnings as of Dec 31, 2017 | 298,077 |
| Effects of IFRS 9 | -634 |
| of which loss allowances established for trade accounts receivables | -847 |
| of which deferred taxes | 213 |
| Effects of IFRS 15 | 0 |
| Retained earnings as of Jan 1, 2018 | 297,443 |

The effects of the first-time application of IFRS 9 and IFRS 15 on the Consolidated Statement of Financial Position as well as the impact on the Consolidated Statement of Comprehensive Income for the first half of 2018 are shown below:

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

RECONCILIATION CONSOLIDATED STATEMENT OF FINANCIAL POSITION IFRS 9 AND IFRS 15

| IN EUR THOUSANDS | Dec 31, 2017 as originally presented | IFRS 9 | IFRS 15 | Jan 1, 2018 restated |
|-------------------------------------|--------------------------------------------|-------------|----------|-------------------------|
| Non-current assets | | | | |
| Deferred income tax assets | 4,845 | 213 | | 5,058 |
| Other non-current assets | 820,608 | | | 820,608 |
| | 825,453 | 213 | 0 | 825,666 |
| Current assets | | | | |
| Inventories | 151,229 | | | 151,229 |
| Trade and other receivables | 152,746 | -864 | -1,051 | 150,831 |
| Contract assets | 0 | | 1,051 | 1,051 |
| Cash and cash equivalents | 155,323 | | | 155,323 |
| Other current assets | 27,279 | | | 27,279 |
| | 486,577 | -864 | 0 | 485,713 |
| Total assets | 1,312,030 | -651 | 0 | 1,311,379 |
| Equity | | | | |
| Retained earnings | 298,077 | -634 | | 297,443 |
| Other equity | 236,244 | -17 | | 236,227 |
| | 534,321 | -651 | 0 | 533,670 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Deferred income tax liabilities | 60,543 | | | 60,543 |
| Other non-current liabilities | 483,416 | | | 483,416 |
| | 543,959 | 0 | 0 | 543,959 |
| Current liabilities | | | | |
| Other non-financial liabilities | 31,860 | | -193 | 31,667 |
| Contract liabilities | 0 | | 193 | 193 |
| Other current liabilities | 201,890 | | | 201,890 |
| | 233,750 | 0 | 0 | 233,750 |
| Total liabilities | 777,709 | 0 | 0 | 777,709 |
| Total equity and liabilities | 1,312,030 | -651 | 0 | 1,311,379 |

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

RECONCILIATION CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IFRS 9 AND IFRS 15

| IN EUR THOUSANDS | H1 2018 | Effects of IFRS 15 | | | H1 2018 without IFRS 15/ IFRS 9 |
|------------------------------------------------------------------------------------------|----------------|---------------------------|----------------------------------------|----------------------|------------------------------------------|
| | | Change of Presentation | Changes in timing of recognition | Effects of IFRS 9 | |
| Revenue | 548,984 | 460 | | | 548,524 |
| Changes in inventories of finished goods and work in progress | 443 | | | | 443 |
| Other own work capitalized | 1,747 | | | | 1,747 |
| Raw materials and consumables used | -229,931 | | | | -229,931 |
| Gross profit | 321,243 | -460 | 0 | 0 | 320,783 |
| Other operating income | 8,053 | -460 | | | 8,513 |
| Other operating expenses | -80,394 | | | -154 | -80,240 |
| Employee benefits expense | -148,627 | | | | -148,627 |
| Depreciation and amortization | -28,540 | | | | -28,540 |
| Operating profit | 71,735 | 0 | 0 | -154 | 71,889 |
| Financial income | 428 | | | | 428 |
| Financial costs | -6,550 | | | | -6,550 |
| Financial costs – net | -6,122 | 0 | 0 | 0 | -6,122 |
| Profit before income tax | 65,613 | 0 | 0 | -154 | 65,767 |
| Income taxes | -17,720 | | | 42 | -17,762 |
| Profit for the period | 47,893 | 0 | 0 | -112 | 48,005 |
| Other comprehensive income for the period, net of tax: | | | | | |
| Other comprehensive income that can be reclassified to profit or loss, net of tax | 7,101 | 0 | 0 | 0 | 7,101 |
| Exchange differences on translation of foreign operations | 6,073 | | | | 6,073 |
| Cash flow hedges, net of tax | 1,028 | | | | 1,028 |
| Other comprehensive income for the period, net of tax | 7,101 | 0 | 0 | 0 | 7,101 |
| Total comprehensive income for the period | 54,994 | 0 | 0 | -112 | 55,106 |
| Profit attributable to | | | | | |
| Shareholders of the parent | 47,755 | | | -112 | 47,867 |
| Non-controlling interests | 138 | | | | 138 |
| | 47,893 | 0 | 0 | -112 | 48,005 |
| Total comprehensive income attributable to | | | | | |
| Shareholders of the parent | 54,839 | | | -112 | 54,951 |
| Non-controlling interests | 155 | | | | 155 |
| | 54,994 | 0 | 0 | -112 | 54,106 |
| (Un)diluted earnings per share (in EUR) | 1.50 | | | | 1.50 |

IFRS 9
Classification and valuation of financial assets

The classification and measurement of part of the portfolio of trade receivables available for sale under the ABS and factoring program has changed from the previous valuation at amortized cost (AC) to fair value through profit or loss (FVTPL).

Impairment model for financial assets

IFRS 9 also introduces a new impairment model for financial assets measured at amortized cost. This replaces the previous model based on incurred losses (incurred loss model) with a model based on expected losses (expected loss model). For trade receivables, the simplified procedure is based on the expected credit losses over the respective terms. Loss rates are calculated on the basis of historical and forecast data, taking into account the business model, the respective customer and the economic environment of the geographical region. Receivables with significant overdue dates, which due to the customer structure can also exceed 180 days, or those over whose debtors' insolvency or comparable proceedings have been opened, are individually examined for impairment. If it cannot be reasonably assumed that these are realizable, they are written off immediately.

For bank balances and other financial receivables that are not classified as at fair value through profit or loss, the general impairment rules of IFRS 9 are applied, but the identified impairment loss was insignificant.

Contract assets relating to work in progress not yet invoiced have essentially the same risk characteristics as trade receivables for the same customer.

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Hedge Accounting

With regard to hedge accounting, IFRS 9 provides for the elimination of the thresholds to be applied in the retrospective effectiveness test. Instead, proof of the economic connection between the underlying transaction and the hedging instrument must be provided. The scope of possible underlying transactions and the notes on hedge accounting have also been extended. The new regulations on hedge accounting are applied prospectively. All current hedging relationships meet the requirements for hedge accounting in accordance with IFRS 9 and can be continued as before.

The following table contains a reconciliation of the carrying amounts of financial instruments, broken down by the classes of the Consolidated Statement of Financial Position and categories in accordance with IFRS 9 to the previous categories in accordance with IAS 39.

