ANNUAL REPORT

ABOUT THIS REPORT

NORMA Group publishes both financial and non-financial information in its 2020 Annual Report. In addition to the Group Management Report and the Consolidated Financial Statements, the report also includes a Non-financial Group Report in accordance with Sections 315c of the German Commercial Code (HGB) in conjunction with Sections 289c to 289e HGB. → NON-FINANCIAL REPORT → GLOBAL REPORTING INITIATIVE (GRI) and → UN GLOBAL COMPACT

The Annual Report is published solely in digital form. It is available in PDF format and as an online report. WWW.NORMAGROUP.COM NORMA Group's Annual Report is published in German and English. In the event of any deviations, the German version takes precedence. Due to commercial rounding, minor changes may occur in the disclosure of amounts or percentage changes at various points in this report.

When persons are mentioned in this publication, this always refers to female, male and diverse (for example transsexual and intersexual) persons. For reasons of better readability and/or formal or technical reasons such as limited space or the better findability of web texts, not all variants are always mentioned.

The following symbols indicate important information:

→ Further information can be found elsewhere in the Annual Report.

Further information can be found on the NORMA Group website.

These contents are part of the Non-financial Group Report and were subject to a separate limited assurance examination.
→ NON-FINANCIAL REPORT

Show content

Page forward / back

Data and reporting standards

The reporting period covers the fiscal year from January 1 to December 31, 2020. To ensure the greatest possible timeliness, all relevant information available up to the issuance of the assurance by the legal representatives on March 11, 2021 is included. The Consolidated Financial Statements and the Group Management Report have been prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union (EU), as well as in accordance with the German Commercial Code (HGB). Sustainability reporting fulfils the "core" option of the standards of the Global Reporting Initiative (GRI). → GRI and → UN GLOBAL COMPACT

Independent Auditing

The Consolidated Financial Statements prepared by NORMA Group consisting of the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Notes to the Consolidated Financial Statements, as well as the Group Management Report → INDEPENDENT AUDITOR'S REPORT and the Non-financial Group Report → ASSURANCE REPORT were audited by PricewaterhouseCoopers (PwC) Wirtschaftsprüfungsgesellschaft.

CONTENT

INTRODUCTION

TO OUR SHAREHOLDERS

CORPORATE RESPONSIBILITY REPORT

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

2020 FINANCIAL FIGURES

T001

Financial figures		2020	2019	Change in %
Order situation				
Order book [1]	EUR million	391.3	358.3	9.2
Income statement				
Revenue	EUR million	952.2	1,100.1	– 13.4
(Adjusted) material cost ratio [2]	%	43.8	43.4	n/a
(Adjusted) personnel cost ratio [2]	%	31.3	27.5	n/a
Adjusted EBITA [2]	EUR million	54.6	144.8	– 62.3
Adjusted EBITA margin [2]	%	5.7	13.2	n/a
EBITA	EUR million	51.1	127.9	– 60.0
EBITA margin	%	5.4	11.6	n/a
Adjusted EBIT [2]	EUR million	45.3	136.1	– 66.7
Adjusted EBIT margin [2]	%	4.8	12.4	n/a
EBIT	EUR million	20.1	96.7	– 79.2
EBIT margin	%	2.1	8.8	n/a
Financial result	EUR million	– 14.8	– 15.5	– 4.7
(Adjusted) tax rate	%	20.3	27.1	n/a
Adjusted profit for the period [2]	EUR million	24.3	87.8	– 72.3
Adjusted earnings per share [2]	EUR	0.77	2.76	– 72.1
Profit for the period	EUR million	5.5	58.4	– 90.6
Earnings per share	EUR	0.18	1.83	– 90.2
NORMA Value Added (NOVA)	EUR million	– 46.4	17.3	n/a
Return on Capital Employed (ROCE) [3]	%	4.6	13.0	n/a
Balance sheet[1]				
Total assets	EUR million	1,414.7	1,514.3	– 6.6
Equity	EUR million	589.5	629.5	– 6.3
Equity ratio	%	41.7	41.6	n/a
Net debt	EUR million	338.4	420.8	– 19.6
Cash flow				
Cash flow from operating activities	EUR million	133.5	137.1	– 2.6
Cash flow from investing activities	EUR million	– 39.1	– 57.0	– 31.5
Cash flow from financing activities	EUR million	– 81.0	– 93.2	– 13.2
Net operating cash flow	EUR million	78.3	122.9	– 36.3

1_Figures as at balance sheet date Dec 31.
2_2020: adjusted by effects from purchase price allocation; 2019: adjusted by effects from purchase price allocation and one-offs. → ADJUSTMENTS.
3_Adjusted EBIT in relation to the average capital employed.

Non-financial figures

Non-financial figures		2020	2019	Change in %
General information [1]				
Core workforce		6,635	6,523	1.7
Temporary workers		2,155	1,998	7.9
Total workforce		8,790	8,521	3.2
Number of invention applications		22	22	0
Governance / Integrity				
Number of employees who were trained on compliance topics online		2,091	1,233	69.6
Defective parts	PPM (parts per million)	5.1	6.1	– 16.4
Customer complaints	average per month per entity	4.7	6.4	– 26.6
Environment				
CO_2 emissions (Scope 1 and 2)	t CO_2e	49,813	54,494	– 8.6
Energy consumption	kWh / EUR thousand of revenue	124.2	118.1	5.1
Water consumption	liter / EUR thousand of revenue	154.8	156.8	– 1.3
Hazardous waste	kg / EUR thousand of revenue	0.6	0.5	35.8
Non-hazardous waste	kg / EUR thousand of revenue	11.0	8.3	31.2
Share of manufacturing locations certified according to ISO 14001	%	93.0	89.7	n / a
Social				
Accident rate	accidents / 1,000 employees	4.2	4.3	– 1.1
Share of manufacturing locations certified according to OHSAS 18001 or ISO 45001	%	71.4	69.0	n / a
Average training hours	hours per employee	20.9	28.1	– 25.8
Female employees in relation to core workforce	%	36.0	35.9	n / a

Share data

Share data		
Initial public offering		April 2011
Stock exchange		Frankfurt Stock Exchange
Market segment		Regulated Market (Prime Standard), SDAX
ISIN		DE000A1H8BV3
Security identification number		A1H8BV
Ticker symbol		NOEJ
Highest price [2]	EUR	42.38
Lowest price 2020 [2]	EUR	14.38
Closing price [1, 2]	EUR	41.88
Market capitalization [1]	EUR million	1,334.4
Dividend [3]	EUR	0.70
Payout ratio [3]	%	91.7
Shares issued	Number	31,862,400

1_Figures as at balance sheet date Dec 31, 2020. 2_Xetra price. 3_Subject to approval by the Annual General Meeting.

NORMA GROUP

NORMA Group is an international market and technology leader in joining and fluid-handling technology and offers more than 40,000 high-quality products and solutions to around 10,000 customers in more than 100 countries. NORMA Group's joining products are used in various industries and can be found in vehicles, ships, trains, aircraft, domestic appliances, engines and water systems as well as in applications for the pharmaceutical and biotechnology industry. From its headquarters in Maintal near Frankfurt, Germany, the Company coordinates a global network consisting of 28 production facilities as well as numerous sales and distribution sites across Europe, the Americas, and Asia-Pacific.

