



2019

GROUP MANAGEMENT REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Key figures at a glance

Financial position and results of operations

(in EUR million)

	H1 2019	H1 2018
Sales	299.0	287.1
Total output	324.5	310.6
Gross profit	145.1	149.7
EBITDA*	14.4	14.3
Operating EBIT**	8.7	7.9
EBIT***	8.7	7.9
Cashflow flow from operating activities	-14.3	-3.4
Cashflow flow from investing activities	-10.4	-3.5

Net assets

(in EUR million)

	30/06/2019	31/12/2018
Total assets	327.9	294.7
Equity	117.4	112.8
Equity ratio****	35.8%	38.3%
Working Capital*****	86.8	77.4
Net cash and cash equivalents*** ****	94.2	77.3
Employees*****	2.952	3.175

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

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

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

**** Equity plus goodwill / total assets

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

***** Net cash incl. securities classified as current assets

***** Average number for the year excluding trainees

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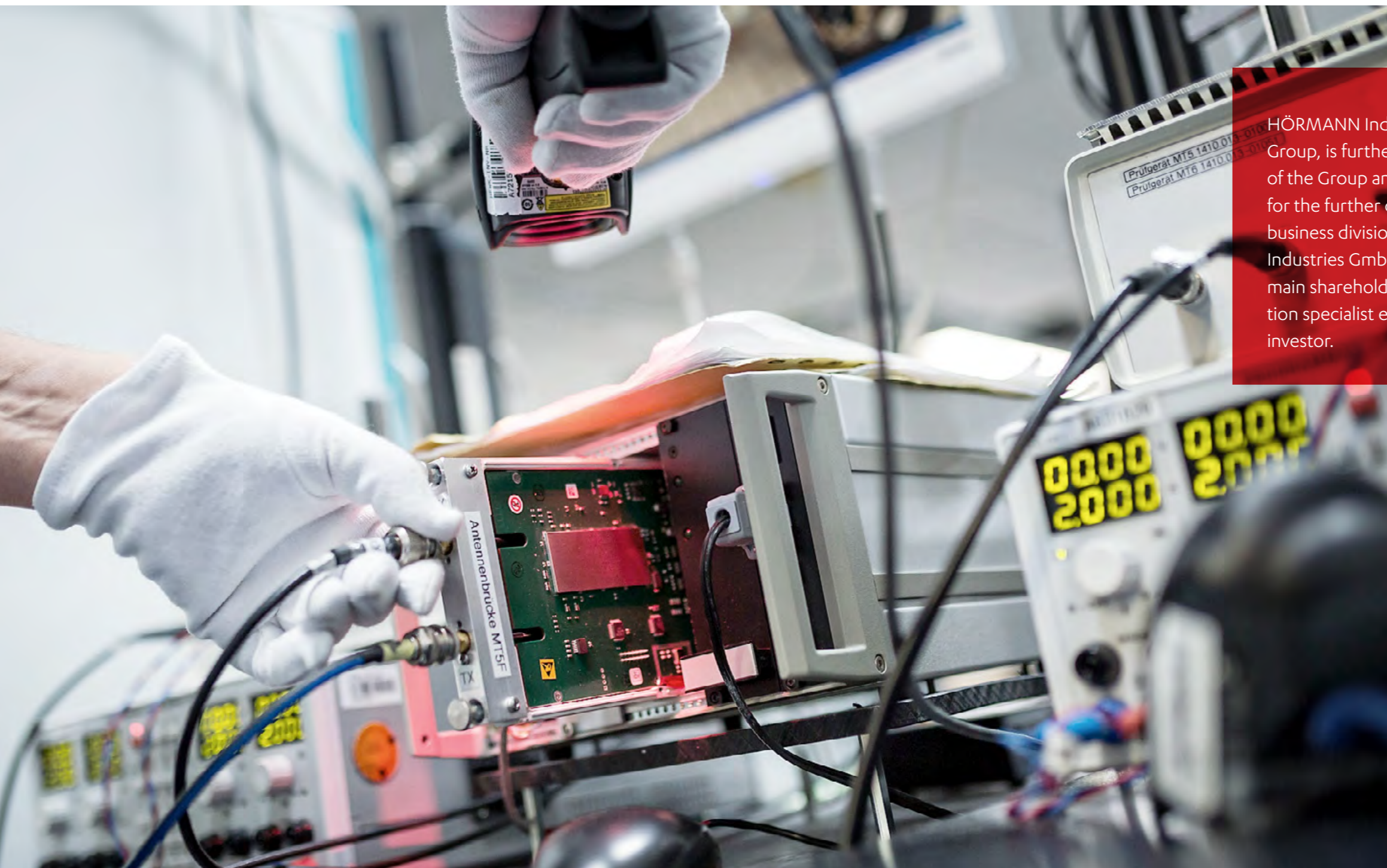
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HÖRMANN Industries GmbH, part of the HÖRMANN Group, is further advancing the strategic realignment of the Group and opening up new future prospects for the further development of its Communication business division: Funkwerk AG, in which HÖRMANN Industries GmbH holds a 78 percent stake as the main shareholder, has acquired a stake in the digitization specialist euromicron AG as a strategic anchor investor.

HÖRMANN Group
strengthens business division
communication

Basic information on the Group

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

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

AUTOMOTIVE

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

The companies in the Automotive division are among the leading suppliers of metal components, modules and systems for the European commercial vehicle, construction and agricultural machinery industries.

The division covers the entire value chain with its engineering, production and logistics services.

The location with the highest sales is HÖRMANN Automotive Gustavsburg GmbH, which specialises in the production of premium chassis and body parts and attachments for commercial vehicles and is one of Europe's leading manufacturers of side members.

The other locations include HÖRMANN Automotive St. Wendel GmbH, a manufacturer of components and modules for the agricultural machinery industry in particular; HÖRMANN Automotive Saarbrücken GmbH, a developer and manufacturer of vehicle systems such as interior ceilings for buses, air

conditioning and fuel pipes for buses and trucks and complete chassis for agricultural machinery; HÖRMANN Automotive Wackersdorf GmbH, which performs module assembly, packaging and logistics for customers including premium German car manufacturers; HÖRMANN Automotive Eislingen GmbH, a manufacturer of luggage compartment flaps, interior covers, fuel tanks and hydraulic tanks for commercial vehicles and agricultural and construction machinery; and HÖRMANN Automotive Slovakia s.r.o., which produces labour-intensive metal components and chassis attachments for the commercial vehicle industry.

ENGINEERING

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

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

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

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

HÖRMANN Logistik GmbH is a general contractor that builds turnkey material flow systems. With intelligent workflow concepts and complex storage

strategies, HÖRMANN Logistik GmbH realises the most economical intralogistics solutions for individual requirements, thereby enabling its international customers from a wide range of industries to generate significant productivity and efficiency improvements. The acquisition of a majority interest (51%) in Klatt Fördertechnik GmbH that was realised on 1 April 2019 expanded the general contractor portfolio to include high-tech conveyor systems.

We have also established expertise and resources for the development of rail and road vehicles at HÖRMANN Vehicle Engineering GmbH. Following the acquisition of et-parts GmbH in 2016, HÖRMANN Industries GmbH acquired the "Development Road & Rail" division of Leotec Engineering GmbH in 2017 and integrated it into HÖRMANN Rail & Road Engineering GmbH, Chemnitz. With this move, HÖRMANN Industries significantly strengthened its expertise in the area of design engineering, and particularly vehicle development. HÖRMANN Rail & Road Engineering GmbH and et-parts GmbH were merged into HÖRMANN Vehicle Engineering GmbH with retrospective effect from 1 January 2018.

VacuTec Meßtechnik GmbH develops, produces and markets a broad range of detectors for measuring ionising radiation for use in medicine, industrial metrology and environmental monitoring.

COMMUNICATION

- ♦ Funkwerk AG, Kölleda
- ♦ Funktech GmbH, Kölleda
- ♦ Funkwerk Systems GmbH, Kölleda
- ♦ Funkwerk Systems Austria GmbH, Vienna, Austria
- ♦ Funkwerk video systeme GmbH, Nuremberg
- ♦ Funkwerk IoT GmbH, Bremen
- ♦ HÖRMANN GmbH, Kirchseeon
- ♦ HÖRMANN - KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria

Funkwerk is a technologically leading provider of innovative communication, information and security systems. It focuses on professional hardware and software concepts for railway companies, public

transportation, inland shipping and airports in addition to smart electronic security systems to protect buildings, public spaces, industrial properties, transport and people. As the market leader for railway communication, Funkwerk offers tailored solutions for voice and data communication using analogue and digital (LTE, GSM-R) mobile networks on the railways.

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

SERVICES

- ♦ HÖRMANN Services GmbH, Kirchseeon
- ♦ HÖRMANN Kommunikation & Netze GmbH, Kirchseeon
- ♦ HÖRMANN Industrieservice GmbH, Lehre
- ♦ MAT Industrieservice GmbH, Salzgitter
- ♦ HÖRMANN Automationservice GmbH, Salzgitter
- ♦ MAT Maschinenteknik GmbH, Salzgitter

In the Services division, we offer our customers a range of high-tech services in the industrial environment of automation, digitisation, energy and transport.

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

Economic report

ECONOMIC ENVIRONMENT

In its latest update of the World Economic Outlook in July 2019, the International Monetary Fund (IMF) is forecasting global economic growth of 3.2% across 2019 as a whole in spite of a slight downturn compared with the previous forecast in April 2019 (+3.3%). As previously, the experts expect this growth to be driven by both the industrialised nations (+1.9%) and the emerging and developing economies (+4.1%). The IMF is forecasting euro zone growth of 1.3%. Economic momentum in Germany is expected to slow to 0.7%.

INDUSTRY ENVIRONMENT

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

RESULTS OF OPERATIONS

The HÖRMANN Industries GmbH subgroup generated sales of EUR 299.0 million in the first half of 2019, up EUR 11.9 million or 4.1% on the same period of 2018 (EUR 287.1 million). Of this figure, EUR 207.1 million was attributable to the Automotive division, EUR 47.4 million to the Communication division, EUR 26.7 million to the Engineering division and EUR 17.8 million to the Services division.

Other operating income of EUR 2.6 million (H1 2018: EUR 4.2 million) includes EUR 0.5 million in income from the reversal of provisions, among other things.

Total output increased by EUR 13.9 million or 4.5%, from EUR 310.6 million in the first half of 2018 to EUR 324.5 million.

The cost of materials in the amount of EUR 182.0 million contained expenses for raw materials, consumables and supplies and purchased goods totalling EUR

149.0 million (H1 2018: EUR 136.6 million) as well as the cost of purchased services in the amount of EUR 33.0 million (H1 2018: EUR 28.6 million). The cost of materials corresponded to 56.1% of total output, up significantly on the previous year (H1 2018: 53.2%); this was due in particular to the Automotive division.

At EUR 145.1 million, **gross profit** decreased slightly by EUR 4.6 million or 3.1% compared with the prior-year figure of EUR 149.7 million. This corresponded to 44.7% of total output (previous year: 48.0%).

Personnel expenses declined by EUR 3.7 million year-on-year to EUR 95.2 million (previous year: EUR 98.9 million). This was primarily due to the deconsolidation of HÖRMANN Automotive Penzberg GmbH with effect from 1 April 2019 (year-on-year effect: EUR -8.6 million). By contrast, staff costs increased by around EUR 1.0 million at HÖRMANN Automotive Gustavsburg GmbH and HÖRMANN Automotive Slovakia s.r.o. and by around EUR 1.5 million at Funkwerk AG. EUR 0.4 million was attributable to Klatt Fördertechnik GmbH, which was consolidated for the first time. Staff costs corresponded to 29.3% of total output (previous year, adjusted for non-recurring effects: 32.3%). Excluding managing directors and trainees, HÖRMANN Industries GmbH employed an average of 2,952 people in the period under review (H1 2018: 3,152).