FINANCIAL ASSETS RECONCILIATION FROM IAS 39 TO IFRS 9

| IN EUR THOUSANDS | Category IFRS 7.8 according to IFRS 9 | Carrying amount Jun 30, 2018 | Carrying amount Jan 1, 2018 | Category IFRS 7.8 according to IAS 39 | Carrying amount Dec 31, 2017 |
|---------------------------------------------------------------|---------------------------------------|------------------------------|-----------------------------|---------------------------------------|------------------------------|
| Financial assets | | | | | |
| Derivative financial instruments – hedge accounting | | | | | |
| Interest rate swaps – cash flow hedges | n/a | 3,331 | 1,885 | n/a | 1,885 |
| Foreign exchange derivatives – cash flow hedges | n/a | 224 | 458 | n/a | 458 |
| Foreign exchange derivatives – fair value hedges | n/a | 13 | 182 | n/a | 182 |
| Trade and other receivables ¹ | Amortized Cost | 183,015 | 147,803 | LaR | 148,667 |
| Trade receivable – ABS/ Factoring program ^{1,2} | FVTPL | 7,624 | 4,079 | LaR | 4,079 |
| Other financial assets | Amortized Cost | 1,083 | 1,001 | LaR | 1,001 |
| Cash and cash equivalents | Amortized Cost | 215,185 | 155,323 | LaR | 155,323 |
| Financial liabilities | | | | | |
| Borrowings | FLAC | 597,184 | 488,247 | FLAC | 488,247 |
| Derivative financial instruments – hedge accounting | | | | | |
| Interest rate swaps – cash flow hedges | n/a | 1,003 | 1,226 | n/a | 1,226 |
| Foreign exchange derivatives – cash flow hedges | n/a | 395 | 43 | n/a | 43 |
| Foreign exchange derivatives – fair value hedges | n/a | 5 | 150 | n/a | 150 |
| Trade and other payables | FLAC | 137,298 | 145,749 | FLAC | 145,749 |
| Other financial liabilities | | | | | |
| Other liabilities | FLAC | 8,494 | 10,375 | FLAC | 10,375 |
| Finance lease liabilities | n/a | 68 | 156 | n/a | 156 |
| Totals per category | | | | | |
| Financial assets at amortized cost | | 399,283 | 304,127 | LaR | 304,991 |
| Financial assets at fair value through profit or loss (FVTPL) | | 7,624 | 4,079 | LaR | 4,079 |
| Financial liabilities at amortized cost (FLAC) | | 742,976 | 644,371 | FLAC | 644,371 |

1_The change in measurement basis as a result of IFRS 9 affects trade receivables.

2_The reclassification under IFRS 9 relates to trade receivables that are available for sale under the ABS and Factoring program.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

The allowance for trade receivables as of December 31, 2017, is reconciled to the opening balance sheet value of the allowance as of January 1, 2018, as follows:

IMPAIRMENT RECONCILIATION FROM IAS 39 TO IFRS 9

| IN EUR THOUSANDS | Impairments on trade receivables |
|---------------------------------------------------------------------------------|----------------------------------|
| Impairment allowance as of Dec 31, 2017 – based on IAS 39 | 2,551 |
| Reclassification of write-offs based on IFRS 9.5.4.4 | -1,793 |
| Amounts adjusted retroactively through the opening balance of retained earnings | 864 |
| Impairment allowance as of Jan 1, 2018 – based on IFRS 9 | 1,622 |

IFRS 15

The adoption of IFRS 15 has resulted to the following effects:

Disclosure changes

In order to comply with the methodology of IFRS 15, NORMA Group has adjusted the presentation of certain items in the Consolidated Statement of Financial Position and the Consolidated Statement of Income.

- › Amounts already received (or to be received) that are expected to be reimbursed to the customer are reported as refund liabilities in accordance with IFRS 15. These liabilities are included in the Consolidated Statement of Financial Position item 'Trade and other payables.' These amounts generally relate to expected volume discounts and were also previously reported under this item and other provisions.
- › Advance payments received (or to be received) in connection with product deliveries were previously reported under other non-financial liabilities. Advance payments received (or to be received) from service contracts that are recognized over a period of time were previously reported as deferred items under other non-financial liabilities. With the introduction of IFRS 15, both are reported as contract liabilities. In the Consolidated Statement of Cash Flows, the reduction in other non-financial liabilities resulting from the change in presentation is offset by a corresponding change in other net assets.
- › The receivables from the application of the percentage-of-completion method reported under trade and other receivables meet the requirements for period-related revenue recognition in accordance with IFRS 15 and are reported as contract assets with the introduction of IFRS 15.

Other new standards or amendments to standards which were applied for the first time for the fiscal year beginning on January 1, 2018, had no material impact on NORMA Group's financial position, cash flows or financial performance.

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

The most significant accounting policies are as follows:

VALUATION METHODS

| 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 |
| 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 |
| 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 |
| Other financial liabilities (categories IAS 39): | |
| 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 |
| Contingent consideration | At fair value through profit or loss |
| Trade and other payables | Amortized costs |

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

The Consolidated Statement of Comprehensive Income has been prepared in accordance with the nature of expenses method.

The condensed Financial Statements are presented in 'euro' (EUR).

Income tax expenses are calculated with an expected tax rate for the full fiscal year which is based on the best estimate of the weighted average annual income tax rate.

3. BASIS OF CONSOLIDATION

The basis of consolidation for the Consolidated Financial Statements as of June 30, 2018, include seven domestic (Dec 31, 2017: seven) and 41 foreign (Dec 31, 2017: 41) companies.

4. ADJUSTMENTS

Certain expenses are adjusted for operational management purposes. Hence, the following results which are adjusted by these expenses, reflect the management perspective.

In the first half of 2018, expenses totaling EUR 609 thousand were adjusted within EBITDA (earnings before interest, taxes, depreciation and amortization). These relate to adjustments in the amount of EUR 601 thousand within the operating expenses and in the amount of EUR 8 thousand within the employee benefits expense in connection with the acquisition and the preparatory due diligence of the Indian water specialist Kimplas.

Furthermore, as in previous years, depreciation of property, plant and equipment from purchase price allocations of EUR 1,802 thousand (H1 2017: EUR 2,042 thousand) was adjusted within EBITA (earnings before interest, taxes and amortization). Amortization of intangible assets from purchase price allocations of EUR 9,794 thousand (H1 2017: EUR 10,341 thousand) was adjusted within EBIT.

The theoretical taxes resulting from the adjustments are calculated using the respective tax rate of each Group entity and are considered within the adjusted earnings after taxes.