Two strong distribution channels

Engineered Joining Technology (EJT)

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

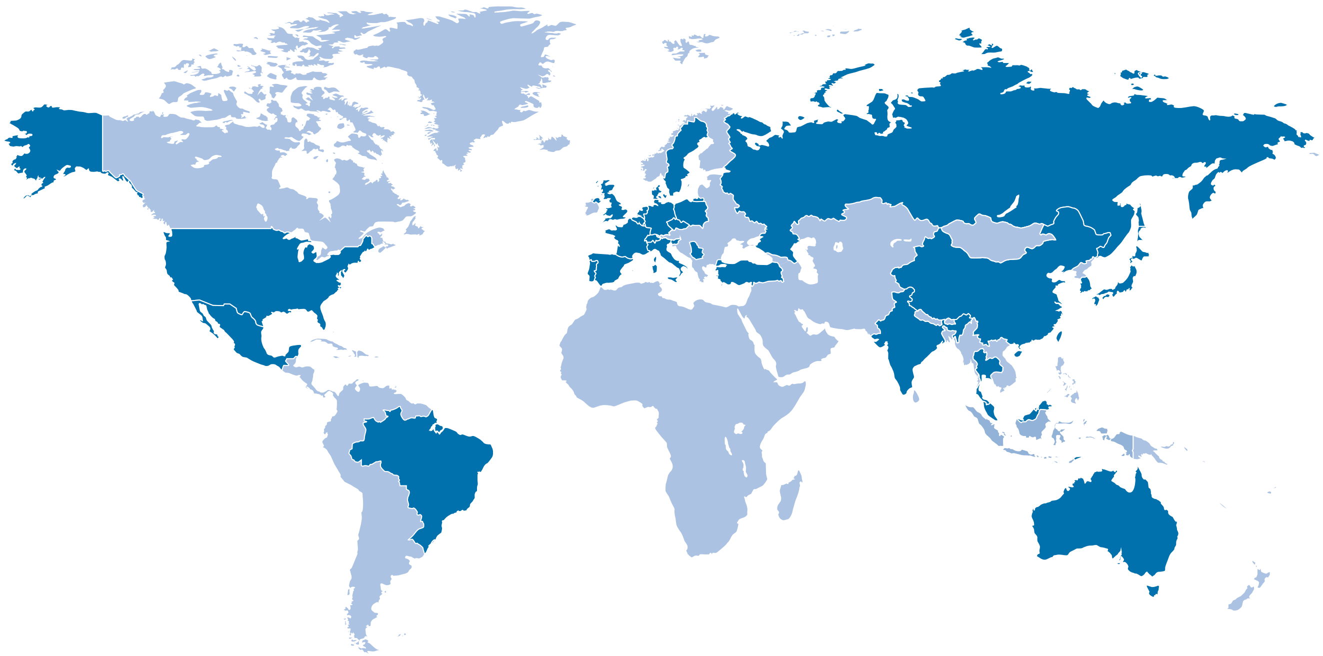
Standardized Joining Technology (SJT)

In the area of SJT, NORMA Group sells a wide range of high-quality, standardized joining technology products for various applications through different distribution channels. Among its customers are distributors, OEM aftermarket customers, technical wholesalers and hardware stores. Furthermore, the area of SJT includes NORMA Group's water business with applications for stormwater management, drip irrigation and joining solutions for infrastructure in the water area. NORMA Group's extensive geographic presence, its global manufacturing, distribution and sales capacities, its strong brands and high service quality set NORMA Group apart from its competitors. NORMA Group markets its joining technology products under its well-known brand names:

ABA, NDS (We put water in its place), R.G.RAY, raindrip, BREEZE, NORMA, FISH BRAND, SERFLEX, Clamp-All, Gemi, Torca, KIMPLAS, TRUSTLENE Brand Pipes & Fittings

NORMA Group worldwide

G001



	M[1]	D[2]
EMEA		
Germany	■	■
France	■	■
Italy		■
Netherlands		■
Poland	■	■
Portugal	■	■
Russia		■
Sweden	■	■
Switzerland	■	■
Serbia	■	
Spain		■
Czech Republic	■	
Turkey		■
United Kingdom	■	■

	M[1]	D[2]
Americas		
Brazil	■	■
Mexico	■	■
USA	■	■
Asia-Pacific		
Australia		■
China	■	■
India	■	■
Japan		■
Malaysia	■	■
Singapore		■
South Korea		■
Thailand		■

1_Manufacturing sites
2_Sales and distribution sites

TO OUR SHAREHOLDERS

TO OUR SHARHOLDERS

The Management Board

Dr. Friedrich Klein
Chief Operating Officer (COO)

Annette Stieve
Chief Financial Officer (CFO)

Dr. Michael Schneider
Chief Executive Officer (CEO)

Letter from the Management Board

Dear shareholders, customers and business partners,

An extraordinary year lies behind us – a year we will remember for some time to come. This is because 2020 had a lasting impact on us and our society. The sudden outbreak of the novel coronavirus, its rapid global transmission and the subsequent economic collapse caught all of us by surprise. This was followed by unprecedented national and global measures to contain the pandemic, which largely shut down all of our lives for several weeks in the spring of 2020. Our usual globalized way of working, acting and traveling was turned upside down.

The lockdown and the restrictions associated with the COVID-19 pandemic also brought many challenges for NORMA Group last year. Protecting our employees was always our top priority. In addition, we had to secure supply chains, fundamentally change processes, and rapidly advance already-existing digitalization initiatives. On top of this came the self-imposed efforts we undertook as part of our “Get on track” program in fiscal year 2020. These measures from the global change program enabled us to set an important course for optimizing our processes and increasing the flexibility and agility of the Group in 2020, despite a difficult environment. As part of this program, we also announced drastic measures such as the closure of our production site in Gerbershausen by the end of 2022. The resulting relocation of production to our plant in the Czech Republic and the elimination of a maximum of 100 jobs at our production site in Maintal are painful, but unavoidable in order to make NORMA Group competitive again in the long term.

We achieved a great deal in this difficult environment in fiscal year 2020, even though we had to contend with considerable losses in terms of both sales and earnings, as did many other companies in our industry. We were unable to compensate for the high losses we incurred in the spring of 2020 as a result of the lockdown, despite a recovery in customer demand in the second half of the year and a fourth quarter that was better than expected. By posting a 12.1% decline in sales to EUR 952.2 million, we were slightly ahead of the estimates we made in October 2020. Adjusted EBITA amounted to EUR 54.6 million and the adjusted EBITA margin to 5.7%. The decline in the margin compared to the previous year reflects both the impact of the COVID-19 pandemic on our business and the additional expenses of around EUR 29 million incurred as part of the “Get on track” program in fiscal year 2020 that were not adjusted. Adjusted earnings per share were EUR 0.77, and thus significantly lower compared to the previous year.

We have learned a lot from the corona crisis. The experiences of the past year have made it all the more clear how important it is for us as a globally operating Group to adapt to sometimes rapidly changing conditions and to be able to respond flexibly to them. But we also saw last year that we are right on track with our long-term strategy, the diversification of our business and our focus on future markets with the megatrends of climate change and resource scarcity. Our water business also proved to be very crisis-resistant in COVID-19 year 2020 growing by 6.7% year-on-year. Our activities in the area of electromobility also continued to gain momentum. With the eM-Twist, we developed a new quick connector for battery-powered vehicles in 2020 that is extremely lightweight and can be installed in a space-saving manner. This means it is ideally suited for use in thermal management systems in electric vehicles and hybrids. In addition, the connector saves around one third of CO_2 in its production compared to similar connectors in conventional cooling systems.

We also further developed and sharpened our strategy in fiscal year 2020. By focusing on the specific market requirements in our strategic business fields of Water Management, Industrial Applications and Mobility and New Energy, we will continue to develop targeted products and solutions that meet our customers’ needs. Processes and costs will continue to be systematically optimized, and the organization will be aligned even more closely to the requirements of the respective end markets. In this way, we hope to achieve targeted and selective growth in our business fields and further improve our value creation.