Depreciation, amortisation and write-downs decreased by EUR 0.7 million or 10.9% year-on-year, from EUR 6.4 million in the first half of the previous year to EUR 5.7 million. This item includes goodwill amortisation of EUR 0.8 million (previous year: EUR 1.2 million).

At EUR 34.9 million, **other operating expenses** were down EUR 0.9 million on the prior-year figure (EUR 35.8 million). Of this figure, EUR 6.6 million related to the cost of buildings and premises,

EUR 10.4 million to administrative expenses and EUR 13.0 million to operating and selling costs. Other operating expenses corresponded to 10.8% of total output (previous year: 11.5%).

The first half of 2019 closed with an **operating result** of EUR 9.4 million (previous year: EUR 8.6 million). After deducting other taxes of EUR 0.6 million, **EBIT** for the first half of 2019 amounted to EUR 8.7 million (previous year: EUR 7.9 million).

The **financial result** declined by around EUR 1.0 million (or 116.1%) year-on-year to EUR -1.9 million, largely as a result of the higher level of expenditure for the exchange of old bonds for new bonds.

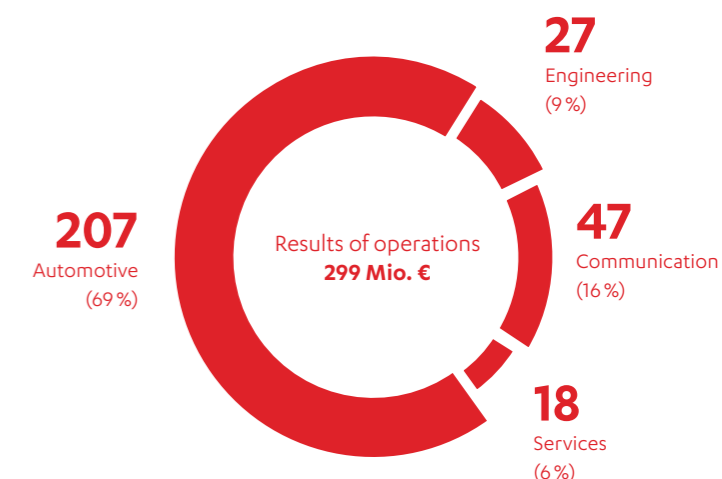
The **income tax expense** for trade tax and corporation tax amounted to EUR 3.9 million in the first half of 2019 (previous year: EUR 2.7 million).

Income from **deferred taxes** amounted to EUR 1.2 million in the period under review (previous year: EUR 0.0 million).

The first half of 2019 closed with **consolidated net income** of EUR 4.2 million, essentially unchanged as against the previous year (H1 2018: EUR 4.3 million).

HÖRMANN Industries GmbH developed positively in the period under review and fully achieved or exceeded its growth targets in all four divisions. Thanks to the good macroeconomic conditions and the resulting order situation, the forecasts for the first half of 2019 of consolidated planned sales of EUR 281.7 million and EBIT of EUR 6.0 million were exceeded, with sales of EUR 299.0 million and planned EBIT of EUR 8.7 million. All in all, the management considers the position of the Group in the 2019 financial year to be positive at the time at which the report on the first half of the year was prepared.

Breakdown of sales by business division for the first half of 2019 in EUR million



FINANCIAL POSITION

Capital structure

The Group's **equity base** including non-controlling interests improved from EUR 112.8 million at the end of the previous year to EUR 117.4 million at 30 June 2019 thanks to the positive results of operations. The **equity ratio** was 35.8% as at 30 June 2019 (31 December 2018: 38.3%).

The first-time consolidation of Funkwerk AG as at 1 October 2016 resulted in **goodwill** of EUR 6.6 million (previous year: EUR 7.1 million), which was subject to pro rata amortisation of EUR 0.5 million in the first half of 2019. The acquisitions of HÖRMANN Automationservice GmbH (formerly MAT Automationstechnik GmbH), MAT Industrieservice GmbH and MAT Maschinentechnik GmbH at the end of the 2017 financial year resulted in goodwill on first-time consolidation in the amount of EUR 2.1 million (previous year: EUR 2.2 million), which was subject to pro rata amortisation of EUR 0.1 million in the first half of 2019. The first-time consolidation of Klatt Fördertechnik GmbH

as at 1 April 2019 resulted in goodwill of EUR 4.6 million, which was subject to pro rata amortisation of EUR 0.1 million in the second quarter of 2019.

Total assets rose by EUR 33.2 million, from EUR 294.7 million to EUR 327.9 million, as a result of the higher level of current assets and the successful placement of the EUR 50 million corporate bond on 6 June 2019.

Including inventories of EUR 53.1 million and trade receivables of EUR 69.7 million and less trade payables of EUR 36.0 million, **working capital** increased from EUR 77.4 million as at 31 December 2018 to EUR 86.8 million as at 30 June 2019. This was largely due to the year-on-year increase in work in progress from EUR 82.3 million to EUR 104.8 million, the increase in trade receivables from EUR 63.6 million to EUR 69.7 million, and the EUR 5.2 million reduction in trade payables to EUR 36.0 million. By contrast, payments received on account of orders rose by EUR 22.6 million to EUR 93.4 million.

Liabilities in connection with **bonds** amounted to EUR 68.1 million as at 30 June 2019 (previous year: EUR 30.0 million). The issue of a new bond in June 2019 with a volume of EUR 50.0 million, a coupon of 4.5% and a term of five years to June 2024 has already served to partially replace the previous bond (issued in November 2016 with a volume of EUR 30.0 million, a coupon of 4.5% and an original term of five years to November 2021) by way of an exchange offer.

Liabilities to banks increased by EUR 0.3 million to EUR 2.6 million in the first half of 2019. In the first half of 2019, there was a drawdown of EUR 2.5 million on the revolving global syndicated facility with a volume of up to EUR 30.0 million (term until November 2021) concluded at the level of HÖRMANN Industries GmbH with a banking syndicate headed by SaarLB.

Information on the term and collateralisation of the other liabilities can be found in the notes to the consolidated financial statements. Any changes in conditions compared with the previous year were in line with standard market developments.

Liquidity

Bank balances including securities classified as current assets amounted to EUR 96.9 million at the reporting date (previous year: EUR 77.6 million). EUR 0.2 million of the bank balances are restricted as collateral.

There was a drawdown on overdrafts or global syndicated loans in the amount of EUR 2.5 million as at 30 June 2019, meaning that the remaining available credit facilities amounted to EUR 27.5 million (previous year: EUR 33.0 million).

As at 30 June 2019, HÖRMANN Industries had net cash and cash equivalents of EUR 94.2 million (previous year: EUR 77.3 million). After deducting liabilities in connection with the bond, the company had liquidity of EUR 26.0 million (previous year: EUR 47.3 million). **Net cash and cash equivalents** is calculated as cash in hand and bank balances plus securities classified as current assets, less liabilities to banks.

Cash flow statement

The cash flow statement is structured in accordance with GAS 21. **Cash flow from operating activities** decreased by EUR 10.9 million in the first half of 2019, from EUR -3.4 million in the same period of 2018 to EUR -14.3 million. This was mainly due to the increase in inventories and trade receivables and the reduction in trade payables. **Cash flow from investing activities** increased from EUR -3.6 million to EUR -10.4 million as a result of the higher level of investment, including the acquisition of Klatt Fördertechnik GmbH and a number of smaller investments. **Cash flow from financing activities** amounted to EUR 42.7 million (previous year: net cash used in financing activities of EUR -1.0 million). The main reasons were the issue of the new bond in the amount of EUR 50.0 million, which was offset by the partial redemption of the old bond in the amount of EUR 11.9 million. The utilisation of loans resulted in EUR 2.5 million (previous year: repayment of EUR 0.1 million).

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

NET ASSETS

At EUR 7.1 million (previous year: EUR 3.7 million), additions to **tangible fixed assets** and **intangible fixed assets** were higher than depreciation and amortisation (EUR 5.6 million).

Total **inventories** (after deducting payments received on account of orders) declined slightly from EUR 55.0 million to EUR 53.1 million at the reporting date. The higher level of payments received on account of orders (EUR 93.4 million; previous year: EUR 70.7 million) compensated for the increase in work in progress from EUR 82.3 million to EUR 104.8 million. The ratio of days of inventories to sales was 32.0 days (previous year: 31.7 days). Daily turnover is calculated by dividing the inventories as at 30 June 2019 by the average sales per day in the period under review.

Trade receivables increased from EUR 63.6 million to EUR 69.7 million at the reporting date, corresponding to turnover of 42.0 days (previous year: 36.7 days). Daily turnover is calculated by dividing the receivables as at 30 June 2019 by the average sales per day in the period under review.

Other assets increased from EUR 13.7 million to EUR 20.8 million. This was primarily due to the payment of the first tranche of a secured long-term loan to an external company in the amount of EUR 5.0 million. The loan, which has a total volume of EUR 20.0 million, is being used to finance the social plan for the deconsolidated HÖRMANN Automotive Penzberg GmbH. It is secured by a land charge and forms a major component of the closure concept and the agreement with the works council of the Penzberg plant.

Deferred taxes are taken over from the single-entity financial statements. Deferred tax assets primarily result from differences between the amounts recognised for provisions in the financial accounts and the tax accounts, as well as from utilisable tax loss carry-forwards. In the first half of 2019, deferred tax assets increased by EUR 1.2 million to EUR 13.6 million.

Pension provisions continued to be recognised in the amount of the valuation as at 31 December 2018. The reduction of EUR 7.4 million primarily results from the deconsolidation of HÖRMANN Automotive Penzberg GmbH and its pension scheme.

Tax provisions amounted to EUR 3.9 million as at 30 June 2019 after EUR 1.9 million in the previous year.

Trade payables declined slightly from EUR 41.2 million to EUR 36.0 million at the reporting date. The utilisation of supplier credits for the cost of materials and other operating expenses decreased from an average of 34.5 days to 29.6 days. The average duration of credit utilisation is calculated by dividing the trade payables as at 30 June 2019 by the sum of the average cost of materials and the average other operating expenses per day in the period under review.

COURSE OF BUSINESS IN THE DIVISIONS

Adjusted for the deconsolidation of the Penzberg plant with effect from 1 April 2019, all the divisions of HÖRMANN Industries enjoyed positive development in the first half of 2019.

The course of business is presented in the form of a multi-year comparison of sales and EBIT. Sales are adjusted for intragroup sales, meaning they only include sales with third parties and with companies that are not fully consolidated due to immateriality.

EBIT includes the operating result (section 275 (2) no. 1-8 of the German Commercial Code (HGB)) minus/plus other taxes (section 275 (2) no. 16 HGB) unless expressly stated otherwise. The EBIT percentages relate to sales unless expressly stated otherwise.

The development of the individual divisions is presented in the following sections.

Automotive division

The Automotive division is one of the leading suppliers of European commercial vehicle manufacturers. According to the latest figures from the European Automobile Manufacturers' Association (ACEA) published in July 2019, almost 1.4 million commercial vehicles were registered in the first six months of 2019, up 5.8% on the same period of the previous year. The ACEA figures showed Germany leading the way with growth of 13.9%, but the United Kingdom (+10.2%), France (+6.9%) and Italy (+4.8%) also saw considerable growth in the number of commercial vehicles registered. Registrations increased across all

weight classes. In the high-volume segment of light commercial vehicles up to 3.5 tonnes, the number of registrations across the EU grew by 3.8% year-on-year in the first half of 2019. The number of registrations also increased in the other segments of medium-duty (>3.5 to 16 tonnes, +16.5%) and heavy-duty commercial vehicles (>16 tonnes, +15.6%) and medium- and heavy-duty coaches and city buses (>3.5 tonnes, +9.2%).