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

The following table shows profit or loss net of these expenses:

PROFIT AND LOSS NET OF ADJUSTMENTS

| IN EUR THOUSANDS | Note | H1 2018 unadjusted | M&A-related costs | Step-up effects from purchase price allocations | Total adjustments | H1 2018 adjusted |
|---------------------------------------------------------------|------|-----------------------|----------------------|----------------------------------------------------------|----------------------|---------------------|
| Revenue | (5) | 548,984 | | | 0 | 548,984 |
| Changes in inventories of finished goods and work in progress | | 443 | | | 0 | 443 |
| Other own work capitalized | | 1,747 | | | 0 | 1,747 |
| Raw materials and consumables used | | -229,931 | | | 0 | -229,931 |
| Gross profit | | 321,243 | 0 | 0 | 0 | 321,243 |
| Other operating income and expenses | (6) | -72,341 | 601 | | 601 | -71,740 |
| Employee benefits expense | (7) | -148,627 | 8 | | 8 | -148,619 |
| EBITDA | | 100,275 | 609 | 0 | 609 | 100,884 |
| Depreciation | | -14,948 | | 1,802 | 1,802 | -13,146 |
| EBITA | | 85,327 | 609 | 1,802 | 2,411 | 87,738 |
| Amortization | | -13,592 | | 9,794 | 9,794 | -3,798 |
| Operating profit (EBIT) | | 71,735 | 609 | 11,596 | 12,205 | 83,940 |
| Financial costs – net | (8) | -6,122 | | | 0 | -6,122 |
| Profit before income tax | | 65,613 | 609 | 11,596 | 12,205 | 77,818 |
| Income taxes | | -17,720 | -181 | -3,049 | -3,230 | -20,950 |
| Profit for the period | | 47,893 | 428 | 8,547 | 8,975 | 56,868 |
| Non-controlling interests | | 138 | | | 0 | 138 |
| Profit attributable to shareholders of the parent | | 47,755 | 428 | 8,547 | 8,975 | 56,730 |
| Earnings per share (in EUR) | | 1.50 | | | | 1.78 |

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

| IN EUR THOUSANDS | Note | H1 2017 unadjusted | Refund transaction tax | Integration costs | Step-up effects from purchase price allocations | Total adjustments | H1 2017 adjusted |
|---------------------------------------------------------------|------|-----------------------|---------------------------|----------------------|----------------------------------------------------------|----------------------|---------------------|
| Revenue | (5) | 519,041 | | | | 0 | 519,041 |
| Changes in inventories of finished goods and work in progress | | 2,490 | | | | 0 | 2,490 |
| Other own work capitalized | | 1,402 | | | | 0 | 1,402 |
| Raw materials and consumables used | | -213,494 | | | 573 | 573 | -212,921 |
| Gross profit | | 309,439 | 0 | 0 | 573 | 573 | 310,012 |
| Other operating income and expenses | (6) | -66,806 | -531 | 760 | | 229 | -66,577 |
| Employee benefits expense | (7) | -139,303 | | | -14 | -14 | -139,317 |
| EBITDA | | 103,330 | -531 | 760 | 559 | 788 | 104,118 |
| Depreciation | | -14,505 | | | 2,042 | 2,042 | -12,463 |
| EBITA | | 88,825 | -531 | 760 | 2,601 | 2,830 | 91,655 |
| Amortization | | -14,556 | | | 10,341 | 10,341 | -4,215 |
| Operating profit (EBIT) | | 74,269 | -531 | 760 | 12,942 | 13,171 | 87,440 |
| Financial costs - net | (8) | -7,863 | | | | 0 | -7,863 |
| Profit before income tax | | 66,406 | -531 | 760 | 12,942 | 13,171 | 79,577 |
| Income taxes | | -19,324 | 177 | -229 | -4,381 | -4,433 | -23,757 |
| Profit for the period | | 47,082 | -354 | 531 | 8,561 | 8,738 | 55,820 |
| Non-controlling interests | | 121 | | | | 0 | 121 |
| Profit attributable to shareholders of the parent | | 46,961 | -354 | 531 | 8,561 | 8,738 | 55,699 |
| Earnings per share (in EUR) | | 1.47 | | | | | 1.75 |

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Notes to the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Other Notes

5. REVENUE AND RAW MATERIALS AND CONSUMABLES USED

Revenue for the first half of 2018 (EUR 548,984 thousand) was 5.8% higher than revenue for the first half of 2017 (EUR 519,041 thousand). The increase in revenue results from organic growth, the inclusion of Fengfan, acquired in the second quarter of 2017, amounting to EUR 4,299 thousand, and positive currency effects.

Revenue recognized during the period related to the following:

REVENUE BY CATEGORY

| IN EUR THOUSANDS | H1 2018 | H1 2017 |
|-------------------------------------|----------------|----------------|
| Engineered Joining Technology (EJT) | 353,439 | 321,940 |
| Distribution Services (DS) | 192,302 | 193,909 |
| Other revenue | 3,243 | 3,192 |
| | 548,984 | 519,041 |

The raw materials and consumables used increased disproportionately higher in relation to revenues, leading to a ratio of 41.9% (H1 2017: 41.1%). Also in relation to the total value, raw materials and consumables used are, with a ratio of 41.7%, above last year's level (H1 2017: 40.8%). This development was, among other factors, a result of partly increased raw material prices.

6. OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Other operating income in the first half of 2018 totaled EUR 8,053 thousand, which was EUR 1,833 thousand lower than in the first half of 2017 (EUR 9,886 thousand). Other operating income included, in particular, operational currency gains, government grants and reversals from provisions and from accruals.

Other operating expenses for the first half of 2018 (EUR 80,394 thousand) were 4.8% higher than other operating expenses for the first half of 2017 (EUR 76,692 thousand). The increase in comparison to the prior year period was influenced by higher expenses for outward freights and for temporary workforce partially due to the increase in revenues in comparison to the prior year period. In addition, higher expenses for research and development activities contributed to this increase. The composition of other operating expenses did not change significantly compared to fiscal year 2017.

Other operating income and other operating expenses included net foreign exchange losses in the amount of EUR 200 thousand (H1 2017: EUR 1,269 thousand).

In relation to the total value, other operating expenses remained almost unchanged with a ratio of 14.6% (H1 2017: 14.7%).

7. EMPLOYEE BENEFITS EXPENSE

In the first half of 2018, employee benefits expense amounted to EUR 148,627 thousand compared to EUR 139,303 thousand in the first half of 2017. The increase of 6.7% is mainly due to a partly acquisition-related increase in the average headcount in the first half of 2018 compared to the first half of 2017. In relation to the total value, employee benefits expense increased disproportionately higher with a ratio of 27.0% (H1 2017: 26.6%).

Average headcount was 6,346 in the first half of 2018 (H1 2017: 5,584).