Through all of these efforts, we are focusing on strengthening our innovative capabilities. After all, only innovative companies will be able to survive on the market in the long term. The fact that we have an excellent team of developers and product engineers at NORMA Group was also demonstrated by the recent example of a new product development from last year: When face coverings were in short supply at the beginning of the pandemic, an interdisciplinary team at NORMA Group developed a face shield within only a few weeks that offers functionality and wearing comfort in equal measure, protects the eyes and, in combination with a mouth-nose protector, significantly reduces the risk of droplet infection. We thus made a contribution to alleviating the acute shortage of face shields at the beginning of the pandemic.

This example shows once again how we live up to our corporate responsibility by coming up with innovative ideas. And we also made important progress in other areas of sustainability last year. For example, in the environmental area, we further tightened our climate target and launched the purchase of electricity from renewable sources at our biggest European plants. In the social area, a special focus was placed on containing the effects of the COVID-19 pandemic and protecting our employees. In the area of governance, we updated and further improved the compliance management system with regard to our behavioral guidelines and the associated training concept. The basis of our commitment is our commitment to the ten principles of the UN Global Compact in the areas of Human Rights, Employees, the Environment and Anti-corruption. Our commitment to corporate responsibility and the related measures are firmly anchored in our company strategy. Our improved rating in various external sustainability rankings confirms our approach.

Dear shareholders, the performance of the NORMA Group share reflects the ups and downs of the past year. In line with the market as a whole, our share also reacted to the news about the global spread of the novel virus in the spring of 2020 with bitter price losses. In fact, it even reached its lowest level since the IPO in mid-March. As the year progressed and the markets eased, however, the share price recovered and, at EUR 41.88 at the end of the year, was even 10.2% above the opening price at the beginning of the year.

The times are and remain out of the ordinary. Even now, it is not yet possible to foresee what challenges the pandemic will still hold in store for us. One thing is certain: COVID-19 will continue to keep us busy in the current year. Nevertheless, we look to 2021 with confidence. With our business model geared to different end markets, our focus on the megatrends of climate change and resource scarcity, and our solid financial situation, we are well positioned for the future. We remain committed to our mission of being the global market leader for joining and fluid-handling technology in today's and tomorrow's markets.

To express our confidence in the continued positive development of NORMA Group, we will propose a dividend of EUR 0.70 to you, dear shareholders, at this year's virtual Annual General Meeting on May 20, 2021. We are thus paying out almost 92% of our adjusted net income this year, partly offsetting the reduced dividend from last year. In the long term, we will return to our customary dividend strategy with a payout ratio of around 30 to 35% of adjusted net income.

We would like to express our special thanks to our more than 8,700 employees worldwide. They have done a great job and have helped to steer NORMA Group through these turbulent times through their commitment, flexibility and solidarity.

Let's successfully master the challenges in 2021 as well!

Sincerely,

Dr. Michael Schneider
Chief Executive Officer (CEO)

Dr. Friedrich Klein
Chief Operating Officer (COO)

Annette Stieve
Chief Financial Officer (CFO)

NORMA Group on the Capital Market

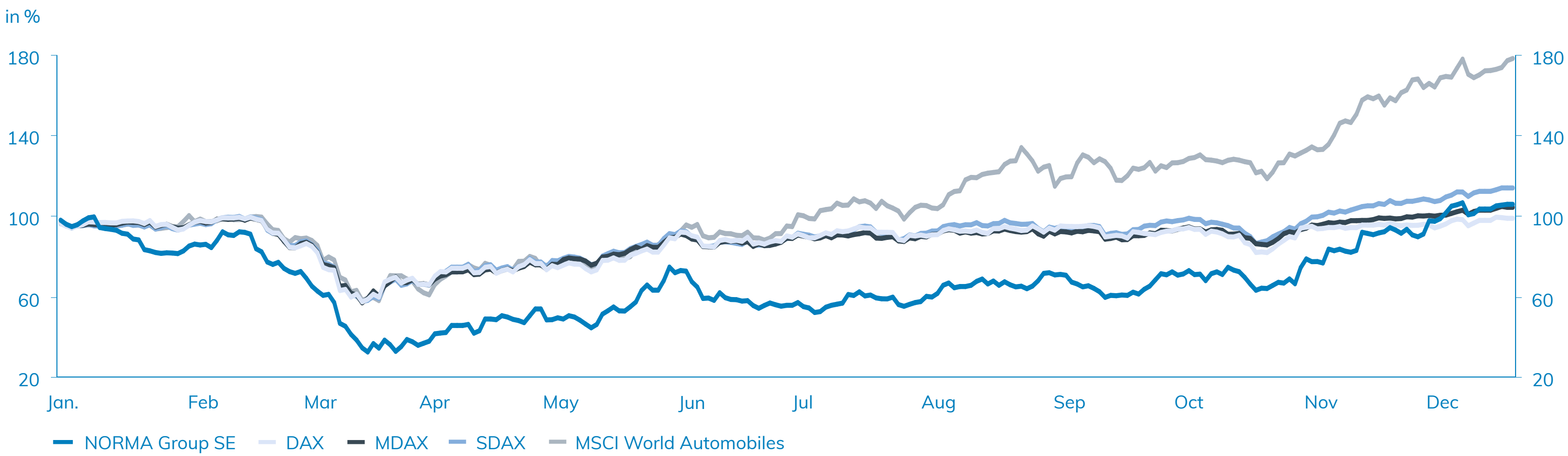
- **NORMA Group share ends 2020 stock market year up 10.2%**
- **Annual General Meeting resolves minimum dividend of EUR 0.04**
- **Excellent Investor Relations work recognized once again.**

Indices worldwide end volatile 2020 stock market year with new all-time highs despite corona pandemic

The 2020 stock market year was characterized by very high volatility. After an initial price rally at the beginning of the year with new all-time highs for the global indices, a massive price correction set in in March. The main negative factor was the global spread of the coronavirus and the associated economic and social restrictions. With the decline in infection figures in the second quarter and the gradual easing of national lockdowns, the international stock markets regained momentum in the second quarter. This development was supported above all by the expansionary monetary and fiscal policies of central banks and the promise to provide extensive COVID-19 bailout packages by governments worldwide. Alongside the strong recovery of the Chinese economy in the second half of the year, these measures provided a tailwind for the international financial markets. In this environment, a renewed rally on the stock markets began in November 2020 despite the renewed sharp rise in infectious disease figures. This was triggered, among other things, by the election results in the USA and the start of coronavirus vaccinations. Despite renewed and even tighter lockdowns, this upswing was only marginally curbed at the end of 2020, after which numerous indices ended the 2020 stock market year at new all-time highs in some cases.

The performance of the German stock market was also strongly influenced by the effects of the COVID-19 pandemic. Germany's leading index, the DAX, ended 2020 at 13,719 points, up 3.5% on the end of 2020. The MDAX per-

Index-based comparison of NORMA Group's share price performance in 2020 with DAX, MDAX, SDAX and MSCI World Automobiles G002



formed even better, rising 8.8% to close the year at 30,796 points. The SDAX, which also includes the NORMA Group share, closed 2020 at 14,765 points and thus recorded a significant gain of 18.0% compared to the year-end level in 2019. The performances of the US stock exchanges was quite similar: The US indices were initially confronted with the fastest fall in the history of the US stock market in the first half of 2020, but were subsequently able to more than compensate for the losses by the end of the year. The Dow Jones Index ended 2020 up 7.2%. The broader S&P 500 Index ended the 2020 stock market year at a new record high and was up 16.3%. The MSCI World Automobiles Index, which is regarded as a trend indicator for the global automotive market, recorded a significant increase of 79.7% compared to the end of 2019 and closed at 276 points on December 30, 2020.