According to Germany's Association of International Motor Vehicle Manufacturers (VDIK), the growth in sales figures in the German commercial vehicle market also took place across all weight classes. Once again, the growth driver was the light commercial vehicle segment, which saw new registrations rising by 11.6% year-on-year to 152,933 in the period under review thanks to the boom in the logistics industry. Registrations of heavy-duty (>16 tonnes) and medium-duty commercial vehicles (>3.5 to 16 tonnes) also enjoyed strong growth of 18.4% and 25.4% respectively.

Multi-year comparison for the Automotive division

	H1 2019	H1 2018	H1 2017	H1 2016
Sales (in EUR million)	207.1	214.6	184.2	175.1
Change (absolute) (in EUR million)	-7.4	30.4	9.1	3.1
Change (relative)	-3.5%	16.5%	5.2%	1.8%
EBIT (in EUR million)	3.0	4.4	1.3	3.6
EBIT margin	1.4%	2.1%	0.7%	2.0%
Non-recurring and prior-period effects* (in EUR million)	-1.2	0	1.8	0
Adjusted EBIT (in EUR million)	1.8	4.4	3.1	3.6
Adjusted EBIT margin	0.9%	2.1%	1.7%	2.0%

* In 2017, HÖRMANN Industries GmbH recognised provisions in connection with the adjustment of domestic staff capacities as a result of the expansion of automation, the relocation of labour-intensive products to the new plant in Slovakia and the relocation of its operations in Bielefeld. The deconsolidation of the Penzberg plant resulted in income of EUR 1.2 million in the first half of 2019.

In the first half of 2019, the Automotive division generated sales of EUR 207.1 million (H1 2018: EUR 214.8 million), thereby exceeding the forecast of EUR 190.1 million. In addition to the positive order situation, this was due to increased commodity prices that were passed on to customers. The largest plant in terms of sales, Gustavsburg, contributed EUR 125.0 million to division sales.

Adjusted EBIT (before non-recurring and prior-period effects of EUR 1.2 million due to the deconsolidation of the Penzberg plant) amounted to EUR 1.8 million (H1 2018: EUR 4.4 million). This decrease was primarily due to higher personnel expenses at the Penzberg plant and the deconsolidation of the company with effect from 1 April 2019, as well as higher costs at the plants in Gustavsburg and Banovce/Slovakia, which were caused by the high degree of production utilisation.

The HÖRMANN Automotive division enjoyed a successful première at the IAA commercial vehicle trade fair in Hanover in the past financial year with the presentation of an innovative integral chassis concept. Designed specifically for the use of alternative drive systems, the chassis pursues a consistent lightweight approach that takes particular account of cost sensitivity in the transport industry and the design requirements of battery electric vehicles. Intensive sales initiatives are being conducted in the current financial year in order to ensure that these innovations are brought to the growing electric mobility market in good time.

The reorientation that began in July 2017 with the full unbundling of the joint shareholder relationship between HÖRMANN Automotive GmbH and MAN Truck & Bus AG (MAN for short) continued to bear fruit in the past fiscal year. The truck manufacturer DAF came on board as a new customer, having selected HÖRMANN Automotive as its system partner for the production of a new vehicle cab for various model series. The order represents an important milestone in the expansion of HÖRMANN Automotive's customer portfolio. It encompasses the development, toolmaking, industrialisation and series production of body-in-white (BiW) components with a total value in

excess of EUR 180 million. This serves to underline the division's new position as a manufacturer-independent supplier. However, MAN remains one of the company's most important customers. The long-standing business relationship is secured through multi-year master supply agreements that ensure the economic success of both partners.

In addition, the relocation of labour-intensive product components, particularly from HÖRMANN Automotive Penzberg GmbH, to the plant in Banovce, Slovakia, is proceeding according to plan. Around 1,000 product items with a total sales volume of EUR 30 million will be relocated by the end of the year. To this end, production capacity at the plant in Slovakia will be expanded to around 20,000 square metres. Production orders for additional parts for commercial vehicles were also won on account of the favourable cost situation in Slovakia.

Communication division

With companies including Funkwerk AG and its subsidiaries, the HÖRMANN Group's Communication division is a technologically leading provider of innovative communication, information, warning and security systems. According to the economic survey conducted by the German Federal Security Technology Association (BHE) in June 2019, the industry continued its positive development in the first half of 2019, with around 85% of the companies surveyed describing their business situation as "very good" or "good". At the same time, specialist firms from the industry expect to see slightly weaker business in the coming months, not least due to the acute skills shortage.

The German Railway Industry Association (VDB) expects the rail industry to benefit from some major trends over the coming years. According to the VDB forecast, the market is set to grow by around 3.6% annually to a volume of EUR 40.2 billion in 2021. As previously, the drivers include increasingly stringent climate and environmental protection requirements, the advance of digitisation ("Rail 4.0") and the continued growth in conurbations. This growth scenario is supported by the forecasts applied in the German

federal budget for 2020. This includes the renegotiated performance and financing agreement (LuFV III), which states that the investments agreed to date will have to increase significantly in future in order to achieve the German federal government's climate targets.

Funkwerk AG enjoyed extremely positive development in the first half of 2019, not only achieving but significantly exceeding its growth targets. Funkwerk AG recorded consolidated sales of EUR 40.9 million (H1 2018: EUR 34.3 million). The company benefited from the tangible increase in demand, particularly in the train radio segment, and from the cyclical project business, which results in seasonal fluctuations.

EBIT (Earnings after goodwill amortization, before interest and taxes) enjoyed even more dynamic growth of EUR 2.4 million (or 94.6%) to EUR 4.9 million, thereby exceeding both the prior-year figure of EUR 2.5 million and the forecast of EUR 3.9 million for the first half of 2019. In addition to growth in underlying business and high capacity utilisation, the margin primarily improved thanks to continuous improvements to cost structures, quality and processes at the largest company, Funkwerk Systems GmbH.

The Communication division also includes HÖRMANN GmbH and its subsidiary in Austria. HÖRMANN GmbH produces and installs warning systems for civil protection around the world. In the first half of 2019, warning systems business continued to enjoy good development both on the German market and internationally. Sales increased by EUR 1.4 million year-on-year, from EUR 4.7 million to EUR 6.1 million in the first half of 2019.

Multi-year comparison for the Communication division

	H1 2019	H1 2018	H1 2017	H1 2016
Sales* (in EUR million)	47.4	39.3	33.5	5.7
Change (absolute) (in EUR million)	8.1	5.8	27.8	-3.9
Change (relative)	20.7%	17.3%	490.1%	-40.8%
EBIT (in EUR million)	5.9	2.7	0.6	0.5
EBIT margin	12.4%	6.9%	1.9%	8.9%

* Sales correspond to third party sales plus network sales.

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

Engineering division

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

In the first half of 2019, the construction industry was one of the drivers of Germany's economic development. According to the Federation of the German Construction Industry (HDB), both sales (+17.1%) and incoming orders (+13.9%) again enjoyed significant year-on-year growth in the period from January to April, thereby contributing to the positive development and high capacity utilisation in the construction industry. The association has raised its sales growth forecast for 2019 as a whole from 6% to 8.5%.

Based on the ifo logistics indicator, the ifo Institute recorded a deterioration in the business climate in the German logistics industry in the period under review. This was due to factors including the sustained uncertainty surrounding Brexit as well as the trade conflict between the USA and China. This assessment is supported by the logistics consulting firm and the Fraunhofer Working Group for Supply Chain Services (SCS), which recorded a total volume of new logistics space of around 1.8 million square metres in the first half of 2019, down around 14.3% on the same period of the previous year. Logivest is forecasting a total volume of 4.0-4.5 million square metres for 2019 as a whole compared with a figure of 4.4 million square metres in 2018.

As expected, sales in the Engineering division increased from EUR 17.5 million in the previous year to EUR 27.0 million in the period under review due to the multi-year project orders that are currently being processed. The strong order and project situation resulted in EBIT of EUR 2.1 million, up EUR 1.0 million or 87.6% on the previous year.

Multi-year comparison for the Engineering division

	H1 2019	H1 2018	H1 2017	H1 2016
Sales* (in EUR million)	27.0	17.5	16.3	15.6
Change (absolute) (in EUR million)	9.5	1.2	0.7	-0.9
Change (relative)	54.4%	7.3%	4.6%	5.6%
EBIT (in EUR million)	2.1	1.1	1.8	-0.3
EBIT margin	7.8%	6.4%	11.2%	-2.0%

* Sales correspond to third party sales plus network sales.

The strongest company in the Engineering division in terms of sales, HÖRMANN Logistik GmbH, bucked the industry trends in the first six months of 2019 and continued to develop positively. With incoming orders of EUR 12.4 million in the first six months of 2019, orders on hand increased to almost EUR 60 million as at 30 June 2019. HÖRMANN Logistik GmbH expects this order backlog to result in sales of around EUR 30 million by the end of 2019.

In the area of vehicle development, HÖRMANN Vehicle Engineering GmbH gained the Swiss Federal Railways as a new customer. In this context, the company will develop a carrying wagon concept whose innovative chassis means a weight reduction of around 40% compared with the current wagon. In addition to optimising individual areas, this involves leveraging synergies within the Group using production methods from the commercial vehicle division, with components for the construction of a prototype being supplied by HÖRMANN Automotive Gustavsburg GmbH.

AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, our general contractor specialist for building construction and technical building services, again benefited from the sustained high level of industrial construction activity in the first half of 2019. Two examples of major industrial projects that are currently being realised are the new staff canteen at the Porsche plant in Stuttgart-Zuffenhausen and the fused silica production facility for Heraeus Quarzglas GmbH & Co. KG.

Services division

The Services division bundles the industrial service offering of the HÖRMANN Industries Group, which the company intends to use to leverage the growth

potential resulting from the technological megatrends of Industry 4.0, digitisation, automation and electric mobility.

The Services division recorded moderate sales growth of 10.3% in the first half of 2019, from EUR 16.4 million to EUR 18.1 million. EBIT declined slightly, from EUR -0.2 million in the same period of the previous year to EUR -0.4 million.

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

Multi-year comparison for the Services division

	H1 2019	H1 2018	H1 2017	H1 2016
Sales* (in EUR million)	18.1	16.4	7.1	11.2
Change (absolute) (in EUR million)	1.7	9.3	-4.1	-
Change (relative)	10.3%	131.4%	-36.4%	-
EBIT (in EUR million)	-0.4	-0.2	0.1	-0.3
EBIT margin	-2.3%	-1.1%	0.8%	-2.8%

* Sales correspond to third party sales plus network sales.

The streamlining and optimisation of the subsidiaries of the relatively new division that was initiated in the previous year continued, including the harmonisation of administrative processes through the introduction of a uniform ERP system. In addition, the first step towards optimisation under company law was achieved with the preparations for the merger of HÖRMANN Industrieservice GmbH and MAT Industrieservice GmbH. The progress in the division is also reflected in its growing workforce. 43 new employees were recruited in the past financial year, including eight new colleagues from the "Employees recruit employees" programme.

HÖRMANN Kommunikation & Netze GmbH, the strongest subsidiary in the Services division in terms of sales, secured major orders in the 2018 financial year that are now being realised with significantly increased capacity. Activities are focused on preparations for the project that was acquired in 2018 for the installation of the communications technology for the "Stuttgart 21 – Wendlingen-Ulm new line" project.

Report on opportunities, risks and expected developments

OUTLOOK

Economic environment

According to the forecast issued by the IMF in July 2019, the world economy will continue on its growth path in the current year and expand by 3.2%. For 2020, the IMF experts are anticipating global economic growth of 3.5%, with the emerging and developing economies expanding by 4.7% and the industrialised nations by 1.7%. The euro zone is expected to record growth of 1.6%. The IMF is forecasting GDP growth of 1.7% for the German economy in the coming year.

Development of the HÖRMANN Group

Forecast for the Automotive division

The market researchers from IHS Markit expect the European market to see growth in sales of medium- and heavy-duty commercial vehicles (>3.5 tonnes) in the medium to long term. Between now and 2024, sales are expected to grow by 4.1% annually to 857,000 vehicles.