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

8. FINANCIAL RESULT

The financial result for the first half of 2018 (EUR – 6,122 thousand) changed by EUR 1,741 thousand compared to the first half of 2017 (EUR – 7,863 thousand). In the first half of 2018, net foreign exchange gains/losses (including income/expense from the valuation of foreign exchange derivatives) amounted to EUR 522 thousand (H1 2017: EUR – 558 thousand). Net interest expenses (EUR 6,456 thousand) decreased by EUR 446 thousand in the first half of 2018 compared to the first half of 2017 (EUR 6,902 thousand).

9. 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. NORMA Group has only issued common shares. In the first half of fiscal year 2018, the average weighted number of shares was 31,862,400 (H1 2017: 31,862,400).

Earnings per share for the first half of 2018 are as follows:

EARNINGS PER SHARE

| | H1 2018 | H1 2017 |
|----------------------------------------------------------------------|------------|------------|
| Profit attributable to shareholders of the parent (in EUR thousands) | 47,755 | 46,961 |
| Number of weighted shares | 31,862,400 | 31,862,400 |
| Earnings per share (un)diluted (in EUR) | 1.50 | 1.47 |

In the first half of 2018 and 2017, the negative one-time issues described → [NOTE 4 'ADJUSTMENTS'](#) influenced earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Intangible assets are as follows:

GOODWILL AND OTHER INTANGIBLE ASSETS – CARRYING AMOUNTS

| IN EUR THOUSANDS | Jun 30, 2018 | Dec 31, 2017 |
|----------------------------------------|----------------|----------------|
| Goodwill | 361,961 | 356,717 |
| Customer lists | 172,562 | 175,694 |
| Licenses, rights | 149 | 189 |
| Software acquired externally | 8,747 | 10,192 |
| Trademarks | 41,152 | 40,726 |
| Patents & technology | 17,519 | 18,826 |
| Internally generated intangible assets | 9,740 | 9,323 |
| Intangible assets, other | 1,429 | 779 |
| Total | 613,259 | 612,446 |

The change in goodwill from EUR 356,717 thousand as of December 31, 2017, to EUR 361,961 thousand as of June 30, 2018, resulted from positive foreign exchange differences, mainly from the US dollar area.

The change in goodwill is summarized as follows:

CHANGE IN GOODWILL

| IN EUR THOUSANDS | |
|-----------------------------------|----------------|
| Balance as of Dec 31, 2017 | 356,717 |
| Currency effect | 5,244 |
| Balance as of Jun 30, 2018 | 361,961 |

For details regarding the historical development of the cumulative amortization and impairments, please refer to → [ANNUAL REPORT 2017, P. 148](#).

Tangible assets are as follows:

PROPERTY, PLANT AND EQUIPMENT – CARRYING AMOUNTS

| IN EUR THOUSANDS | Jun 30, 2018 | Dec 31, 2017 |
|---------------------------|----------------|----------------|
| Land and buildings | 60,483 | 60,379 |
| Machinery & tools | 104,939 | 105,858 |
| Other equipment | 16,026 | 16,924 |
| Assets under construction | 31,726 | 21,992 |
| Total | 213,174 | 205,153 |

In the first half of 2018, EUR 26,615 thousand were invested in property, plant and equipment and intangible assets, including own work capitalized in the amount of EUR 1,747 thousand. The main focus of investments was on expansion in Germany, Serbia, Poland, the United Kingdom, China, the US and Mexico. There were no major disinvestments.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

11. CURRENT ASSETS

The increase in current assets is due to an increase in trade receivables and inventories resulting from the increased sales volume in the second quarter of 2018 compared to the last quarter of 2017. Furthermore, cash and cash equivalents increased due to the proceeds from the new accordion facility in the amount of EUR 102 million, agreed under the existing syndicated loan agreement, which will be used for acquisition financing as well as for a planned refinancing of a tranche of the promissory note.

Factoring transactions

In the factoring agreement 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 7.9 million were sold as of June 30, 2018, (Dec 31, 2017: EUR 9.0 million).

NORMA Group is continuing to recognize the sold trade receivables 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 78 thousand (Dec 31, 2017: EUR 82 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 6 thousand, taken through profit or loss and recognized under other liabilities.

ABS program

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 sells trade receivables in the context of an ABS transaction which was successfully initiated in December 2014. Receivables are sold by NORMA Group to the special purpose entity.

As of June 30, 2018, domestic NORMA Group entities had sold receivables in the amount of EUR 16.3 million (Dec 31, 2017: EUR 15.2 million) under this asset-backed securities (ABS) program with a maximum volume of EUR 25 million. Of the receivables sold, EUR 0.7 million (Dec 31, 2017: EUR 0.6 million) were retained as loss reserves and were not paid out. A continuing involvement in the amount of EUR 294 thousand (Dec 31, 2017: EUR 273 thousand) was recognized within other financial liabilities and 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 211 thousand (Dec 31, 2017: EUR 192 thousand), taken through profit or loss and recognized under other liabilities.

A detailed description of the ABS program can be found in the Consolidated Financial Statements for 2017. → **NOTE 23 'TRADE AND OTHER RECEIVABLES'**

12. EQUITY

Changes in equity resulted from the profit for the period (EUR 47,893 thousand), exchange differences on translation of foreign operations (EUR 6,073 thousand) and cash flow hedges (EUR 1,028 thousand). In addition, the first time adoption of IFRS 9 led to an adjustment of retained earnings in the amount of EUR – 651 thousand. → **NOTE 2 'BASIS OF PREPARATION'**

Furthermore, NORMA Group paid out dividends to non-controlling interests in the amount of EUR 99 thousand in the first half of 2018.

A dividend of EUR 33,456 thousand (EUR 1.05 per share) was paid to the shareholders of NORMA Group SE after the Annual General Meeting in May 2018, which reduced the retained earnings.

Authorized and conditional capital

The Management Board is entitled to increase the share capital by up to EUR 12,744,960.00 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 3,186,240.00 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).

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

13. PROVISIONS

Provisions decreased from EUR 18,784 thousand as of December 31, 2017, to EUR 16,794 thousand as of June 30, 2018, due to the payout of the cash-settled share-based payments (MSP), for other variable compensation for the Management Board and the payout of the Long-Term Incentive Plan (LTI).

14. FINANCIAL DEBT

NORMA Group's net debt is as follows:

NET DEBT

| IN EUR THOUSANDS | Jun 30, 2018 | Dec 31, 2017 |
|-----------------------------------------------------|----------------|----------------|
| Bank borrowings, net | 597,184 | 488,247 |
| Derivative financial liabilities – hedge accounting | 1,403 | 1,419 |
| Finance lease liabilities | 68 | 156 |
| Other financial liabilities | 8,494 | 10,375 |
| Financial debt | 607,149 | 500,197 |
| Cash and cash equivalents | 215,185 | 155,323 |
| Net debt | 391,964 | 344,874 |

NORMA Group's financial debt increased by 21.4% from EUR 500,197 thousand as of December 31, 2017, to EUR 607,149 thousand as of June 30, 2018. The increase within the bank borrowings is due to the inclusion of the accordion facility in the amount of EUR 102 million agreed under the syndicated loan agreement, which serves to finance acquisitions and to refinance a promissory note tranche. Furthermore, effects from changes in the exchange rates on the US dollar portion of parts of the syndicated bank facilities and of the promissory note increased the bank borrowings, whereas the scheduled repayment of the syndicated bank facilities in the amount of EUR 2,385 thousand had an opposite effect.