Performance of the NORMA Group share

As was the case for many other companies in the automotive sector, the 2020 stock market year was also characterized by a clear V-shaped course. The share entered the new stock market year on January 2 at a price of EUR 38.00. In line with the price correction on the international stock markets in March, the price of the NORMA Group share also fell dramatically. The share underperformed the reference index SDAX and marked its lowest level since the IPO. The international financial markets subsequently regained momentum. In this environment, the NORMA Group share also showed a steady upward trend, gradually recovering the price losses from the first quarter of 2020. The share reached its highest level of the year of EUR 42.38 on December 31 and ended the stock market year at a closing price of EUR 41.88. This represents an increase of 10.2% compared to the closing price at the end of 2019.

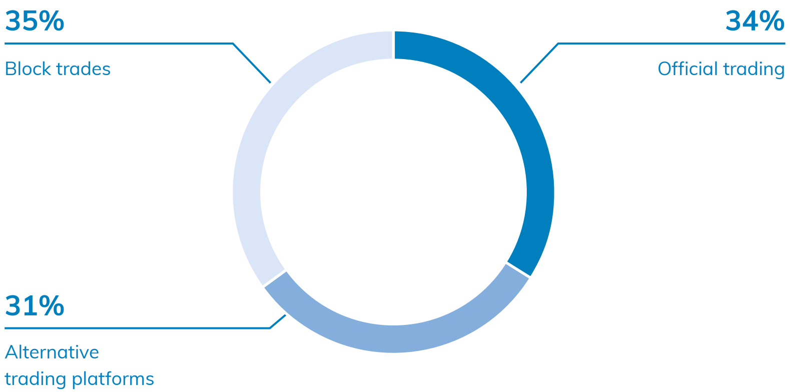
Trading volume decreased

As of December 31, 2020, the market capitalization amounted to approximately EUR 1.33 billion (2019: EUR 1.21 billion). This is based on an unchanged number of shares of 31,862,400 compared to the previous year. Measured by the free float market capitalization relevant for determining index membership, which has been 100% since 2013, the NORMA Group share ranked 12th out of 70 in the SDAX at the end of December 2020 (Dec 2019: 12th out of 70 in the SDAX).

The average daily Xetra trading volume of the NORMA Group share was 88,689 shares and thus considerably lower in 2020 compared to the previous year (2019: 97,960 shares). Accordingly, the NORMA Group share ranked 34th out of 70 in the SDAX in terms of trading volume in December 2020 (Dec 2019: 25th out of 70 in the SDAX). This resulted in lower average daily trading turnover of EUR 2.4 million in terms of value compared to the previous year (2019: EUR 3.6 million).

The total number of shares traded on average per trading day in 2020 was 266,646 (2019: 277,693). Trading was distributed among the various trading venues as follows:

Distribution of trading activity in 2020 G003



Broadly diversified shareholder structure

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

At the end of the reporting year, 0.06% (2019: 0.03%) of NORMA Group shares were held by the Management (Management Board in its current composition). 4.0% (2019: 3.9%) were held by private investors. The remaining share of around 96% was held by institutional investors. The number of private investors (excluding the Management Board in its current composition and the Supervisory Board) increased significantly during fiscal year 2020 and stood at 5,019 at the end of December 2020. The number of private investors had stood at 4,555 at the end of December 2019.

Voting rights notifications in 2020

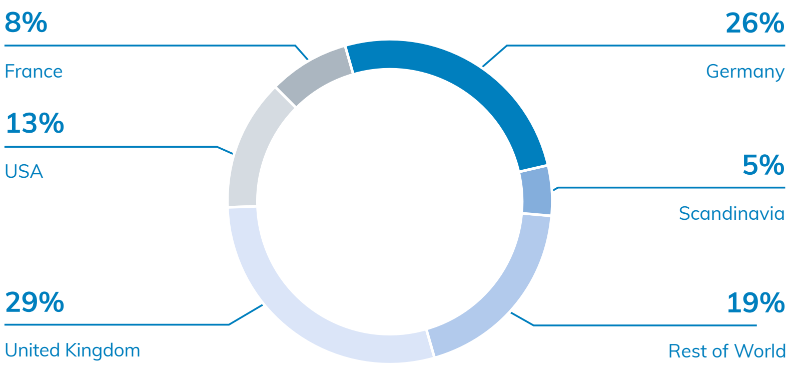
Based on the voting rights notifications received by the end of 2020, shares of NORMA Group designated as free floating and exceeding 3% are held by the following institutional investors:

Voting rights notifications T002

Allianz Global Investors GmbH, Frankfurt / Main, Germany	15.20%
therof Allianz Global Investors Fund SICAV, Senningerberg, Luxembourg	3.30%
therof Allianz SE, Munich, Germany	5.28%
Ameriprise Financial Inc., Wilmington, DE, USA	4.13%
thereof Threadneedle (Lux), Bertrange, Luxembourg	4.90%
Impax Asset Management Group Plc, London, UK	5.08%
T. Rowe Price Group, Inc., Baltimore, Maryland, USA	5,01%
T. Rowe Price International Funds, Inc., USA	3,92%

As of December 31, 2020. Please refer to the → APPENDIX TO THE NOTES for further information on the voting rights notifications received. All voting rights notifications are published on the Company's website. WWW.NORMAGROUP.COM

Free float by region G004



as of December 31, 2020

2020 Annual General Meeting

The Annual General Meeting of NORMA Group SE was held in Frankfurt / Main on June 30, 2020. Due to the COVID-19 pandemic, the Annual General Meeting was held for the first time as a purely virtual event without shareholders or their proxies being physically present. Of the 31,862,400 shares with voting rights, 24,812,442 shares or approx. 78 percent of the share capital were represented in the voting. 31 shareholders participated live in the virtual Annual General Meeting. NORMA Group's shareholders approved all agenda items. Among other items, the Supervisory Board and Management Board were discharged by a clear majority. The remuneration system was also approved by the Annual General Meeting. The proposal of the Management Board and Supervisory Board to distribute a minimum dividend of EUR 0.04 per share (2019: EUR 1.10) due to the impact of the corona pandemic was approved by the Annual General Meeting by a majority of 99.90%. The total amount distributed was approximately EUR 1.3 million (2019: EUR 35.0 million). This resulted in a payout ratio of 1.5% of the adjusted net profit for fiscal year 2019 of EUR 87.8 million (2019: 30.5%). All voting results can be found in the Investor Relations section of the NORMA Group website. WWW.NORMAGROUP.COM

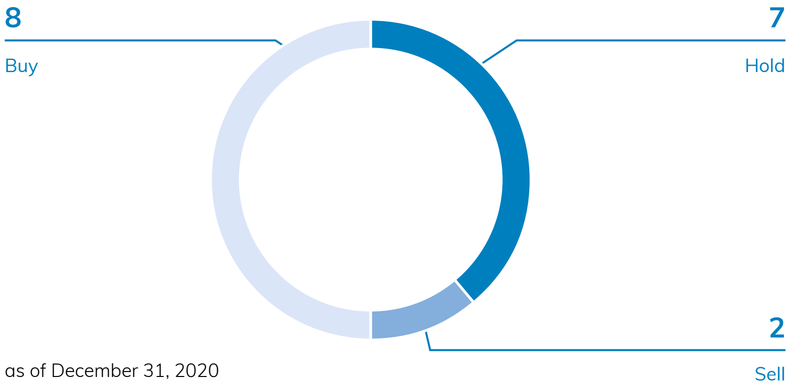
Directors’ Dealings

Three transactions were reported as Directors’ Dealings in fiscal year 2020. These can be found in the Corporate Governance Report. → CORPORATE GOVERNANCE REPORT

Analysts covering NORMA Group

17 analysts from various banks and research firms currently follow NORMA Group. As of December 31, 2020, eight analysts recommended buying the share, seven advised to hold the share and two recommended selling the share. The average target price was EUR 32.15 at the end of December 2020 (2019: EUR 39.11).