However, major European truck and bus manufacturers have recently reported double-digit downturns in incoming orders between 2018 and 2019. This development suggests that the forecast growth will be interrupted at least temporarily, with a corresponding impact on sales performance in the fourth quarter of 2019 and in 2020.

In light of the current sales forecasts for the commercial vehicle market, the Automotive division expects demand in the 2019 financial year to be down slightly on the previous year. However, the sale of HÖRMANN Automotive Penzberg GmbH (HAP) and the resulting deconsolidation of what was the second-largest plant in terms of sales will lead to a reduction of some EUR 50-70 million compared with the forecast and the prior-year figure as anticipated, with the relocation of production to other HÖRMANN plants continuing beyond 2019 and certain parts groups no longer being manufactured by HÖRMANN Automotive in future. With a sales contribution of around EUR 110.3 million in 2018, HAP, the second-largest location in the Automotive division, had seen growing losses for some time due to the labour-intensive nature of production. In light of the product range, high unit labour costs and the necessary substantial investments at the Penzberg location, there was no objective possibility of a return to profitability in the

foreseeable future. Accordingly, the majority of production at the location is being relocated to the Group's plant in Banovce, Slovakia, including as part of the technological and product-related focusing of our plants that began in 2017, with additional production activities being divided between other HÖRMANN Automotive plants.

At the same time, the company is planning to further increase the degree of automation at its plants in Germany through targeted investments in 2019. This will lead to a renewed adjustment of staff capacities in the Automotive division in the medium term. Among other things, some of the overhead costs at the Gustavsburg plant will be replaced by flexible business models like outsourcing as part of the "Fit for Future" programme. By pursuing this strategy, HÖRMANN Automotive intends to further improve its price competitiveness and systematically expand its product range to include new manufacturing technologies, new materials and new products.

In light of current business development and the deconsolidation of the Penzberg plant, HÖRMANN Automotive is forecasting sales of around EUR 385 million in the 2019 financial year (previous year: EUR 423.9 million). The restructuring and deconsolidation costs described above and the expected downturn in production in the second half of the year will also have an impact on earnings. Adjusted EBIT before non-recurring costs is forecast at around EUR 7.5 million (previous year: EUR 10.1 million). The realisation of the ambitious medium-term forecasts for the division will depend on continued stable economic development and the achievement of the OEM sales forecasts that form the basis of planning.

Forecast for the Communication division

The German Railway Industry Association (VDB) is forecasting annual growth of around 3.6% to a market volume of EUR 40.2 million in 2021. The rail industry is set to benefit from some major global trends, such as increasingly stringent climate and environmental requirements.

In the renegotiated performance and financing agreement (LuFV III), the German federal government has undertaken to invest EUR 86 billion in the rail infrastructure over the coming years. Instead of the EUR 5.6 billion p.a. agreed in LuFV II, an average of EUR 7.9 billion p.a. will now be invested in maintaining the rail

network between 2020 and 2024. The annual average will then increase to EUR 9.2 billion between 2025 and 2029. The aim is to secure the quality of the rail network and reduce the maintenance backlog.

HÖRMANN Industries expects the Communication division to benefit from the high level of investment in rail traffic and security technology over the coming years. Funkwerk AG will again play a strong part in this development, but HÖRMANN GmbH's warning systems are also enjoying a renaissance at present – a fact that is reflected in similarly well-filled order books of almost EUR 7 million. The Communication division is anticipating sales growth to over EUR 105 million in the 2019 financial year (previous year: EUR 96.1 million), while EBIT is expected to increase slightly to EUR 12.5 million (previous year: EUR 12.1 million).

Forecast for the Engineering division

Based on its latest forecast issued in April 2019, the Federation of the German Construction Industry (HDB) expects sales in the main construction industry to increase by 8.5% to EUR 131 billion this year.

According to the ifo Institute's logistics indicator, the logistics industry is positive with regard to the coming months in spite of increased uncertainty due to the trade dispute between the USA and China and the lack of resolution concerning the Brexit negotiations. The logistics consulting firm Logivest expects the volume of new logistics space to be largely unchanged year-on-year at 4.0-4.5 million square metres (previous year: 4.4 million square metres).

HÖRMANN Industries has strengthened the Engineering division in a targeted manner with the acquisition of a majority interest in Klatt Fördertechnik GmbH, which was fully consolidated with effect from 1 April 2019. Klatt Fördertechnik GmbH is being integrated as a subsidiary of HÖRMANN Logistik GmbH. For HÖRMANN Logistik GmbH, the acquisition represents a vertical expansion of the existing internal product range and the strengthening of the value chain, as well as a horizontal business expansion into the Austrian market and new sectors. In the area of logistics, HÖRMANN specialises in facility project planning, project management, automation technology and software, and warehouse management systems. As a provider of conveyor technology, Klatt Fördertechnik GmbH will add constructive solutions to the product range that HÖRMANN Logistik GmbH previously had to purchase from various manufacturers as a general contractor.

In light of this acquisition, the good order situation and the positive outlook for the industry, the Engineering division expects to increase its sales by

around EUR 9.0 million to approximately EUR 75 million in the 2019 financial year, accompanied by essentially unchanged EBIT of EUR 8-9 million (previous year: EUR 8.6 million).

Forecast for the Services division

HÖRMANN Industries plans to continuously expand the Services division further over the coming years. For the 2019 financial year, the Group is forecasting year-on-year sales growth of around EUR 10 million to approximately EUR 48 million. EBIT is expected to amount to EUR 1.2 million.

Forecast for the HÖRMANN Industries Group

IAll in all, the four divisions of HÖRMANN Industries are continuing to place close cooperation with the customer at the heart of all their activities. This strong customer orientation, combined with targeted innovation and technology management and the future-oriented development of the staff structure, will allow the company to further strengthen its market and competitive position.

At Group level, HÖRMANN Industries expects to generate total group sales of between around EUR 580 million and EUR 600 million (previous year: EUR 624.1 million). This decrease is primarily attributable to the deconsolidation of HÖRMANN Automotive Penzberg GmbH and the slowdown in production figures in the Automotive division that is anticipated in the second half of 2019. In terms of operating EBIT, the company is confirming the forecast of around EUR 25 million that was made in the 2018 annual financial statements. The company reserves the right to harness opportunities for inorganic growth by making targeted acquisitions that will allow it to reinforce the strategic positioning of the Group and the positive development of the individual divisions.

HÖRMANN Industries GmbH notes that the actual results may differ from the forecast results.

RISK REPORT

General business risks

The global economy is subject to fluctuations that could adversely affect the business activities and results of operations of HÖRMANN Industries.

HÖRMANN Industries is dependent on global economic development. The past financial and economic crisis led to a significant downturn in sales, particularly in the commercial vehicle industry, that substantially impacted HÖRMANN Industries' business activities. A renewed crisis scenario, the debt situation in many industrialised nations, political instability and the accompanying economic deterioration could

have pronounced negative consequences for HÖRMANN Industries' business activities once again, with a corresponding adverse effect on its net assets, financial position and results of operations.

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

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

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

HÖRMANN Industries generates the majority of its sales with multiple individual customers, particularly major automotive and commercial vehicle manufacturers and Deutsche Bahn and its suppliers. HÖRMANN Industries generated over 40% of its sales with MAN Trucks & Bus AG in the 2018 financial year. If it is not possible to retain these key customers or to offset a significant downturn in sales with them by gaining new customers or expanding business with other customers, this could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries.

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

General operational risks

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

Presentation of individual risks

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

Dependence on industry-specific permits and certifications

Among other things, HÖRMANN Industries' business success depends on its ability to obtain industry-specific permits and certifications and its compliance with the prevailing standards and technical guidelines that govern the introduction of new products and technologies. If HÖRMANN Industries is unable to develop products that meet these requirements or to obtain the necessary permits in the respective country, this could be detrimental to its business activities. This could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries.

Dependence on international markets

To date, HÖRMANN Industries has focused on Germany and the rest of Europe. However, the Group's main customers are reliant on the sales markets in European and non-European countries. The increased internationalisation of business activities to include non-European countries is planned for the Communication and Engineering divisions in particular. This also involves risks for HÖRMANN Industries. In particular, this includes imponderables due to the prevailing economic and tax conditions in different countries, exchange rate risks and the need to comply with the respective local technical standards. This could have a negative effect on the net assets, financial position and results of operations of HÖRMANN Industries.

Currency risks

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

Dependence on commodity and energy prices

A rise in commodity and energy prices could lead to higher production costs, particularly in the Automotive division, and hence to falling income at HÖRMANN Industries. This could have a negative effect on the net assets, financial position and results of operations of HÖRMANN Industries.

IT risks

The HÖRMANN Industries companies can be controlled only with the help of complex IT systems. The companies' ability to deliver at all times also depends on the permanent availability of the corresponding systems and data. Serious disruptions such as system outages, network attacks and data loss or manipulation could jeopardise their ability to deliver and give rise to claims for damages. Accordingly, HÖRMANN Industries works to permanently optimise its IT environment, including with the support of external experts.

Project organisation and management risks

HÖRMANN Industries is active in project business. When orders are awarded, there is a possibility that the contractual partners will expect different conditions, thereby jeopardising the realisation of the respective project. As remuneration is based on the completion of defined performance phases, cancellation may mean that preliminary work done and costs and expenses incurred are not settled in full. In addition, the risk assessment of the specific project may be erroneous or incomplete, meaning that the agreed remuneration is not proportionate to the expenses incurred.

Risk in connection with outstanding project receivables in Algeria

The direct subsidiary Funkwerk video systeme GmbH (FVS) has an investment in a consortium under Algerian law (Groupement Funkwerk Contel plettac). As a result of domestic political developments in Algeria, an investigation into alleged suspicions of corruption and illegal overcharging against several companies and individuals was initiated in early 2010. The affected parties included this consortium, the Algerian partner and FVS, but not its managing directors or other employees of the Funkwerk Group. The proceedings are still ongoing. Shortly after the initiation of the investigation in 2010, bank accounts of the consortium were temporarily blocked, among other things. These accounts contained amounts paid for properly performed work in the equivalent amount of around EUR 2.8 million that cannot currently be transferred to Germany, and that have therefore been written off in full. Within the Group, the bank balances are attributable to Funkwerk Videosysteme GmbH (FVS). An internal investigation by Funkwerk AG found no evidence to suggest that the corruption allegations are accurate.

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

In connection with the projects realised, Funkwerk AG provided bank guarantees issued by Algerian banks on the basis of corresponding counter-guarantee agreements with some German banks. All the bank guarantees from German banks were derecognised at the reporting date. Of the derecognised bank guarantees, the principal has yet to return original guarantees in the amount of around EUR 8.4 million. Under the terms of the contracts with the principal, it should no longer be possible to assert claims against FVS due to the latter having met the underlying delivery and performance obligations, the expiry of the contractual warranties and the expiry of the bank guarantees, which is why the guarantees

have also already been derecognised by the German banks. However, there is a residual risk with regard to the original bank guarantees that have not yet been returned, as the German banks issued the Algerian banks with “real” counter-guarantees on first demand.

Staff recruitment and selection risks

HÖRMANN Industries is dependent on qualified staff. If it is unable to attract and retain qualified staff to a sufficient extent and at salaries that are in line with market conditions, this could diminish the company's ability to successfully implement and adapt the business models of the divisions. This could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries.

Procurement and production risks

HÖRMANN Industries' production depends on the supply of parts, products and services in perfect condition. Fluctuation in demand could lead to long response times on the part of suppliers. In addition, HÖRMANN Industries' requirement and capacity planning could be inadequate.

Defective finished parts or raw materials could lead to production delays or stoppages. This would have negative consequences for the sales and net assets, financial position and results of operations of the HÖRMANN Group.

The product relocation from the Penzberg site to other plants involves the risk of assembly line stoppages during the conversion of the production facilities.