The decrease in other financial liabilities is due to the repayment of the purchase price liability amounting to EUR 2,989 thousand in connection with the acquisition of Fengfan.

Compared to December 31, 2017 (EUR 344,874 thousand), net debt increased by EUR 47,090 thousand or 13.7% to EUR 391,964 thousand. The main reason for this was the decrease in cash and cash equivalents, not considering the accordion facility described above, resulting from the net cash outflows from the total of the cash flows from operating activities amounting to EUR 27,237 thousand, net cash outflows from the acquisition and disposal of non-current assets amounting to EUR 27,058 thousand and the dividend payments of EUR 33,555 thousand. Furthermore, non-cash currency effects on the foreign currency loans and current interest expenses increased net debt. → [NOTE 18 'INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS'](#)

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

The maturity of the syndicated bank facilities and the promissory note on June 30, 2018, is as follows:

MATURITY BANK BORROWINGS JUN 30, 2018

| 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 | 4,771 | 4,771 | 175,947 | 0 |
| Promissory note, net | 26,000 | 104,700 | 126,894 | 149,151 |
| Total | 30,771 | 109,471 | 302,841 | 149,151 |

The maturity of the syndicated bank facilities and the promissory note on December 31, 2017, is as follows:

MATURITY BANK BORROWINGS DEC 31, 2017

| 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 | 4,665 | 4,665 | 74,648 | 0 |
| Promissory note, net | 26,000 | 102,544 | 125,528 | 148,840 |
| Total | 30,665 | 107,209 | 200,176 | 148,840 |

Parts of the syndicated bank facilities and the majority of tranches of the promissory note with variable interest rates are hedged against interest rate changes. The net derivative asset increased from EUR 659 thousand as of December 31, 2017, to EUR 2,328 thousand as of June 30, 2018.

15. OTHER NON-FINANCIAL LIABILITIES

The other non-financial liabilities are as follows:

OTHER NON-FINANCIAL LIABILITIES

| IN EUR THOUSANDS | Jun 30, 2018 | Dec 31, 2017 |
|----------------------------------------------------------------|---------------|---------------|
| Non-current | | |
| Government grants | 299 | 446 |
| Other liabilities | 155 | 43 |
| | 454 | 489 |
| Current | | |
| Government grants | 0 | 50 |
| Non-income tax liabilities | 3,405 | 2,004 |
| Social liabilities | 6,012 | 5,582 |
| Personnel-related liabilities (e.g. vacation, bonus, premiums) | 23,324 | 23,274 |
| Other liabilities | 621 | 383 |
| Deferred income | 318 | 567 |
| | 33,680 | 31,860 |
| Total other non-financial liabilities | 34,134 | 32,349 |

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

16. FINANCIAL INSTRUMENTS

Financial instruments according to classes and categories are as follows:

FINANCIAL INSTRUMENTS – CLASSES AND CATEGORIES

| IN EUR THOUSANDS | Category IFRS 7.8 according to IFRS 9 | Carrying amount Jun 30, 2018 | Measurement basis IFRS 9 | | | | Fair value Jun 30, 2018 |
|------------------------------------------------------------|---------------------------------------------------------------|------------------------------|--------------------------|-----------------------------------|------------------------------|--------------------------|-------------------------|
| | | | Amortized Cost | Fair value through profit or loss | Derivatives used for hedging | Measurement basis IAS 17 | |
| Financial assets | | | | | | | |
| Derivative financial instruments – hedge accounting | | | | | | | |
| | Interest rate swaps – cash flow hedges | n/a | 3,331 | | 3,331 | | 3,331 |
| | Foreign exchange derivatives – cash flow hedges | n/a | 224 | | 224 | | 224 |
| | Foreign exchange derivatives – fair value hedges | n/a | 13 | | 13 | | 13 |
| | Trade and other receivables | Amortized Cost | 183,015 | 183,015 | | | 183,015 |
| | Trade receivables – ABS/ Factoring program | FVTPL | 7,624 | | 7,624 | | 7,624 |
| | Other financial assets | Amortized Cost | 1,083 | 1,083 | | | 1,083 |
| | Cash and cash equivalents | Amortized Cost | 215,185 | 215,185 | | | 215,185 |
| Financial liabilities | | | | | | | |
| | Borrowings | FLAC | 597,184 | 597,184 | | | 616,521 |
| Derivative financial instruments – hedge accounting | | | | | | | |
| | Interest rate swaps – cash flow hedges | n/a | 1,003 | | 1,003 | | 1,003 |
| | Foreign exchange derivatives – cash flow hedges | n/a | 395 | | 395 | | 395 |
| | Foreign exchange derivatives – fair value hedges | n/a | 5 | | 5 | | 5 |
| | Trade and other payables | FLAC | 137,298 | 137,298 | | | 137,298 |
| Other financial liabilities | | | | | | | |
| | Other liabilities | FLAC | 8,494 | 8,494 | | | 8,494 |
| | Finance lease liabilities | n/a | 68 | | | 68 | 68 |
| Totals per category | | | | | | | |
| | Financial assets at amortized cost | | 399,283 | 399,283 | | | 399,283 |
| | Financial assets at fair value through profit or loss (FVTPL) | | 7,624 | | 7,624 | | 7,624 |
| | Financial liabilities at amortized cost (FLAC) | | 742,976 | 742,976 | | | 762,313 |

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

| IN EUR THOUSANDS | Category IAS 39 | Measurement basis IAS 39 | | | Fair value Dec 31, 2017 |
|------------------------------------------------------------|--------------------|------------------------------------|-------------------|------------------------------------|----------------------------|
| | | Carrying amount Dec 31, 2017 | Amortized Cost | Derivatives used for hedging | |
| Financial assets | | | | | |
| Derivative financial instruments – hedge accounting | | | | | |
| Interest rate swaps – cash flow hedges | n/a | 1,885 | | 1,885 | 1,885 |
| Foreign exchange derivatives – cash flow hedges | n/a | 458 | | 458 | 458 |
| Foreign exchange derivatives – fair value hedges | n/a | 182 | | 182 | 182 |
| Trade and other receivables | LaR | 152,746 | 152,746 | | 152,746 |
| Other financial assets | LaR | 1,001 | 1,001 | | 1,001 |
| Cash and cash equivalents | LaR | 155,323 | 155,323 | | 155,323 |
| Financial liabilities | | | | | |
| Borrowings | FLAC | 488,247 | 488,247 | | 504,621 |
| Derivative financial instruments – hedge accounting | | | | | |
| Interest rate swaps – cash flow hedges | n/a | 1,226 | | 1,226 | 1,226 |
| Foreign exchange derivatives – cash flow hedges | n/a | 43 | | 43 | 43 |
| Foreign exchange derivatives – fair value hedges | n/a | 150 | | 150 | 150 |
| Trade and other payables | FLAC | 145,749 | 145,749 | | 145,749 |
| Other financial liabilities | | | | | |
| Other liabilities | FLAC | 10,375 | 10,375 | | 10,375 |
| Finance lease liabilities | n/a | 156 | | | 156 |
| Totals per category | | | | | |
| Loans and receivables (LaR) | | 309,070 | 309,070 | | 309,070 |
| Financial liabilities at amortized cost (FLAC) | | 644,371 | 644,371 | | 660,745 |

Financial instruments that are recognized in the balance sheet at amortized cost and for which the fair value is stated in the notes are also allocated within a three step fair value hierarchy.