Analyst recommendations G005



as of December 31, 2020

Analysts covering NORMA Group T003

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

Sustainable Investor Relations activities

NORMA Group’s Investor Relations activities seek to further increase awareness of the Company on the capital market, strengthen long-term confidence in its share and achieve a realistic and fair valuation. For this reason, Management and Investor Relations hold many discussions with institutional investors, financial analysts and private shareholders over the course of the year. Due to the global spread of the COVID-19 pandemic, these took place almost exclusively virtually in the past fiscal year.

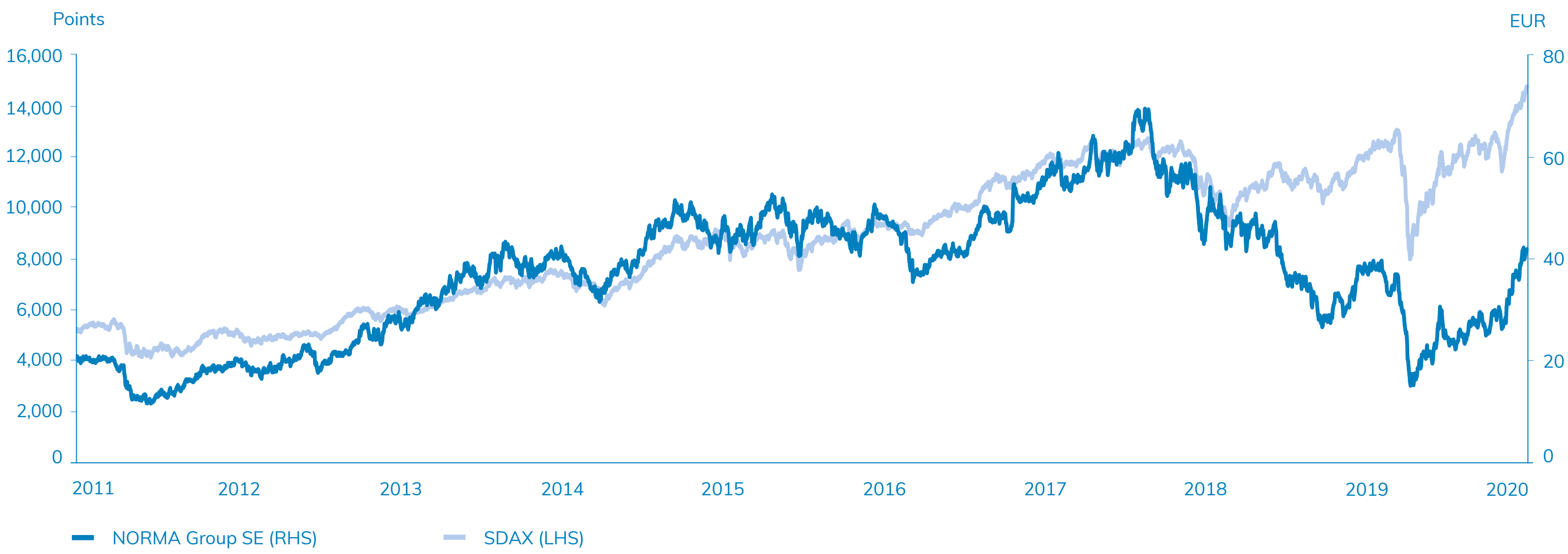
The Management Board and Investor Relations team of NORMA Group conducted 16 roadshows in the world's most important financial centers in fiscal year 2020. Furthermore, NORMA Group attended the following conferences:

- BAADER Investment Conference, Munich
- Bankhaus Lampe Sommerkonferenz Deutsche Aktien
- Berenberg / Goldman Sachs 9th Conference
- Commerzbank German Investment Seminar, New York
- Commerzbank Corporate Conference
- dbAccess Conference
- DZ BANK Equity Conference
- KeplerCheuvreux German Corporate Conference, Frankfurt / Main
- Oddo BHF Forum, Lyon
- Quirin Champions Conference
- Quirin Konferenz
- ESG SRI Conference
- Société Général Nice Conference

NORMA Group receives award for its IR work again

NORMA Group's IR activities were recognized once again in fiscal year 2020. The company ranked 6th out of 60 in the MDAX segment in the "Investors' Darling" competition (NORMA Group was still listed in the MDAX during the period under review). In the IR Magazine Awards Europe 2020, the Investor Relations team's digital presence was awarded first place in the category "Best Investor Relations Website (Small Cap)." In addition, the 2019 Annual Report entitled "Times Are Changing" was awarded "GOLD" in the FOX Finance Awards. The 2019 Annual Report also achieved a good ranking in the 2020 Galaxy Awards: The report was awarded the "Silver" rating.

Share price development of the NORMA Group share since the IPO compared to the SDAX G006



Service for shareholders

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

WWW.NORMAGROUP.COM

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

T004

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	8. Apr. 2011 [1]
Closing price on Dec 31 (in EUR)	41.88	38.00	43.18	55.97	40.55	51.15	39.64	36.09	21.00	16.00	21.00 [2]
Highest price (in EUR)	42.38	49.26	70.15	63.79	51.54	53.30	43.59	39.95	23.10	21.58	n/a
Lowest price (in EUR)	14.38	26.36	40.44	39.95	35.20	38.82	30.76	21.00	15.85	11.41	n/a
Score of the comparison index [3] as of Dec 31	14,764.89	12,511.89	21,588.09	26,200.77	22,188.94	20,774.62	16,934.85	16,574.45	11,914.37	8,897.81	10,539.60
Number of unweighted shares as of Dec 31	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400
Market capitalization (in EUR million)	1,334	1,211	1,376	1,783	1,292	1,630	1,263	1,150	669	510	669
Average daily Xetra volume											
Shares	88,689	97,960	95,624	96,906	73,571	88,888	73,932	86,570	54,432	46,393	n/a
EUR million	2.4	3.64	5.38	4.74	3.20	4.10	2.80	2.53	1.04	1.45	n/a
Earnings per share (in EUR)	0.18 [4]	1.83	2.88	3.76	2.38	2.31	1.72	1.74	1.78	1.19	n/a
Adjusted earnings per share (in EUR)	0.77	2.76	3.61	3.29	2.96	2.78	2.24	1.95	1.94	1.92	n/a
Dividend per share (in EUR)	0.70 [4]	0.04	1.10	1.05	0.95	0.90	0.75	0.70	0.65	0.60	n/a
Dividend yield (in %)	1.7 [4]	0.1	2.5	1.9	2.3	1.8	1.9	1.9	3.1	3.8	n/a
Distribution rate (in %)	91.7 [4]	1.5	30.5	31.9	32.0	32.3	33.4	35.9	33.5	33.2	n/a
Price-earnings ratio	232.7 [5]	20.8 [5]	15.0	14.9	17.0	22.1	23.0	20.7	11.8	13.4	n/a
Selected indices	SDAX, CDAX, Classic All Share, Prime All Share, MIDCAP MKT PR, STXE TM Automobiles & Parts Index, STXE Total Market Small Index, STOXX All Europe Total Market, STOXX Total Market Industrials Sector Price, EURO STOXX Total Market Price, Bloomberg ESG Data Index, Solactive ISS ESG Screened Europe Small Cap										

1_IPO and first trading day of the NORMA Group share.
2_Issuing price.
3_Until 2018: MDAX score; since 2019: SDAX score because the move to the SDAX took place in September 2019.
4_In accordance with the Management Board's proposal for the appropriation of adjusted net profit, subject to approval by the Annual General Meeting on May 20, 2021.
5_Related to the unadjusted earnings per share. The price-earnings ratio related to the adjusted earnings per share is 54.4.