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

Key suppliers and other business partners could find themselves in economic difficulties, thereby impairing the course of business of HÖRMANN Industries. Unplanned price rises also have negative consequences for the results of operations. To prevent this, HÖRMANN Industries regularly reviews its business partners' performance and selects suppliers carefully. In addition, long-term supply agreements are concluded where possible in order to offset fluctuations and prevent bottlenecks.

Logistics risks

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

Warranty risks

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

Risks in connection with receivables

If customers and other business partners default on receivables, either in full or in part, or there are significant and wide-scale delays in payment, this could lead to liquidity bottlenecks and hence restrict HÖRMANN Industries' business activities.

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

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

HÖRMANN Industries is of the opinion that the tax returns prepared by its companies have been submitted correctly and in full. However, differing views of the respective matters could give rise to demands for the backpayment of taxes. Changes in tax law or the interpretation of existing tax law could have a negative influence on the business activities of HÖRMANN Industries and its commercial and tax law structures.

HÖRMANN Industries companies could be required to make backpayments of taxes for the periods for which tax audits have not yet been conducted. The same applies for any demands to make additional social security contributions.

Risks in connection with inadequate insurance

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

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

Risks in connection with compliance violations

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

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

Risks in connection with financial obligations

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

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

Litigation risks

HÖRMANN Industries companies are parties to various judicial and extrajudicial disputes. The outcome of these proceedings is unclear and each case involves the risk that the plaintiff/claimant could prevail, either in part or in full. Adequate provisions are recognised to the greatest possible extent where this is considered to be necessary.

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

Risks in connection with acquisitions and joint ventures

Risks could arise in connection with acquisitions or joint ventures if the expectations in terms of income potential, profitability and growth opportunities fail to materialise.

Risks in connection with violations of environmental law

HÖRMANN Industries could violate existing provisions of environmental law or its production activities could pollute the environment. This could have an adverse effect on the net assets, financial position and results of operations of HÖRMANN Industries.

Risks in connection with violations of industrial property rights

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

Risks in connection with the bond issue

HÖRMANN Industries GmbH has issued a bond with a volume of EUR 50 million, a coupon of 4.5% p.a. and a term until June 2024. Interest is payable each June.

There are also residual liabilities from a bond in the amount of around EUR 18 million that has a term until November 2021 but that is set to be redeemed ahead of schedule in November 2019. There is a risk that the funds generated from the bond will not be employed profitably enough to cover the coupon payments. This would have a negative impact on the Group's net assets, financial position and results of operations. Furthermore, there is a risk that misinvestments could lead to an inability to make coupon payments and/or redeem the bond to the necessary extent and/or on schedule or at all. This would have negative consequences for the Group's position.

Interest rate risks

HÖRMANN Industries GmbH and a syndicate of banks have concluded a global syndicated loan with a volume of EUR 30 million and a term to November

2021. The loan agreement sets out a variable interest rate based on EURIBOR. If EURIBOR were to rise to above 0%, this could increase the interest cost of future financing, which would have an adverse effect on HÖRMANN Industries' results of operations. This interest rate risk has been reduced through hedging in the form of caps for EUR 15 million of the global syndicated loan volume.

STRATEGIC ORIENTATION AND REPORT ON OPPORTUNITIES

Automotive division

In the largest division, Automotive, HÖRMANN Industries is continuing to pursue a strategy of being a leading supplier of metal chassis products and high-end body-in-white components for the European commercial vehicle and agricultural/construction machinery industries. It intends to press ahead with increasing the competitiveness and internationalisation of the division.

Based on the forecasts of its customers and the industry association VDA, HÖRMANN Industries expects the European market excluding Russia to see a downturn in sales figures for commercial vehicles in the second half of 2019 compared with 2018. Industry analysts still expect demand for commercial vehicles to rise in the medium term. The main drivers for this forecast are the successive obsolescence of existing vehicle fleets, increasingly stringent requirements in terms of exhaust quality and the high level of demand for light commercial vehicles, particularly vans.

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

The existing expertise in the area of forming technology, systems and machinery with sufficient capacity, the strategy of significantly expanding automation at the plants in Germany while outsourcing

labour-intensive production to cheaper foreign plants and the planned stronger positioning as a systems supplier provide strong foundations for obtaining additional customers and orders.

Communication division

The Communication division intends to grow while maintaining its strong earnings situation and is seeking to further expand its competitive position. The division has a high-tech product range with a number of unique selling points. Among other things, opportunities for the division result from the growing need for security around the world and the sustained trend towards urbanisation. There are also expansion opportunities thanks to IoT applications, which add intelligent functions to products and allow customers to manage their resources far more efficiently. Examples include digital service concepts and equipment for paperless railway stations. The long product lifecycles in the rail industry also involve opportunities. Reliable services over the entire useful life and professional obsolescence management can help to secure customer investments for the long term. The division also intends to strengthen its export business by entering into new partnerships, including abroad.

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

Engineering division

With its broad portfolio of expertise along the entire engineering value chain, from design engineering through factory and building planning to the realisation of turnkey logistics centres, Engineering is a division with a promising future and high growth potential. Knowledge management and the industrial application of engineering know-how has a long and successful tradition in Germany and will remain one of the key drivers of global technological progress and the dynamic industrial development at present. Although the division is already very well positioned for the challenges of today and tomorrow, it intends to systematically expand this position with a view to the digital transformation of industry and the wide range of new requirements arising from electric mobility in order to take advantage of the resulting opportunities. To this end, the Group is planning to strengthen the division's product and customer diversification by achieving additional industry diversification within the logistics systems, expanding the service range and pressing ahead with internationalisation.

The integration of the acquired development units into HÖRMANN Vehicle Engineering GmbH and their continued organic development offer wide-ranging growth potential. One objective is to work in closer cooperation with the Automotive division in order to intensify networking with OEMs from the commercial vehicle industry and increasingly perform research and development activities for them. The dynamic development of electric mobility at present, particularly in the segment of light commercial vehicles up to 3.5 tonnes, offers additional potential for developing new areas of activity.

However, all the other areas of the Engineering division will also have wide-ranging opportunities for business expansion if HÖRMANN Industries is even more successful at marketing itself as an attractive medium-sized employer and is able to recruit new employees to a sufficient extent.

Services division

The establishment of the HÖRMANN Group's Services division in 2017 reflected the growing trend towards the outsourcing of industrial services. In future, the division's activities will concentrate to a greater extent on high-tech services in the industrial environment of automation, digitisation and Industry 4.0. The massive changes in the familiar industrial environment of the automotive and automotive supply industry and mechanical and plant engineering that are currently emerging will offer wide-ranging opportunities for high-quality services. We are laying the foundations for further organic and inorganic growth with the integration and reorientation of the service companies acquired in 2017, and we intend to systematically press ahead with our growth strategy over the coming years. To this end, the skills and capacities for factory automation and digitisation will be further strengthened and expanded.

Overall assessment of the future development of HÖRMANN Industries

Opportunities for the further development of HÖRMANN Industries continue to be systematically identified, perceived and utilised throughout the Group. In addition to observing internal and external data, this is achieved using regular reports, strategic product and project management and the establishment of a systematic innovation and strategy process.

Over the coming years, HÖRMANN Industries as a whole will continue to pursue the objective of profitable growth with a focus on the company's strengths.

With the re-establishment of the traditional Services division and the continued strengthening of the Engineering and Communication divisions, HÖRMANN Industries is pursuing a strategy of positioning itself as a broadly diversified company built on four profitable pillars with strong future prospects and a high degree of resilience to economic fluctuations. The Group intends to achieve this goal not only through organic growth, but also through supplementary acquisitions when attractive opportunities present themselves.

All in all, HÖRMANN Industries considers its close relationship with its customers, which it is intensifying in a targeted manner, to be a key factor in the Group's success. In addition to its extensive existing customer base, it intends to press ahead with new business while also placing system solutions and services on the market. Another important factor for future success will be the continued intensification of interdisciplinary cooperation between the various specialist units and companies within HÖRMANN Industries, particularly across division boundaries. This can open up new services that will benefit long-standing customers.

The opportunities at the Group's disposal also include the retention of specialist staff and the long service of its employees, which allow it to make the available expertise and specialist experience available across the various divisions in a way that is advantageous to customers. Accordingly, attractive incentive systems, interesting training and development opportunities and modern working time concepts are increasingly used as means of retaining employees.

The management expects HÖRMANN Industries to achieve its business forecasts for the 2019 financial year assuming continued stable economic development. Its net assets, financial position and results of operations will remain solid. Following the completion of the various activities forming part of the reorientation of HÖRMANN Automotive, the Group is seeking to generate a sustained EBIT margin of 5%.

Other disclosures

DEVELOPMENT

In the Automotive division, an extremely good basic understanding of metallurgy and its requirements in terms of customer products is essential. Customer-specific expertise with regard to forming technology is required in order to gain additional market share. In addition to realising tool projects for series production orders, the division is addressing the future requirements of commercial vehicles. In particular, this includes weight reduction to improve vehicle efficiency and standardisation for the enhancement of OEMs' platform strategies.

The Engineering division was again developed further in 2019 and contributed to the Group's successful market presence with its consulting expertise. HÖRMANN Vehicle Engineering GmbH has a high degree of vehicle development expertise with synergy potential for the Automotive division.

The primary objective of the extensive research and development (R&D) activities in the Communication division is to secure and expand its technology leadership in the respective markets. These activities focus on customer-specific developments and applications and innovative new products and system solutions, as well as the continuous improvement of production processes.

Regular cooperation with external partners and universities is pursued in order to harness as much expertise for development as possible. In addition,

there is a regular dialogue with suppliers of key components and customers in order to allow innovative topics and trends and individual requirements to be integrated into the development process at an early stage.

Kirchseeon, August 2019

HÖRMANN Industries GmbH

The Management



Dr.-Ing. Michael Radke



Johann Schmid-Davis



» Dynamic changes are the driving force behind our actions to actively shape the future of the HÖRMANN Group. «

MICHAEL RADKE, CEO

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Consolidated Balance Sheet

OF HÖRMANN INDUSTRIES GMBH, KIRCHSEEON, AS AT 30 JUNE 2019

ASSETS (EUR thousand)	30/06/2019	31/12/2018
A. FIXED ASSETS	65,406	64,998
I. Intangible assets	16,562	13,012
1. Purchased concessions, industrial property rights and similar rights and assets and licenses in such rights and assets	1,750	2,119
2. Goodwill	14,812	10,893
II. Tangible assets	47,606	51,194
1. Land, leasehold rights and buildings	12,104	12,375
2. Technical equipment and machinery	20,739	23,426
3. Other equipment, factory and office equipment	7,737	8,921
4. Advance payments and assets under construction	7,026	6,473
III. Long-term financial assets	1,237	793
1. Equity investments	52	52
2. Long-term securities	841	195
3. Other loans	344	546
B. CURRENT ASSETS	246,866	215,816
I. Inventories	53,123	55,010
1. Raw materials, consumables, and supplies	25,800	26,770
2. Work in progress	104,821	82,297
3. Finished goods and merchandise	9,886	10,269
4. Prepayments	5,961	6,399
5. Payments received on account of orders	-93,345	-70,725
II. Receivables and other assets	96,891	83,198
1. Trade receivables	69,687	63,557
2. Receivables from affiliated companies	6,416	5,938
3. Other assets of which in respect of shareholders: EUR 211 thousand (previous year: EUR 650 thousand)	20,788	13,703
III. Securities	182	182
IV. Cash-in-hand and bank balances	96,670	77,426
C. DEFERRED INCOME	1,609	1,256
D. DEFERRED TAX ASSETS	13,630	12,433
E. EXCESS OF PLAN ASSETS OVER PENSION LIABILITIES	416	237
Total Assets	327,927	294,740