The fair value calculation of the fixed-interest promissory note that 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). Interests accrued on the reporting date are included.

Trade and other receivables and cash and cash equivalents have short-term maturities. Their carrying amounts on the reporting date equal their fair values, as the impact of discounting is not significant.

Trade payables and other financial liabilities have short maturities; therefore, the carrying amounts reported approximate the fair values.

As of June 30, 2018, other financial liabilities include liabilities from the option to acquire the outstanding

non-controlling interests in the amount of EUR 4,014 thousand from the acquisition of Fengfan Fastener (Shaoxing) Co., Ltd. in the second quarter of 2017.

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.

Derivative financial instruments used for hedging are carried at their respective fair values. They have been

**INTERIM REPORT
Q2 2018**

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

categorized entirely within level 2 in the fair value hierarchy.

None of the financial assets that are fully performing have been renegotiated.

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 June 30, 2018, as well as of December 31, 2017:

FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

| IN EUR THOUSANDS | Level 1 ¹ | Level 2 ² | Level 3 ³ | Total as of June 30, 2018 |
|--------------------------------------------------|----------------------|----------------------|----------------------|------------------------------|
| Recurring fair value measurements | | | | |
| Assets | | | | |
| Interest rate swaps – cash flow hedges | | 3,331 | | 3,331 |
| Foreign exchange derivatives – cash flow hedges | | 224 | | 224 |
| Foreign exchange derivatives – fair value hedges | | 13 | | 13 |
| Total | 0 | 3,568 | 0 | 3,568 |
| Liabilities | | | | |
| Interest rate swaps – cash flow hedges | | 1,003 | | 1,003 |
| Foreign exchange derivatives – cash flow hedges | | 395 | | 395 |
| Foreign exchange derivatives – fair value hedges | | 5 | | 5 |
| Total | 0 | 1,403 | 0 | 1,403 |

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.

| IN EUR THOUSANDS | Level 1 ¹ | Level 2 ² | Level 3 ³ | Total as of Dec 31, 2017 |
|--------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------|
| Recurring fair value measurements | | | | |
| Assets | | | | |
| Interest rate swaps – cash flow hedges | | 1,885 | | 1,885 |
| Foreign exchange derivatives – cash flow hedges | | 458 | | 458 |
| Foreign exchange derivatives – fair value hedges | | 182 | | 182 |
| Total | 0 | 2,525 | 0 | 2,525 |
| Liabilities | | | | |
| Interest rate swaps – cash flow hedges | | 1,226 | | 1,226 |
| Foreign exchange derivatives – cash flow hedges | | 43 | | 43 |
| Foreign exchange derivatives – fair value hedges | | 150 | | 150 |
| Total | 0 | 1,419 | 0 | 1,419 |

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.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

In the first half of 2018 and in the year 2017, no transfers between the different levels occurred.

The fair value of interest rate 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.

As of June 30, 2018, as well as of December 31, 2017, no financial liabilities were classified in level 3 of the fair value hierarchy.

17. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

| IN EUR THOUSANDS | Jun 30, 2018 | | Dec 31, 2017 | |
|--------------------------------------------------|--------------|--------------|--------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| Interest rate swaps – cash flow hedges | 3,331 | 1,003 | 1,885 | 1,226 |
| Foreign exchange derivatives – cash flow hedges | 224 | 395 | 458 | 43 |
| Foreign exchange derivatives – fair value hedges | 13 | 5 | 182 | 150 |
| Total | 3,568 | 1,403 | 2,525 | 1,419 |
| Less non-current portion | | | | |
| Interest rate swaps – cash flow hedges | 3,331 | 865 | 1,885 | 1,226 |
| Non-current portion | 3,331 | 865 | 1,885 | 1,226 |
| Current portion | 237 | 538 | 640 | 193 |

Foreign exchange derivatives

On June 30, 2018, foreign exchange derivatives with a positive market value of EUR 224 thousand and a negative market value of EUR 395 thousand were classified as cash flow hedges. Furthermore, foreign exchange derivatives with a positive market value of EUR 13 thousand and a negative market value of EUR 5 thousand were classified as fair value hedges.

Foreign exchange derivatives classified as cash flow hedges are used to hedge foreign currency risk within the operative business. The foreign exchange derivatives classified as fair value hedges are used to hedge foreign currency risk of external debt and intragroup monetary items.

As part of its financial risk management, NORMA Group not only employs traditional approaches, such as using so-called natural hedges to reduce USD exposure and rolling hedging with foreign currency derivatives, but has also delegated certain parts of its exposure to banking partners. The purpose of this instrument is to protect NORMA Group against any unfavorable exchange rate developments while at the same time letting the company take advantage of positive developments in foreign exchange markets. A dynamic protection concept with variable rate hedging is used here that analyzes market trends on the basis of quantitative models and implements these findings in a technical security model. All activities must always follow the strict requirements of internal risk management. Foreign exchange derivatives resulting from the described dynamic protection concept are classified as held for trading. No such foreign exchange derivatives were held on June 30, 2018.

Interest rate swaps

In order to avoid interest rate fluctuations, NORMA Group has hedged parts of its loans against changes in interest rates. On June 30, 2018, interest rate swaps with a positive market value of EUR 3,331 thousand and a negative market value of EUR 1,003 thousand are recognized. The notional principal amount of the interest rate swaps amounts to EUR 168,894 thousand (Dec 31, 2017: EUR 124,346 thousand) and EUR 49,000 thousand (Dec 31, 2017: EUR 90,663 thousand). On June 30, 2018, the hedged fixed interest rate was between 1.13% and 2.485%; the variable interest rate was the 3-month LIBOR and the 6-month EURIBOR. The maximum exposure to credit risk on the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

In the first half of 2018 and in 2017, no ineffective portion of cash flow hedges was recognized in profit or loss.