Supervisory Board Report

Collaboration between the Supervisory Board and the Management Board

The Supervisory Board of NORMA Group SE monitored and advised on the activities of the Management Board in fiscal year 2020 in accordance with the legal regulations, the German Corporate Governance Code and NORMA Group SE's Articles of Association. In 2020, the COVID-19 pandemic also had a major impact on the work of the Supervisory Board of NORMA Group SE.

Meetings of the Supervisory Board in 2020

The Management Board begins each regular Supervisory Board meeting by reporting on the overall economic situation and sector-specific economic expectations. It reports on the respective business performance of NORMA Group and explains the earnings situation based on key indicators and their development compared to the previous year and the budget.

The Management Board presents a detailed risk report at each regular meeting of the Supervisory Board and the Audit Committee. In this context, the relevant risks were also assessed in 2020 with regard to their probability of occurrence and potential effects, considering any countermeasures already initiated. This regular risk reporting provides the Supervisory Board and the Audit Committee with a clear picture of which possible risks could have a negative impact on the company's asset, financial and earnings positions. Moreover, compliance topics have also been discussed regularly. The respective Chairmen report to the Supervisory Board on the committee meetings.

In 2020, the Management Board also addressed the effects of the COVID-19 pandemic in great detail at each meeting, in particular the implemented hygiene concept, cases of illness and plant closures. Occupational accidents and measures implemented to improve occupational safety as well as quality and delivery reliability were also discussed at each meeting, as in previous years. Furthermore, the Supervisory Board and Management Board discussed NORMA Group's long-term strategy. Other topics discussed at each meeting in fiscal year 2020, in addition to the effects of the COVID-19 pandemic, included the status of the "Rightsizing" and "Get on track" programs and the introduction of ERP systems.

Günter Hauptmann
Chairman of the Supervisory Board

Following the meetings with the Management Board, the Supervisory Board met internally without the Management Board. In 2020, the regular meetings were held on May 8, 2020, June 30, 2020, September 18, 2020, and November 27, 2020.

The Supervisory Board intensified its cooperation with the Management Board and executives due to the COVID-19 pandemic and again significantly increased the frequency of its meetings compared to the previous year.

Given the looming pandemic, a meeting was held as early as March 16, 2020. Among other things, the fact that the 2020 Annual General Meeting would have to be postponed to June 30, 2020, due to the health protection requirements was discussed. The decision to implement several measures aimed at protecting liquidity was also made.

At the following meeting on March 20, 2020, the Supervisory Board discussed the 2019 Annual Financial Statements and the ongoing supplementary audit as well as the 2019 Non-financial Group Report with the auditors (PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, or PwC). It also dealt with the impact of the COVID-19 pandemic, in particular on cash flow and the "Get on track" program, and approved the conclusion of the new Management Board contracts with Dr. Schneider and Dr. Klein.

The Supervisory Board adopted the resolution to approve the 2019 Annual Financial Statements at its meeting on March 24, 2020, which was also attended by the auditors (PwC). At this meeting, it was also finally decided to postpone the Annual General Meeting to June 30, 2020, and to propose paying only a minimum dividend of EUR 0.04 for 2019. In addition, the Management Board explained how the company's ability to act would be ensured against the backdrop of the ongoing spread of the COVID-19 pandemic if all members of the Management Board, which at the time consisted of only two people, were temporarily unable to perform their duties.

At the meeting held on May 8, 2020, among other topics, the preparation of the 2020 Annual General Meeting and the share of women in NORMA Group's workforce were discussed, targets for the reduction of CO_2 emissions were set for the Management Board as part of its contracts and the contract of the future Chief Financial Officer Ms. Stieve was approved.

At the meeting held on June 30, 2020, the Supervisory Board met to address the virtual Annual General Meeting that had just been held, among other matters. Furthermore, financing agreements were discussed.

At the meeting held on September 18, 2020, the Supervisory Board resolved in particular on the new composition of its committees and an amendment to the Rules of Procedure of the Supervisory Board that raised the age limit of the Supervisory Board from 70 to 75 years.

A closed meeting of the Supervisory Board was held on November 19, 2020. First, the Management Board presented NORMA Group's strategy in detail with a special focus on water management. Furthermore, the Supervisory Board dealt with current information on the "Get on track" program, personnel topics and a review of the remuneration of the Supervisory Board.

On November 27, 2020, the Supervisory Board approved the budget for fiscal year 2021 and the medium-term planning. It also dealt with an amendment to ABS contracts, set the target total remuneration for the Management Board for 2021, and resolved to raise the target for the share of women on the Management Board to one-third. In connection with the remuneration of the Management Board, the Supervisory Board discussed the remuneration of senior management and the workforce as a whole.

From April 8, 2020, to August 26, 2020, the Supervisory Board held seven additional conference calls specifically on the impact of the COVID-19 pandemic. At each of these meetings, the Management Board first reported on the number of cases of sick or quarantined persons among the company's employees worldwide as well as the impact on sales, earnings and liquidity. The Supervisory Board agreed with the Management Board on which employees could take over the duties of the Management Board at short notice if necessary. Other topics included personnel measures and the Management Board's decision to voluntarily waive a share of its remuneration. The Supervisory Board also decided to waive a share of its remuneration for 2019 and to donate this amount to the project already sponsored by NORMA Group with the aid organization Plan International.

In two conference calls, the Supervisory Board dealt with special topics in connection with the "Get on Track" program. On February 21, 2020, the Supervisory Board discussed the purchasing-related aspect of the program with the Management Board and approved the conclusion of a consultancy agreement. On June 9, 2020, the Management Board presented the plans for the closure of the plant in Gerbershausen and personnel measures in Maintal, which the Supervisory Board approved.

Furthermore, the Supervisory Board passed further resolutions outside meetings. Among other matters, it approved the new remuneration system for the

Management Board and the appointment of Mrs. Stieve as a member of the Management Board as well as the acquisition of the minority shares in Fengfan.

Outside of meetings and conference calls, the Management Board reported to the Supervisory Board on a monthly basis on the business development of NORMA Group SE and the Group and provided an outlook for the current fiscal year. The development of sales and earnings as well as incoming orders and the order level were each presented in detail compared to the previous year and to the planning.

In addition to these monthly reports and the Supervisory Board meetings, the Management Board and the respective Chairman of the Supervisory Board regularly exchanged views on important topics in fiscal year 2020. During his absence due to illness, Dr. Schneider, who at this time also continued to perform the duties of Chief Financial Officer on an interim basis, was represented in this function in the meetings and conference calls of the Supervisory Board by the Executive Vice President Group Accounting, Tax & Reporting. Dr. Klein also temporarily assumed all the duties of the Management Board.

New Member of the Management Board, change of Chairman of the Supervisory Board and reorganization of committee memberships

Annette Stieve has been Chief Financial Officer of NORMA Group SE since October 1, 2020. The Management Board is thus fully staffed again.

On August 26, 2020, Mr. Berg announced that he wanted to resign from his position as Chairman of the Supervisory Board and step down from the Supervisory Board with effect from the end of August 31, 2020. He justified his decision by citing health problems. Moreover, the Group had now overcome the first, most difficult phase of the COVID-19 pandemic. Mr. Berg was succeeded as Chairman of the Supervisory Board by Mr. Hauptmann with effect from September 1, 2020.

On September 18, 2020 the Supervisory Board resolved the following changes to committee memberships with effect from October 1, 2020:

Mrs. Schulte stepped down from the Audit Committee. The Audit Committee temporarily has only two members, Dr. Michelberger, who remains its Chairman, and Mr. Wilhelms. As soon as the Supervisory Board has six members again, the Audit Committee will be enlarged again back to three members.