Consolidated Balance Sheet

OF HÖRMANN INDUSTRIES GMBH, KIRCHSEEON, AS AT 30 JUNE 2019

EQUITY AND LIABILITIES (EUR thousand)	30/06/2019	31/12/2018
A. EQUITY	117,399	112,806
I. Subscribed capital	200	200
II. Capital reserves	43,422	43,717
III. Consolidated net retained profits	62,036	58,674
IV. Non-controlling interests	11,741	10,215
B. PROVISIONS	92,034	98,738
1. Provisions for pensions and similar obligations	20,132	27,539
2. Tax provisions	3,923	1,851
3. Other provisions	67,979	69,348
C. LIABILITIES	118,292	83,151
1. Bonds	68,142	30,000
2. Liabilities to banks	2,621	272
3. Trade payables	36,015	41,166
4. Liabilities to affiliated companies	940	1,058
5. Other liabilities of which in respect of taxes: EUR 4,789 thousand (previous year: EUR 3,746 thousand) of which in respect of social security EUR 3,791 thousand (previous year EUR 3,703 thousand)	10,574	10,654
D. DEFERRED INCOME	202	45
Total Equity and Liabilities	327,927	294,740

Consolidated Income Statement

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

	01/01–30/06/2019	01/01–30/06/2018
1. Sales	299,044	287,144
2. Increase in finished goods and work in progress	25,346	23,312
3. Other own work capitalised	123	169
4. Other operating income	2,571	4,183
5. Cost of materials	182,001	165,096
a) Expenses for raw materials, supplies and purchased goods	148,973	136,547
b) Cost of purchased services	33,028	28,549
GROSS PROFIT	145,083	149,712
6. Personnel expenses	95,159	98,884
a) Wages and salaries	80,120	83,808
b) Social security, post-employment and other employee benefit costs	15,039	15,076
7. Depreciation, amortisation and write-downs	5,653	6,441
a) of intangible fixed assets and depreciation and write-downs of tangible fixed assets	5,653	6,441
b) of current assets to the extent that they exceed the expenses that are usual for the corporation	0	0
8. Other operating expenses	34,902	35,777
	9,369	8,611
9. Income from long-term equity investments and associates	0	19
10. Other interest and similar income	132	131
11. Write-downs of financial assets and securities classified as current assets	0	2
12. Interest and similar expenses	2,041	1,032
13. Taxes on income	3,862	2,669
14. Deferred taxes	-1,198	-17
15. RESULT AFTER TAXES	4,795	5,074
16. Other taxes	632	743
17. CONSOLIDATED NET INCOME	4,163	4,331
18. Non-controlling interests	-755	-732
19. Retained profits brought forward	58,674	46,059
20. Distribution to non-controlling interests	-46	-644
21. Consolidated net retained profits	62,036	49,014

Consolidated cash flow statement

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

	01/01–30/06/2019	01/01–30/06/2018
+ Net income for the period (consolidated net income/loss for the year including minority interest)	4,163	4,331
+/- (+) Depreciation, amortisation and write-downs of fixed assets / (-) reversals of write-downs of fixed assets	5,653	6,441
+/- (+) Increase / (-) decrease in provisions	8,114	6,874
+/- Other non-cash income/expenses	-4,383	367
+/- (+) Decrease / (-) increase in inventories, trade receivables and other assets not related to investing or financing activities ¹	-33,817	-24,921
+/- (-) Decrease / (+) increase in trade payables and other liabilities not related to investing or financing activities	4,070	3,528
+ Repayments of receivables from affiliated companies ¹	0	193
+/- (-) Gain / (+) loss on the disposal of fixed assets	-32	88
+/- Interest expenses/Interest income	1,909	901
- Other investment income	0	-19
+/- Income tax expenses/income	2,664	2,652
+/- Income tax payments	-2,640	-3,847
= CASH FLOW FROM OPERATING ACTIVITIES	-14,299	-3,412
+ Receipts from the disposal of intangible and tangible fixed assets	6	2
- Payments for intangible fixed assets	-467	-280
+ Receipts from the disposal of tangible fixed assets	2,204	172
- Payments for the acquisition of tangible fixed assets	-6,674	-3,451
+ Proceeds from the disposal of long-term financial assets	201	-12
- Payment for the acquisition of long-term financial assets	0	2
- Payment for additions to the consolidated group	-5,690	-2
+ Interests received	44	20
= CASH FLOW FROM INVESTING ACTIVITIES	-10,376	-3,549
+ Receipt from bond issue	50,000	0
- Payment for bond redemption	-11,858	0
- Dividends paid to other shareholders	-276	-874
- Cash repayments of (financial) loans	0	-63
+ Proceeds from taking up (financial) loans	2,349	0
+ Change in liabilities to banks due to consolidated group	2,675	0
- Interest paid	-169	-83
= CASH FLOW FROM FINANCING ACTIVITIES	42,720	-1,021
INCREASE (PREVIOUS YEAR: DECREASE) IN CASH FLOW	18,045	-7,982
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	77,426	75,468
Change in cash and cash equivalents due to consolidated group	1,199	0
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	96,670	67,486

¹ Unlike in the previous year, repayments of/payments in connection with receivables from affiliated companies are reported in this item.

Statement of changes in consolidated fixed assets

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

A. FIXED ASSETS	COST							DEPRECIATION, AMORTISATION AND WRITE-DOWNS						CARRYING AMOUNTS	
	Balance on 1 Jan 2019	Additions	Additions First-time consolidation	Disposals	Disposals Decon-solidation	Reclassifica-tions	Balance on 30 Jun 2019	Balance on 1 Jan. 2019	Additions	Disposals	Disposals Decon-solidation	Reclassifi-cations	Balance on 30 Jun 2019	Carrying amount on 30 Jun 2019	Carrying amount on 31 Dec 2018
I. Intangible assets															
1. Purchased concessions, industrial and similar rights and assets and licences in such rights and assets	13,237	444	0	-9	-1,094	24	12,600	11,118	586	-3	-850	0	10,851	1,750	2,119
2. Goodwill	18,802	0	4,710	0	0	0	23,511	7,909	790	0	0	0	8,699	14,812	10,893
3. Geleistete Anzahlungen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total intangible fixed assets	32,038	444	4,710	-9	-1,094	24	36,111	19,026	1,376	-3	-850	0	19,549	16,562	13,012
II. Tangible assets															
1. Land, land rights and buildings	17,313	109	0	-30	-53	16	17,356	4,938	354	-22	-18	0	5,252	12,104	12,375
2. Technical equipment and machinery	64,845	816	18	-623	-18,276	397	47,177	41,420	2,482	-592	-16,863	-8	26,438	20,739	23,425
3. Furniture, fixtures and other equipment	34,295	1,725	234	-193	-5,931	18	30,148	25,374	1,440	-177	-4,234	8	22,410	7,737	8,922
4. Advance payments and assets under construction	6,471	4,048	0	-2,117	-922	-455	7,025	0	0	0	0	0	0	7,026	6,472
Total tangible fixed assets	122,925	6,698	252	-2,963	-25,182	-24	101,706	71,731	4,276	-791	-21,116	0	54,101	47,606	51,194
III. Financial assets															
1. Equity investments	52	0	0	0	0	0	52	0	0	0	0	0	0	52	52
2. Long-term securities	780	0	647	0	0	0	1,426	585	0	0	0	0	585	841	195
3. Other loans	546	0	0	-201	0	0	344	0	0	0	0	0	0	344	546
Total long-term financial assets	1,378	0	647	-201	0	0	1,823	585	0	0	0	0	585	1,237	792
Total fixed assets	156,341	7,142	5,608	-3,173	-26,276	0	139,640	91,342	5,653	-795	-21,965	0	74,235	65,406	64,998

Consolidated Statement of Changes in Equity as at 30 June 2019

BALANCE ON 13 AUG 2019
(in EUR thousand)

	EQUITY OF PARENT COMPANY			EQUITY OF PARENT COMPANY	NON-CONTROLLING INTERESTS	CONSOLIDATED EQUITY	
	I. Subscribed capital	Reserves		IV. Consolidated net retained profits			
		II. Capital reserves	III. Revenue reserves				Other revenue reserves
				Total	Profit/loss attributable to non-controlling interests		
BALANCE ON 1 JAN 2018	200	43,717	0	46,060	89,977	9,667	99,644
Consolidated net income	0	0	0	12,615	12,615	2,024	14,639
Distributions	0	0	0	0	0	-1,476	-1,476
BALANCE ON 31 DEC. 2018	200	43,717	0	58,675	102,592	10,215	112,806
BALANCE ON 1 JAN 2019	200	43,717	0	58,675	102,592	10,215	112,806
Consolidated net income	0	0	0	3,362	3,362	801	4,163
Distributions	0	0	0	0	0	-46	-46
Shares purchased from third parties	0	0	-295	0	-295	771	476
Other changes	0	-295	295	0	0	0	0
BALANCE ON 30 JUN 2019	200	43,422	0	62,037	105,659	11,741	117,399



Diversified into four business divisions



The HÖRMANN Group is a medium-sized company with four business divisions – Automotive, Engineering, Communication and Services – and is positioned in promising business segments whose products and services generate high demand in a rapidly changing industrial landscape. For almost 65 years, the Group has been shaping a sustainable future.

A. GENERAL DISCLOSURES ON THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

1. Consolidation and accounting policies applied

The consolidated financial statements of the company for the first half of 2019 were prepared in accordance with the provisions of German commercial law for corporations and the supplementary provisions of the Gesetz betreffend die Gesellschaften mit beschränkter Haftung (GmbHG – German Limited Liability Companies Act).

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

The presentation of the consolidated interim financial statements is the same as at 30 June 2018 with the exception of the disclosure of deferred taxes and current taxes, which were also calculated during the year for the first time.

2. Consolidated group

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

DIRECT AND INDIRECT EQUITY INVESTMENTS OF HÖRMANN INDUSTRIES GMBH AS AT 30 JUNE 2019	Equity interest (in %)
AUTOMOTIVE DIVISION	
HÖRMANN Automotive GmbH, Kirchseeon ³	100.00 %
HÖRMANN Automotive Saarbrücken GmbH, Saarbrücken ³	100.00 %
HÖRMANN Automotive Eislingen GmbH, Ebersbach a.d. Fils ³	100.00 %
HÖRMANN Automotive St. Wendel GmbH, St. Wendel ³	100.00 %
HÖRMANN Automotive Wackersdorf GmbH, Wackersdorf ³	100.00 %
HÖRMANN Automotive Bielefeld GmbH, Bielefeld	100.00 %
HÖRMANN Automotive Gustavsburg GmbH, Ginsheim-Gustavsburg	100.00 %
HÖRMANN Automotive Penzberg GmbH, Penzberg ⁵	0.00 %
HÖRMANN Automotive Slovakia s.r.o., Bánovce, Slowakei	100.00 %
Versorgungswerk HÖRMANN Automotive Gustavsburg e.V., Ginsheim-Gustavsburg	100.00 %
Versorgungswerk HÖRMANN Automotive Penzberg e.V., Penzberg ⁵	0.00 %
ENGINEERING DIVISION	
AIC Ingenieurgesellschaft für Bauplanung Chemnitz GmbH, Chemnitz ³	100.00 %
AIC Süd GmbH, Kirchseeon	100.00 %
HÖRMANN Rawema Engineering & Consulting GmbH, Chemnitz ³	100.00 %
HÖRMANN Logistik GmbH, München ³	89.40 %
AIC Zeitarbeit GmbH, Chemnitz	60.00 %
VacuTec Meßtechnik GmbH, Dresden ³	90.00 %
HÖRMANN Vehicle Engineering GmbH, Chemnitz	100.00 %
Klatt Fördertechnik GmbH, Neumarkt am Wallersee, Austria ⁴	51.00 %

DIRECT AND INDIRECT EQUITY INVESTMENTS OF HÖRMANN INDUSTRIES GMBH AS AT 30 JUNE 2019	Equity interest (in %)
COMMUNICATION DIVISION	
Funkwerk AG, Kölleda	78.00 %
Funkwerk Systems GmbH, Kölleda	100.00 %
Funkwerk StatKom GmbH, Kölleda	100.00 %
Funkwerk Systems Austria GmbH, Vienna, Austria	100.00 %
Funkwerk Technologies GmbH, Kölleda	100.00 %
Funkwerk video systeme GmbH, Nürnberg	100.00 %
FunkTech GmbH, Kölleda ³	100.00 %
Funkwerk IoT GmbH, Kölleda	100.00 %
HÖRMANN GmbH, Kirchseeon ³	74.99 %
HÖRMANN KMT Kommunikations- und Meldetechnik GmbH, Salzburg, Austria	100.00 %
SERVICES DIVISION	
HÖRMANN Services GmbH, Kirchseeon	100.00 %
HÖRMANN Kommunikation & Netze GmbH, Kirchseeon ³	100.00 %
HÖRMANN Industrieservice GmbH, Lehre	100.00 %
MAT Maschinenteknik GmbH, Salzgitter	67.00 %
Hörmann Automationsservice GmbH (formerly: MAT Automationstechnik GmbH), Salzgitter	100.00 %
MAT Industrieservice GmbH, Salzgitter	100.00 %

The exemption of section 313(2) no. 4 sentence 3 HGB was applied to equity investments of minor significance to the presentation of the net assets, financial position and results of operations.