The effective part recognized in other comprehensive income excluding taxes developed as follows:

CHANGE IN HEDGING RESERVE BEFORE TAX

| IN EUR THOUSANDS | Foreign exchange derivatives | Interest rate swaps | Total |
|----------------------------------------|------------------------------|---------------------|--------------|
| Balance as of December 31, 2017 | 279 | 659 | 938 |
| Foreign currency translation effects | 3 | 0 | 3 |
| Reclassification to profit or loss | -275 | 249 | -26 |
| Net fair value changes | 43 | 1,420 | 1,463 |
| Balance as of June 30, 2018 | 50 | 2,328 | 2,378 |

Amounts due to interest rate swaps recognized in the hedging reserve in equity on June 30, 2018, will be released in profit or loss until the repayment of the loans. Amounts due to foreign exchange derivatives recognized in the hedging reserve in equity on June 30, 2018, are current and will therefore be released in profit or loss within the one year.

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

| IN EUR THOUSANDS | H1 2018 | H1 2017 |
|-------------------------------------------|-------------|-------------|
| Loss (-)/gains (+) on hedged items | 414 | -3,367 |
| Gains (+)/loss (-) on hedging instruments | -643 | 3,064 |
| | -229 | -303 |

18. 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 27,237 thousand (H1 2017: EUR 42,234 thousand) represents changes in current assets, provisions and liabilities (excluding liabilities in connection with financing activities).

The Group participates in a reverse factoring program, in a factoring program and in an ABS program. The liabilities included in the reverse factoring program are included in trade and other payables. As of June 30, 2018, liabilities amounting to EUR 30,704 thousand (Dec 31, 2017: EUR 25,398 thousand) from the reverse factoring program were recorded. The payments to and from the factor and from the ABS program are included in cash flows from operating activities, as this represents the economic substance of the transactions.

Net cash provided by operating activities includes in the first half of 2018 cash outflows from the payments of the cash-settled share-based payments in the amount of EUR 3,513 thousand (H1 2017: EUR 3,981 thousand), which result from the MSP tranche 2014 (H1 2017: tranche 2013) for the Management Board of NORMA Group as well as from the Long-Term Incentive Plan (LT) for NORMA Group employees.

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

The correction of expenses due to measurement of derivatives in the amount of EUR 194 thousand (H1 2017: income in the amount of EUR 3,064 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 –495 thousand (H1 2017: EUR 3,592 thousand).

Furthermore, other non-cash income (–)/expenses (+) include non-cash interest expenses from the amortization of accrued costs, amounting to EUR 155 thousand (H1 2017: EUR 175 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 27,058 thousand (H1 2017: EUR 20,775 thousand) including the change of liabilities from investments in property, plant and equipment and intangible assets amounting to EUR –1,296 thousand (H1 2017: EUR –2,879 thousand).

Furthermore, net payments for acquisitions of subsidiaries in the amount of EUR 2,989 thousand (H1 2017: EUR 23,746 thousand) which result from the repayment of the outstanding acquisition liability in connection with the acquisition of Fengfan in the second quarter of 2017 are included in cash flows from investing activities.

The net payments for acquisitions of subsidiaries in the prior year period relate to the payments in connection with the acquisition of Fengfan Fastener (Shaoxing) Co., Ltd ('Fengfan') in the second quarter of 2017 in the amount of EUR 12,185 thousand, for the acquisition of Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial') in the first quarter of 2017 in the amount of EUR 11,909 thousand as well as to payments in connection with the acquisition of the Autoline business in the fourth quarter of 2016 in the amount of EUR 1,090 thousand. Furthermore, net payments for acquisitions of subsidiaries consist of acquired cash and cash equivalents in the amount of EUR 1,438 thousand.

Cash flows from financing activities mainly comprise proceeds from borrowings (H1 2018: EUR 102,004 thousand, H1 2017: EUR 0 thousand), outflows resulting from the payment of the dividend paid to shareholders of NORMA Group, amounting to EUR 33,456 thousand (H1 2017: EUR 30,269 thousand), cash outflows resulting from interest paid (H1 2018: EUR 3,031 thousand, H1 2017: EUR 3,458 thousand), scheduled repayment from loans (H1 2018: EUR 2,358 thousand, H1 2017: EUR 2,426 thousand) as well as outflows from derivatives in the amount of EUR 171 thousand (H1 2017: proceeds of EUR 3,413 thousand).

Furthermore, dividend payments to non-controlling interests in the amount of EUR 99 thousand (H1 2017: EUR 82 thousand) and repayments from finance lease liabilities in the amount of EUR 88 thousand (H1 2017: EUR 79 thousand) are disclosed as cash flows from financing activities.

In connection with the acquisition of Fengfan, proceeds from outstanding capital contributions to a newly acquired subsidiary in the amount of EUR 3,924 thousand are included in the cash flows from financing activities in the prior year period.

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.

On June 30, 2018, cash and cash equivalents consisted of cash on hand and demand deposits of EUR 215,061 thousand (Jun 30, 2017: EUR 130,223 thousand) as well as cash equivalents valued at EUR 124 thousand (Jun 30, 2017: EUR 120 thousand).

19. SEGMENT REPORTING

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

| IN EUR THOUSANDS | EMEA | | Americas | | Asia-Pacific | | Total segments | | Central functions | | Consolidation | | Consolidated Group | |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|-------------------|---------------|---------------|-------------|--------------------|----------------|
| | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 | H1 2018 | H1 2017 |
| Total revenue | 284,982 | 270,860 | 227,618 | 219,024 | 69,782 | 56,877 | 582,382 | 546,761 | 13,322 | 11,930 | -46,720 | -39,650 | 548,984 | 519,041 |
| thereof inter-segment revenue | 26,882 | 19,307 | 4,946 | 6,400 | 1,570 | 2,013 | 33,398 | 27,720 | 13,322 | 11,930 | -46,720 | -39,650 | 0 | 0 |
| Revenue from external customers | 258,100 | 251,553 | 222,672 | 212,624 | 68,212 | 54,864 | 548,984 | 519,041 | 0 | 0 | 0 | 0 | 548,984 | 519,041 |
| Contribution to consolidated Group sales | 47% | 48% | 41% | 41% | 12% | 11% | 100% | 100% | | | | | | |
| Adjusted gross profit ^{1,2} | 163,182 | 156,186 | 128,177 | 128,637 | 30,720 | 26,671 | 322,079 | 311,494 | n/a | n/a | -836 | -1,482 | 321,243 | 310,012 |
| Adjusted EBITDA² | 51,398 | 53,330 | 44,178 | 45,420 | 9,664 | 10,001 | 105,240 | 108,751 | -4,156 | -4,486 | -200 | -147 | 100,884 | 104,118 |
| Adjusted EBITDA margin ^{2,3} | 18.0% | 19.7% | 19.4% | 20.7% | 13.8% | 17.6% | | | | | | | 18.4% | 20.1% |
| Depreciation without PPA depreciation ⁴ | -6,031 | -5,604 | -4,294 | -4,529 | -2,115 | -1,663 | -12,440 | -11,796 | -706 | -667 | 0 | 0 | -13,146 | -12,463 |
| Adjusted EBITA² | 45,367 | 47,726 | 39,884 | 40,891 | 7,549 | 8,338 | 92,800 | 96,955 | -4,862 | -5,153 | -200 | -147 | 87,738 | 91,655 |
| Adjusted EBITA margin ^{2,3} | 15.9% | 17.6% | 17.5% | 18.7% | 10.8% | 14.7% | | | | | | | 16.0% | 17.7% |
| Assets (prior year as of Dec 31, 2017) ⁵ | 591,926 | 601,335 | 617,320 | 599,880 | 230,588 | 159,056 | 1,439,834 | 1,360,271 | 377,159 | 383,616 | -385,464 | -431,857 | 1,431,529 | 1,312,030 |
| Liabilities (prior year as of Dec 31, 2017) ⁶ | 194,724 | 206,488 | 279,411 | 292,760 | 50,743 | 54,016 | 524,878 | 553,264 | 677,235 | 601,915 | -325,693 | -377,470 | 876,420 | 777,709 |
| CAPEX | 12,150 | 8,555 | 9,974 | 6,505 | 3,228 | 2,045 | 25,352 | 17,105 | 1,263 | 1,144 | n/a | n/a | 26,615 | 18,249 |