Mr. Hauptmann left the Strategy Committee, of which he had been Chairman until then. Mrs. Forst, who had already been a member of the committee, took over as Chairwoman. Mr. Wilhelms joined the committee. Mrs. Schulte remained a member of this committee.

Mrs. Schulte became a new member of the General and Nomination Committee. Dr. Michelberger and Mr. Hauptmann remained members of the General and Nomination Committee. Mr. Hauptmann had already become Chairman of this committee in his capacity as Chairman of the Supervisory Board with effect from September 1, 2020, after Mr. Berg also left the Supervisory Board and therefore also the General and Nomination Committee with effect from the end of August 31, 2020.

The Supervisory Board of NORMA Group SE regularly has six members. After the previous Chairman of the Supervisory Board, Lars Berg, resigned from his position with effect from August 31, 2020 and left the Supervisory Board, the Supervisory Board temporarily had only five members. In March 2021, Miguel Ángel López Borrego could be recruited for the vacant position on the Supervisory Board. The application for the court appointment of Mr. López to the Supervisory Board of NORMA Group was filed on March 3, 2021. The appointment decision by the court is expected soon. Mr. López will stand for election by the shareholders at the upcoming Annual General Meeting on May 20, 2021.

Main activities of the Audit Committee

The Audit Committee of NORMA Group held eight telephone meetings in 2020. Dr. Michael Schneider, represented by the Executive Vice President Group Accounting, Tax & Reporting during his illness, and from October 2020, also Mrs. Stieve, participated in all meetings and telephone conferences. Other participants were department heads from the second management level on their respective functional topics, in particular Accounting & Reporting, Treasury, Compliance and Internal Auditing.

The Audit Committee discussed the focus, process and results of the audit of the individual and Consolidated Financial Statements of NORMA Group SE with the auditors and prepared the resolutions of the Supervisory Board. Furthermore, the Audit Committee approved certain permissible non-audit services to be provided by the auditors (PwC).

The Audit Committee monitored the effectiveness of the internal control system, the risk management system, the internal auditing system and the compliance management system. The Audit Committee approved the audit plan for internal auditing in 2020. Furthermore, the Audit Committee discussed the quarterly publications with the Management Board. Other topics discussed by the Audit Committee included budget planning for 2021 and medium-term planning. In 2020, the Audit Committee also dealt in particular with the effects of the COVID-19 pandemic, the "Get on track" program, the invitation to tender for the audit of the financial statements for fiscal year 2021, the assessment of audit quality and the amendments to IDW PS 340, as well as with the implementation of the new requirement to prepare annual financial reports in a uniform electronic reporting format, the European Single Electronic Format (ESEF).

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

Main activities of the General and Nomination Committee

The General and Nomination Committee held eight meetings in 2020. It initially focused on the remuneration system for the Management Board. The General and Nomination Committee developed a new remuneration system together with external consultants, which was approved by a clear majority at the 2020 Annual General Meeting. In addition, the General and Nomination Committee led the search for a new Chief Financial Officer and, following Mr. Berg's departure from the Supervisory Board, for a new member of the Supervisory Board. The committee also lead the review of the Supervisory Board's remuneration, the conclusion of the contract with Mrs Stieve and the extension of the contract with Dr. Klein.

Main activities of the Strategy Committee

The Strategy Committee met three times in 2020. The Strategy Committee deals in particular with NORMA Group's long-term orientation towards the various end markets. In addition, the structures and resources required for this are also discussed in particular. In 2020, the committee dealt with the strategy for the international expansion of the strategic business units Water Management, Industry Applications and Mobility and New Energy in the regions. The focus was on expanding the water business.

Attendance of meetings, training activities, no conflicts of interest

All members of the Supervisory Board attended 16 of the 17 Supervisory Board meetings and conference calls in 2020. Only one conference call to discuss a consultancy agreement was not attended by Mrs. Forst. She did, however, participate in the passing of the resolution. The other members of the Supervisory Board attended all 17 meetings.

The eight meetings of the Audit Committee in 2020 were each attended by all members, Dr. Knut Michelberger (Chairman) and Erika Schulte (until September 30, 2020) and Mark Wilhelms.

The eight meetings of the General and Nomination Committee in 2020 were each attended by all members, Lars Berg (Chairman and member until August 31, 2020), Günter Hauptmann (Chairman from September 1, 2020), Erika Schulte (member from October 1, 2020) and Dr. Knut Michelberger.

Similarly, all members of the Strategy Committee, Günter Hauptmann (Chairman and member until September 30, 2020), Rita Forst (Chairwoman from October 1, 2020), Mark Wilhelms (member from October 1, 2020) and Erika Schulte, attended the three Strategy Committee meetings in 2020.

Due to the COVID-19 pandemic, all meetings of the Supervisory Board and its committees in fiscal year 2020 took place in the form of telephone or video conferences.

In 2020, educational and training measures by the company focused on information on the COVID-19 pandemic, particularly with regard to the legal framework and governmental relief measures. External consultants provided the members of the Supervisory Board with information on current requirements for compensation systems. In addition, members of the Supervisory Board attended seminars offered by auditing companies and law firms, among others, on topics relating to accounting and auditing, as well as sustainability issues and corporate governance. Most of these training measures took place virtually in 2020.

There were no conflicts of interest between members of the Supervisory Board and the company in fiscal year 2020.

Information on the auditor

The 2020 Annual Financial Statements for NORMA Group SE presented by the Management Board along with the Management Report and the corresponding Consolidated Financial Statements and Group Management Report were audited by the auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. The audit mandate for the 2020 financial statements was issued on October 12, 2020. In addition, as part of the audit, the auditor also had to assess whether the electronic reproductions of the financial statements and management reports ("ESEF documents") prepared by the Management Board for disclosure purposes comply in all material respects with the requirements of Section 328 (1) HGB.

The auditors Stefan Hartwig and Richard Gudd attended four Audit Committee meetings and two Supervisory Board meetings on the respective agenda items relating to the audit of the financial statements and explained the audit of the financial statements.

Approval of the 2020 Annual Financial Statements and the Separate Non-financial Statement for the Group

The Consolidated Financial Statements of NORMA Group SE were prepared in accordance with Section 315e of the German Commercial Code (Handelsgesetzbuch, HGB) on the basis of the International Financial Reporting Standards (IFRS) as adopted in the EU. The auditor issued an unqualified opinion for the 2020 Annual Financial Statements, including the Management Report, the Consolidated Financial Statements and the Group Management Report of NORMA Group SE. The documents pertaining to the financial statements, the Management Board's proposal for the appropriation of net profit and both auditor's reports were submitted to the Supervisory Board. The Audit Committee and the Supervisory Board in its entirety thoroughly examined the reports and discussed and scrutinized them in detail in the presence of and together with the auditor. The Supervisory Board accepted the auditor's findings. There were no objections.

The Supervisory Board then approved the 2020 Annual Financial Statements of NORMA Group SE and the 2020 Consolidated Financial Statements together with their respective Management Reports at its meeting on March 18, 2021. The Supervisory Board approved the proposal on the appropriation of profits by the Management Board. NORMA Group SE's Annual Financial Statements are thereby adopted in accordance with Section 172 of the German Stock Corporation Act (AktG).

The Audit Committee and the Supervisory Board also dealt with the separate Non-financial Group Report for NORMA Group prepared by the Management Board as of December 31, 2020. The auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has conducted a limited assurance test and issued an unqualified audit opinion. The Management Board explained the documents in detail during the meetings, while representatives of the auditor reported on the main findings of their audit and answered further questions from the members of the Supervisory Board. The Supervisory Board had no objections after reviewing these results.