¹ Preliminary

² Net income including differences from foreign currency translation

³ Net income before profit transfer

⁴ Net income for the period from 1 April - 30 June 2019 due to differing financial year (1 April - 31 March)

⁵ Net income from 1 January - 31 March 2019 due to deconsolidation with effect from 1 April 2019

There were the following material changes in the consolidated group in the first half of 2019:

In April 2019, HÖRMANN Automotive GmbH sold 100% of the shares in HÖRMANN Automotive Penzberg GmbH, meaning that HÖRMANN Automotive Penzberg GmbH and its pension scheme Versorgungswerk HÖRMANN Automotive Penzberg e.V. were deconsolidated with effect from 1 April 2019.

In April 2019, HÖRMANN Industries GmbH also acquired a 51% interest in Klatt Fördertechnik GmbH, Neumarkt am Wallersee (Austria), via its subsidiary HÖRMANN Logistik GmbH.

In April 2019, HÖRMANN Industries GmbH also acquired 4.88% of the shares in AIC Ingenieurgesellschaft für Bauplanung Chemnitz mbH, Chemnitz, making it the sole shareholder.

The changes in the consolidated group do not affect comparability with the previous year.

b.) No companies were included according to the provisions on equity consolidation in accordance with sections 311 et seq. HGB as at 30 June 2019.

c.) Companies not included due to immateriality.

By reference to section 296(2) HGB and section 311(2) HGB, the shares in the following companies were not included in consolidation on account of their immateriality to the net assets, financial position and results of operations of the Group.

COMPANY	Interest in %
HÖRMANN Pannon Software Kft., Budapest, Hungary	50.00
HL Mitarbeiterbeteiligungsgesellschaft mbH, Munich	80.00
Camunsa-HÖRMANN S.A., Spain	37.50
VAKS a.s., Czech Republic	31.50
HÖRMANN-Rema Praha spol.sr.o, Czech Republic	30.00
HÖRMANN ERMAFA GmbH, Chemnitz	100.00
Versorgungswerk HÖRMANN Gruppe e.V., Traunstein	100.00

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

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

The consolidated interim financial statements were prepared as at 30 June 2019. The half-yearly reporting periods of all companies included in the consolidated financial statements end as at this date with the exception of Klatt Fördertechnik GmbH, Neumarkt am Wallersee, ended on 31 March and the half-yearly reporting period ended on 30 September.

4. Consolidation policies

HÖRMANN Industries GmbH, Kirchseeon, is exempt from the obligation to prepare consolidated financial statements in accordance with section 291 HGB. HÖRMANN Industries GmbH, Kirchseeon, has voluntarily prepared consolidated interim financial statements for the period ended 30 June 2019 comprising a consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the consolidated financial statements and the Group management report.

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

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

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

Goodwill offset against revenue reserves in previous years is no longer recognised as an expense in the consolidated income statement on deconsolidation. Any negative goodwill remaining is reported as a separate item after equity. Until 31 December 2009 this was reported as a separate item directly in consolidated equity.

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

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

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

Deferred tax assets and liabilities arising as a result of consolidation adjustments are accounted for at the level of HÖRMANN Industries GmbH, Kirchseeon, using a tax rate of 28.00% and at the level of Funkwerk AG, Kölleda, using a tax rate of 29.82%, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.82% and, for simplified calculation as at 30 June 2019, an average trade tax rate of 14.00%. The resulting tax expenses are offset against tax income.

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

5. Negative goodwill

The prior-year figures refer to 31 December 2018.

The “Goodwill” item includes the goodwill from the first-time consolidation of Funkwerk AG, Kölleda, as at 1 October 2016. Its value was EUR 6,595 thousand as at 30 June 2019 (previous year: EUR 7,050 thousand). It is being written down over a ten-year period. Goodwill was written down pro rata temporis by EUR 455 thousand in the first half of 2019.

The goodwill of HÖRMANN Vehicle Engineering GmbH, Chemnitz, of EUR 442 thousand from first-time consolidation as at 1 December 2016 is also being written down over ten years. Its value was EUR 328 thousand as at 30 June 2019 (previous year: EUR 350 thousand). This resulted in a pro rata write-down of EUR 22 thousand in the year under review.

As at 30 June 2019, qualifying goodwill of EUR 155.8 thousand was recognised for HÖRMANN Automationservice GmbH (formerly: MAT Automationstechnik GmbH), Salzgitter (previous year: EUR 165.0 thousand). This was written down in the amount of EUR 9.2 thousand in the first half of 2019. It is being written down over a ten-year period.

As at 30 June 2019, qualifying goodwill of EUR 1,419.2 thousand was recognised for MAT Industrieservice GmbH, Salzgitter (previous year: EUR 1,502.6 thousand). This was written down in the amount of EUR 83.5 thousand p.a. in the first half of 2019. It is being written down over a ten-year period.

As at 30 June 2019, qualifying goodwill of EUR 466.3 thousand was recognised for MAT Maschinenteknik GmbH, Salzgitter (previous year: EUR 493.7 thousand). This was written down in the amount of EUR 27.4 thousand p.a. in the first half of 2019. It is being written down over a ten-year period.

As at 1 April 2019, the first-time consolidation of Klatt Fördertechnik GmbH, Neumarkt am Wallersee (Austria), resulted in qualifying goodwill of EUR 4,709.7 thousand. This was written down in the amount of EUR 117.7 thousand and had a carrying amount of EUR 4,591.9 thousand as at 30 June 2019. It is being written down over a ten-year period.

6. Currency translation principles

Assets and liabilities in foreign currency and foreign currency amounts in the income statement are translated at the exchange rate on the date of initial recognition. Receivables and liabilities in foreign currencies are measured at the middle spot rate depending on their maturity as at the balance sheet date.

The **annual financial statements** prepared in foreign currencies were translated as follows: Equity was translated at historical exchange rates, the balance sheet at the middle spot rate on the balance sheet date and items of the income statement at the average monthly exchange rate. Currency translation differences are shown in equity.

7. Accounting policies

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

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

Internally generated industrial and similar rights and assets were capitalised at production cost excluding administrative or borrowing costs and amortised pro rata temporis on a straight-line basis over their expected useful lives. The useful life for capitalised development work is equal to the period in which proceeds are expected to be generated. For all development projects for which the conditions for the capitalisation of development costs would not be satisfied until after 31 August 2011, development costs are no longer capitalised but instead recognised in full in profit or loss. The item "Internally generated industrial and similar rights and assets" was derecognised from the income statement in full in December 2018.

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

Purchased **goodwill** is capitalised at acquisition cost and amortised pro rata temporis on a straight-line basis over a period of five to ten years. It is written down to fair value if necessary.

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

Low-value assets of up to EUR 250.00 acquired in the financial year are written off in full in their year of acquisition and treated as a disposal. An omnibus item is recognised in the year of acquisition for low-value assets of between EUR 400.00 and EUR 1,000.00 and written down on a straight-line basis over five years.

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

Shares in associates, equity investments and other loans are carried at the lower of cost or fair value.

Long-term investments are initially carried at acquisition cost and subsequently at market prices or fair value, not exceeding acquisition cost, if such market prices cannot be determined.

Raw materials, consumables and supplies and merchandise are measured at average acquisition cost. They are written down to lower fair value depending on storage periods, diminished marketability, lower replacement costs and lower selling prices.

Work in progress and finished goods are carried at production cost (direct costs and appropriate amounts of material and production overheads) including appropriate amounts of administrative costs and depreciation of fixed assets if caused by production, but not including borrowing costs and in accordance with the principle of lower of cost or market. The overhead rates applied are based on normal capacity utilisation. Provisions are recognised for expected losses. Merchandise is measured at average acquisition cost.

They are written down to the lower fair value depending on storage periods, diminished marketability, lower replacement costs and lower selling prices.

Payments received on account of orders are deducted from inventories on the face of the balance sheet, if possible.

Receivables and other assets are carried at their nominal amount. The lower fair value is recognised where necessary.

The principle of lower of cost or market was applied for specific risks by means of corresponding specific valuation allowances.

Global valuation allowances are recognised on **trade receivables and other assets** for general interest and credit risks.

Receivables from affiliated companies include receivables from companies that satisfy the conditions for consolidation in the consolidated financial statements of HÖRMANN Industries GmbH, Kirchseeon, but that are not consolidated for reasons of materiality.

Other securities classified as current assets are carried at the lower of acquisition cost or fair value as at the balance sheet date in accordance with section 255(4) HGB.

Cash-in-hand and bank balances are carried at nominal amount.

Disbursements before the reporting date are reported as **prepaid expenses** if they constitute an expense for a specific period after this date.

Deferred tax assets are recognised in the amount that it is probable that they will lead to tax relief in future financial years. **Deferred tax liabilities** are recognised for future tax charges. Deferred tax assets were reported as at 30 June 2019. Where possible, deferred tax assets and liabilities are offset in accordance with the option provided by section 274 HGB in conjunction with section 306 HGB.

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

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

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

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

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

Pension provisions as at 31 December 2018 were measured on the basis of the following premises:

- ♦ Interest rate (10-year average) 3.20 %
- ♦ Interest rate (7-year average) 2.32 %
- ♦ Expected wage and salary increases 0.00 % bis 2.50 %
- ♦ Expected inflation rate/pension trend 0.00 % bis 1.80 %

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

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

Tax provisions are calculated in accordance with the principles of prudent business judgement. In addition, current taxes were calculated and reported for the first time as at 30 June 2019 using an average tax rate of 27.053%.

Other provisions take into account all discernible risks and uncertain obligations in line with prudent business judgement. They are carried at the necessary settlement amount. Price and cost increases are taken into account accordingly where necessary when calculating the settlement amount.

Other long-term provisions are discounted using the discount rate published by Deutsche Bundesbank in accordance with their term.

The issued **bonds** in the amount of EUR 50.0 million (2019/2024) and EUR 30.0 million (2016/2021, redemption in November 2019) are recognised at their nominal value (adjusted for exercise of exchange/overallotment option and new subscription option for existing bondholders) and each bear interest at 4.5% p.a.

Liabilities and other liabilities are carried at their settlement amount.

Liabilities to affiliated companies include liabilities to companies that satisfy the conditions for consolidation in the consolidated financial statements of HÖRMANN Industries GmbH, Kirchseeon, but that are not consolidated for reasons of materiality.

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

8. Changes from accounting methods applied in the previous year

With the exception of the recognition of deferred taxes, the accounting methods applied are the same as those applied in the previous year.

B. NOTES TO THE BALANCE SHEET

Any prior-year disclosures relate to the reporting date 31 December 2018.

1. Fixed assets

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

Research and development costs amounted to around EUR 1.2 million in total in the first half of 2019 (previous year: EUR 9.0 million). As in the previous year, no internally generated intangible fixed assets or development costs were capitalised in the 2019 financial year.