1_Adjusted in 2017.

2_For details regarding the adjustments, please refer to → **NOTE 4**.

3_Based on segment sales.

4_Depreciation from purchase price allocations.

5_Including allocated goodwill, taxes are shown in the column 'consolidation.'

6_Taxes are shown in the column 'consolidation.'

NORMA Group identifies its segments on a regional level. The reportable segments of NORMA Group are EMEA, the Americas, and Asia-Pacific. NORMA Group's strategy 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.

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 Statement of Comprehensive Income.

'Adjusted EBITA' includes, in addition to EBITDA, the depreciation adjusted for depreciation from purchase price allocations.

Adjustments made within EBITDA and EBITA are described in → **NOTE 4 '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 within

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

the consolidation. 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 within the consolidation. Liabilities of the 'Central Functions' include mainly borrowings.

CAPEX equals additions to non-current assets (property, plant and equipment and other intangible assets).

Segment assets and liabilities are measured in a manner consistent with that used in the Statement of Financial Position.

20. CONTINGENCIES AND COMMITMENTS

Capital expenditure contracted for as of the balance sheet date, but not yet incurred, is as follows:

COMMITMENTS

| IN EUR THOUSANDS | Jun 30, 2018 | Dec 31, 2017 |
|-------------------------------|--------------|--------------|
| Property, plant and equipment | 6,820 | 7,538 |
| Inventory | 1,644 | 1,484 |
| Service contracts | 347 | 109 |
| | 8,811 | 9,131 |

The Group has contingent liabilities with respect to legal claims arising as part of the ordinary course of business.

NORMA Group does not believe that any of these contingent liabilities will have a material adverse effect on its business or that any material liabilities will arise from contingent liabilities.

21. RELATED PARTY TRANSACTIONS

In the first half of 2018, NORMA Group had no reportable transactions with related parties.

22. EVENTS AFTER THE BALANCE SHEET DATE

On July 5, 2018, NORMA Group acquired 100 percent of the shares in Kimplas Piping Systems Ltd. ('Kimplas'). With the acquisition of Kimplas, NORMA Group will expand its water management portfolio, strengthen its position in Asia and is continuing its expansion course in the area of water management.

Based in Nashik in Western India, Kimplas has been developing and producing thermoplastic connection solutions since 1996, including compression fittings, sprinklers and drippers as well as valves and filters. The company has about 690 employees. Kimplas's certified products are used in drinking water treatment and in supplying drinking water and gas to households, as well as in water-saving micro-irrigation systems for agriculture. Its products are sold primarily in India and other Asian countries. In the past fiscal year (April 2017 to March 2018), Kimplas generated preliminary sales of around EUR 21 million. NORMA Group expects the acquisition of Kimplas to contribute approximately EUR 10 million to sales in 2018. Kimplas will be consolidated from July 5, 2018, on. The acquisition was financed through existing long-term bank loans.

The Group is currently in the process of determining the fair values of the acquired assets and liabilities of Kimplas. It is therefore not possible to disclose the fair values of the identifiable assets, liabilities and the difference arising from the acquisition. The fair value measurement is expected to be completed before the end of the current fiscal year.

As of August 1, 2018, no events were known that would have led to a material change in the disclosures or valuation of the assets and liabilities as of June 30, 2018.

INTERIM REPORT Q2 2018

| | |
|---------------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

Review

This interim report was neither audited according to Section 317 HGB nor reviewed by auditors.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

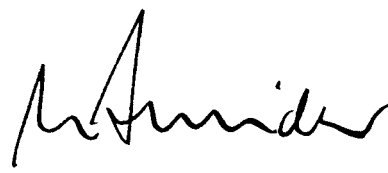
Maintal, August 1, 2018

NORMA Group SE

Management Board



Bernd Kleinhens



Dr. Michael Schneider

FINANCIAL CALENDAR, CONTACT AND IMPRINT

INTERIM REPORT Q2 2018

| | |
|------------------------------------------------------------|----|
| Overview of Key Figures | 2 |
| Highlights First Half Year 2018 | 4 |
| NORMA Group on the Capital Market | 6 |
| Consolidated Interim Management Report | 9 |
| Principles of the Group | 9 |
| Economic Report | 10 |
| Forecast Report | 20 |
| Risk and Opportunity Report | 23 |
| Report on Significant Transactions with Related Parties | 25 |
| Consolidated Interim Financial Statements | 26 |
| Consolidated Statement of Comprehensive Income | 26 |
| Consolidated Statement of Financial Position | 27 |
| Consolidated Statement of Cash Flows | 28 |
| Consolidated Statement of Changes in Equity | 29 |
| Notes to the Consolidated Financial Statements (condensed) | 30 |
| Review | 52 |
| Responsibility Statement | 52 |
| Financial Calendar, Contact and Imprint | 53 |

FINANCIAL CALENDER

| Date | Event |
|------------------|------------------------------------------|
| November 7, 2018 | Publication of Interim Statement Q3 2018 |
| May 21, 2019 | Annual General Meeting 2019 |

The financial calendar is constantly updated. Please visit the Investor Relations section on the Company's website www.investors.normagroup.com.

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DESIGN & REALIZATION

MPM Corporate Communication Solutions, Mainz

EDITING

NORMA Group

Note on the Interim Statement

This Interim 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 Interim 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-oriented statements in this Interim Report, no guarantee can be given that this will continue to be the case in the future.

Publication date
August 1, 2018



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