The statement of changes in fixed assets for the reporting period is shown on the pages 32/33.

2. Inventories

Payments received on account of orders of EUR 93,345.5 thousand (previous year: EUR 70,725 thousand) were deducted from inventories on the face of the balance sheet.

3. Receivables and other assets

Trade receivables of EUR 31.2 thousand (previous year: EUR 51.0 thousand) have a remaining term of more than one year.

Other assets of EUR 18.7 thousand (previous year: EUR 0.0 thousand) have a remaining term of more than one year.

Receivables from affiliated companies include trade receivables of EUR 39.4 thousand (previous year: EUR 38.9 thousand) and loan and interest receivables of EUR 6,376.1 thousand (previous year: EUR 5,899.1 thousand), of which EUR 1,195.8 thousand (previous year: EUR 0.0 thousand) relate to cash pooling.

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

4. Prepaid expenses

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

5. Consolidated equity

The development of consolidated equity in the financial year is shown in the consolidated statement of changes in equity.

6. Provisions

During the year, the provision for pension obligations is derived in the form of an estimate based on the actuarial reports available as at the reporting date 31 December 2018.

The total settlement amount of pension provisions is around EUR 42,096 thousand. This is offset against assets that are exclusively reserved for pension obligations. Plan assets in excess of the settlement amount totalled EUR 416 thousand and were reported on the asset side of the balance sheet as the "Excess of plan assets over pension liabilities".

The acquisition cost of the offset assets amounted to EUR 2,174 thousand as at 31 December 2018, while their recognised fair value was EUR 2,251 thousand. The fair value of insurance policies covering the pension liabilities is equal to the acquisition cost and is measured on the basis of the actuarial reserve.

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

One fifteenth of the addition to the direct pension provision of EUR 3,888 thousand required as at 1 January 2010 as a result of the amended provisions of the German Commercial Code (EUR 132 thousand) was made in the reporting year in accordance with Article 67(1) sentence 1 of the Einführungsgesetz zum Handelsgesetzbuch (EGHGB – Introductory Act to the German Commercial Code), corresponding to a pro rata amount of EUR 132 thousand for a half-year. EUR 2,544 thousand of the difference was already recognised by 30 June. The direct pension provisions not reported in the balance sheet amounted to EUR 1,344 thousand at the reporting date.

In accordance with section 253(2) sentence 1 HGB, the company used a ten-year period to calculate the average interest rate for the discounting of pension obligations. As at 31 December 2018, this gave rise to a difference of EUR 4,154 thousand in accordance with section 253(6) HGB, which is restricted from distribution.

The indirect pension obligations were underfunded in accordance with Article 28(1) sentence 2 EGHGB. The underfunding amounted to EUR 9,585 thousand as at 31 December 2018 (Article 28(2) EGHGB).

The settlement amount of **partial early retirement provisions** amounted to around EUR 4,050 thousand as at 31 December 2018. This is offset against assets that are exclusively reserved for partial early retirement obligations.

The acquisition cost of the offset assets was EUR 2,158 thousand as at 31 December 2018, while their recognised fair value was EUR 2,158 thousand. The fair value of these assets is equal to their market value as at the balance sheet date. Plan assets in excess of the settlement amount of EUR 148 thousand were reported on the assets side of the balance sheet as the "Excess of plan assets over pension liabilities" as at 31 December 2018.

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

7. Liabilities

Liabilities are reported at settlement amount. Their remaining terms are shown below in the consolidated maturity structure of liabilities. A land charge of EUR 1,522 thousand was entered for short- and medium-term loans borrowed from banks by HÖRMANN Industries GmbH, Kirchseeon, for investments in land and buildings. This investment loan amounted to EUR 107 thousand as at 30 June (previous year: EUR 321 thousand).

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

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

CONSOLIDATED MATURITY STRUCTURE OF LIABILITIES

(as at 30 June 2019, in EUR thousand)

	Remaining term			Total 30 Jun 2019	of which secured ¹
	up to one year	more than one year	of which more than five years		
1. Bonds	18,142	50,000	0	68,142	0
<i>Previous year</i>	0	30,000	0	30,000	0
2. Liabilities to banks	2,619	2	0	2,621	107
<i>Previous year</i>	272	0	0	272	214
3. Trade payables	36,015	0	0	36,015	0
<i>Previous year</i>	41,166	0	0	41,166	0
4. Liabilities to affiliated companies	940	0	0	940	0
<i>Previous year</i>	1,058	0	0	1,058	0
5. Other liabilities	10,574	0	0	10,574	0
<i>Previous year</i>	10,654	0	0	10,654	0
of which in respect of taxes	4,789	0	0	4,789	0
<i>Previous year</i>	3,746	0	0	3,746	0
of which in respect of social security	3,791	0	0	3,791	0
<i>Previous year</i>	3,704	0	0	3,704	0
	68,291	50,002	0	118,292	107

¹ Information on the nature and form of security can be found in note B7 of the notes to the consolidated financial statements

8 General disclosures

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

Deferred tax liabilities result from temporary differences between the financial accounts and the tax accounts for land and buildings and inventories.

There are trade tax and corporation tax loss carryforwards at the individual companies included in consolidation. Based on the planning for the individual companies, the management expects that trade tax and corporation tax losses can be offset against taxable profits in future.

Deferred tax assets and liabilities arising as a result of consolidation adjustments are accounted for at the level of HÖRMANN Industries GmbH, Kirchseeon, using a tax rate of 28.00%, whereas deferred taxes from Group companies are measured using a uniform corporate income tax rate (including solidarity surcharge) of 15.82% and, for simplified calculation as at 30 June 2019, an average trade tax rate of 11.23%. The resulting tax expenses are offset against tax income.

The deferred taxes from the individual financial statements in accordance with section 274 HGB are combined with deferred taxes at Group level in accordance with section 306 HGB.

There are **derivative financial instruments** in the form of interest rate options with a nominal amount of EUR 15,000 thousand as at the balance sheet date. The fair value of the interest rate options is EUR 0.2 thousand. They are measured using the mark-to-market method. Their carrying amount is EUR 59.8 thousand and is included in prepaid expenses.

C. CONSOLIDATED INCOME STATEMENT DISCLOSURES

Any prior-year disclosures relate to the reporting date 30 June 2018.

1. Sales

BREAKDOWN OF REVENUES BY REGION	H1 2019 (EUR million)	H1 2018 (EUR million)
Sales, domestic	187.7	145.0
Sales, international	111.3	142.1
TOTAL	299.0	287.1

DIVISIONS	H1 2019 (EUR million)	H1 2018 (EUR million)
Automotive	207.1	214.5
Engineering	26.7	17.4
Services	17.8	16.1
Communication	47.4	39.1
TOTAL	299.0	287.1

2. Other operating income

Other operating income includes prior-period income of EUR 532.6 thousand (previous year: EUR 871.3 thousand), EUR 475.0 thousand (previous year: EUR 678.9 thousand) of which relates to the reversal of provisions, EUR 14.2 thousand (previous year: EUR 128.9 thousand) to the reversal of write-downs and EUR 43.4 thousand (previous year: EUR 63.6 thousand) to other prior-period income. Other operating income also includes income from currency translation of EUR 9.8 thousand (previous year: EUR 55.9 thousand).

3. Other operating expenses

Other operating expenses include prior-period expenses of EUR 123.5 thousand (previous year: EUR 91.7 thousand). Currency translation resulted in expenses of EUR 58.1 thousand (previous year: EUR 87.8 thousand).

4. Taxes on income

Taxes on income include prior-period tax expenses of EUR 19.4 thousand (previous year: EUR 90.2 thousand) and prior-period tax income of EUR 2.0 thousand (previous year: EUR 90.1 thousand).

By way of derogation from section 274(2) sentence 3 HGB, income from changes in recognised deferred is shown separately under "Deferred taxes" in the consolidated income statement on account of its materiality.

5. Significant events after the balance sheet date

On 10 July 2019, HÖRMANN Industries GmbH acquired around 9% of the shares in euromicron AG, Frankfurt/Main, via its subsidiary Funkwerk AG. In this context, it also signed an investment agreement under which Funkwerk AG acquired further around 5% of the shares from a second cash capital increase with subscription rights and now holds a total of around 15.3% of euromicron AG's share capital.

By way of a merger agreement dated 21 May 2019 with subsequent entry in the commercial register of the Braunschweig Local Court on 25 July 2019, MAT Industrieservice GmbH, Salzgitter, was merged into HÖRMANN Industrieservice GmbH, Lehre (formerly Chemnitz), with retrospective effect from 1 January 2019.

A reverse factoring agreement on the sale of receivables was concluded between HÖRMANN Automotive Gustavsburg GmbH and a customer after the balance sheet date. This relates to non-recourse factoring, meaning that the credit risk is assumed by the factor. Factoring is used to reduce the term of receivables and is a positive element of liquidity management. No receivables had been sold as at 30 June 2019.

D. OTHER DISCLOSURES

1. Contingent liabilities and other financial obligations

a.) Contingent liabilities

There are contingent liabilities of EUR 3.0 million in accordance with section 251 in conjunction with section 268(7) HGB from guarantees issued for liabilities, EUR 3.0 million of which to affiliated companies.

Furthermore, HÖRMANN Industries GmbH, together with HÖRMANN Automotive GmbH, are liable as co-borrowers and joint debtors for a guarantee issued by Commerzbank AG to HÖRMANN Holding GmbH & Co. KG and HÖRMANN Industries GmbH up to an amount of EUR 10,000 thousand until further notice. EUR 1,598 thousand of this guarantee facility had been utilised as at 30 June 2019. To the best of our knowledge, both HÖRMANN Holding GmbH & Co. KG and HÖRMANN Automotive GmbH conduct their business properly and in a manner that ensures that they are able to meet all their obligations on their own and that therefore recourse to HÖRMANN Industries GmbH is not expected for the contingent liabilities we have entered into.

b.) Other financial obligations

Obligations under rental and lease agreements and other longer-term contracts amount to around EUR 57.8 million. Other financial obligations of EUR 11.0 million have a remaining term of up to one year, EUR 34.5 million have a remaining term of between one and five years and EUR 12.3 million have a remaining term of more than five years.

There is also a disbursement obligation until 31 December 2019 for a remaining loan of EUR 15 million that is being used to finance the social plan for the deconsolidated HÖRMANN Automotive Penzberg GmbH.

2. Related party transactions

There are no transactions with related parties that are not as at arm's length.

3. Auditor's fees

This disclosure will be included in the 2019 consolidated financial statements.

4. Management

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

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

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

5. Employees

Not including trainees or managing directors, there were 2,952 employees on average in the first half of 2019 (previous year 3,175). The average number of trainees was 95 (previous year: 121).

Average number of employees by group:

GROUP	H1 2019
Production	2,148
Sales/Project Management	262
Development	316
Administration	226
Total	2,952

6. Group affiliation

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

E. CASH FLOW STATEMENT

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

The **cash flow from operating activities** is an indicator of the extent to which operating activities generated cash surpluses.

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

The **cash flow from financing activities** includes the interest payments on account of the bond issued for the financing of the HÖRMANN Holding Group.

Definition of cash and cash equivalents

The cash and cash equivalents at the end of the period shown in the consolidated cash flow statement consisted exclusively of bank balances available at short notice and cash-in-hand. We refer to the comments in the "Financial position" section of the Group management report.

Kirchseeon, August 2019

HÖRMANN Industries GmbH

Dr.-Ing. Michael Radke

Johann Schmid-Davis

RESPONSIBILITY STATEMENT

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

Kirchseeon, August 2019

HÖRMANN Industries GmbH



Dr.-Ing. Michael Radke



Johann Schmid-Davis



» The HÖRMANN Group is characterized by versatility and vision – we would like to further strengthen our synergy effects for the benefit of our customers. «

JOHANN SCHMID-DAVIS, CFO

Imprint

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