Declaration of Conformity with the German Corporate Governance Code

The Supervisory Board and Management Board dealt with the requirements of the German Corporate Governance Code and ratified the following declaration on December 18, 2020: "NORMA Group SE ("the Company") has complied with the recommendations of the German Corporate Governance Code ("GCGC") as amended on December 16, 2019 (published on March 20, 2020), by the Federal Ministry of Justice in the official section of the Federal Gazette ('Bundesanzeiger') since its last declaration was submitted and will continue to comply with the recommendations." The Corporate Governance Declarations made by NORMA Group SE are available on the company's website. WWW.NORMAGROUP.COM

The Supervisory Board would like to thank all employees of NORMA Group throughout the world along with the Management Board for their personal efforts and successful work in a difficult fiscal year 2020. The Supervisory Board is confident that NORMA Group will develop positively in fiscal year 2021 and wishes the Management Board and employees every success and, above all, good health.

Günter Hauptmann
Chairman of the Supervisory Board

Corporate Governance Report and Declaration on Corporate Governance

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

Declaration of Conformity to the German Corporate Governance Code

The Supervisory Board and Management Board of NORMA Group SE have examined in detail which recommendations and suggestions of the German Corporate Governance Code NORMA Group SE should follow and explain which recommendations are deviated from and which reasons were decisive for this. The current Declaration of Conformity dated December 18, 2020, and all other previous Declarations of Conformity are published in the Investor Relations section of NORMA Group's website.

The declaration of December 18, 2020, reads as follows:

With the following exceptions, NORMA Group SE ("the Company") has complied since its last declaration was submitted, and will continue to comply, with the recommendations of the German Corporate Governance Code in de version of December 16, 2019**,** published on March 20, 2020, by the Federal Ministry of Justice in the official section of the Federal Gazette ('Bundesanzeiger'):

1. **Change of control (G.13 1st sentence)**
   The service agreements of two members of the Management Board provide for a special right of termination in the event of a change of control. If these service agreements end as a consequence of such special termination right, the Company shall pay severance at the termination date amounting to one and a half times the severance cap, but not more than the value of the remuneration for the remaining term of the service contract. This is a transitional arrangement. In the service agreement with the new member of the Management Board, this special right of termination is no longer included.

2. **Remuneration of the Chair of the General and Nomination Committee**
   The remuneration for Supervisory Board membership does not take account of the larger time commitment of the Chair of the General and Nomination Committee. The Chairman of the General and Nomination Committee who is also Chairman of the Supervisory Board so far does not receive an additional remuneration for being the Chairman of this committee whilst the Chairman and the Chairwoman of the two other committees receive an office bonus in addition to their fixed remuneration. The relevant remuneration system was resolved upon by the Annual General Meeting that took place on April 6, 2011.

Since its last declaration was submitted and until the current version of the German Corporate Governance Codex entered into force, the Company complied, with the following exceptions, with the recommendations of the German Corporate Governance Code as amended on February 7, 2017, published on April 24, 2017, by the Federal Ministry of Justice in the official section of the Federal Gazette:

1. **Maximum amount in former service agreements (4.2.3 para. 2 sentence 7)**
   The maximum gross option profit from the Matching Stock Program under service agreements that were entered into before 2015 with members of the Management Board was limited in total to a percentage of the average annual (adjusted) EBITA during the vesting period. Under this program, payments are still made to former members of the Management Board.

2. **Remuneration of the Chair of the General and Nomination Committee (5.4.6 para. 1 sentence 2)**
   The remuneration for Supervisory Board membership does not take account of the larger time commitment of the Chair of the General and Nomination Committee. The Chairman of the General and Nomination Committee who, is also Chairman of the Supervisory Board so far does not receive an additional remuneration for being the Chairman of this committee whilst the Chairman and the Chairwoman of the two other committees receive an office bonus in addition to their fixed remuneration. The relevant remuneration system had been resolved upon by the Annual General Meeting which took place on April 6, 2011.

Publication of information in accordance with Section 289F of the German Commercial Code (HGB)

The Remuneration Report for the last fiscal year, the Auditor's Opinio, the applicable remuneration system and the last resolution on remuneration are publicly available on the company's website. In addition, the Rules of Procedure of the Management Board and the Supervisory Board and the Articles of Association of NORMA Group are publicly available on the website.
WWW.NORMAGROUP.COM

Allocation of responsibilities between the Management and Supervisory Boards

NORMA Group SE uses a similar type of dual management system that German stock corporations use. Here, the Management and Supervisory Boards are separate bodies that have different functions and powers. The Management Board manages the company under its own responsibility. The Supervisory Board appoints, advises, monitors and dismisses members of the Management Board. NORMA Group SE has its registered office in Maintal. It is registered with the Hanau Commercial Register under the number HRB 94473.

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

The Chairpersons of the Supervisory Board and of the Management Board coordinate the collaboration of the two boards. They also remain in regular contact between Supervisory Board meetings and discuss current corporate governance issues. The Chairperson of the Audit Committee and the CFO also consult with each other.

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

Management Board and regional management

The Management Board of NORMA Group SE comprises three members: Dr. Michael Schneider (Chairman of the Management Board), Dr. Friedrich Klein (Chief Operating Officer) and Annette Stieve (Chief Financial Officer). The resumes of the three Board members are posted at the company's website.

Dr. Schneider had also assumed the rights and responsibilities of Chief Financial Officer until Mrs. Stieve became a member of the Management Board in October 2020.

Resolutions of the Management Board are usually passed by simple majority. The Chairman has the deciding vote if the vote is tied. However, the members of the Management Board are required to make an effort to reach unanimous decisions. If a member of the Management Board cannot participate in a vote, their vote will be obtained at a later date. The entire Management Board is responsible with matters of particular importance. In accordance with the Management Board bylaws, these include the following areas: producing the Management Board reports for the purpose of informing the Supervisory Board and the quarterly and half-yearly reports, fundamental organizational measures, including the acquisition or disposal of significant parts of companies

Responsibilities of the Management Board T005

Member of the Management Board	Responsibilities
Dr. Michael Schneider Chief Executive Officer (CEO) since November 14, 2019 and Member of the Management Board since July 1, 2015 Born in 1963 Nationality: German Last appointed: 2018 Appointed until: June 30, 2023	Group Development Regional Organization Group Communications Sales, Marketing Corporate Responsibility and ESG (Environment, Social, Governance) Personnel Legal and M&A Risk Management Compliance & Internal Auditing
Dr. Friedrich Klein Member of the Management Board (COO) since October 1, 2018 Born in 1962 Nationality: German Last appointed: 2018 Appointed until: September 30, 2024	Production Purchasing Supply Chain Management Operational Global Excellence Information & Communication Technology (ICT) Quality Assurance EHS (Environment, Health and Safety) Product Development Research and Development Divisional Organization
Annette Stieve Member of the Management Board (CFO) since October 1, 2020 Born in 1964 Nationality: German Last appointed: 2020 Appointed until: September 30, 2023	Finance & Reporting Controlling Treasury & Insurances Investor Relations

and strategic and business planning issues, measures related to the implementation and supervision of a monitoring system pursuant to Section 91 (2) of the German Stock Corporation Act, issuing the Declaration of Conformity pursuant to Section 161 (1) of the German Stock Corporation Act, preparing the Consolidated and Annual Financial Statements and similar reports, convening the Annual General Meeting and inquiries and recommendations by the Management Board that are to be handled and resolved by the Annual General Meeting. In addition, every Management Board member may request that a specific issue be dealt with by the entire Management Board.

Board meetings are usually held at least once a month. The Management Board has not formed any committees.

Every Management Board member is obliged to inform the Supervisory Board immediately, but also the other members of the Management Board, of any conflicts of interest. No such conflicts of interest arose for a Board member in 2020.

The Supervisory Board must approve any transactions between NORMA Group companies on the one hand and a member of the Management Board, related parties or businesses on the other hand. No such transactions took place in 2020.

The Supervisory Board must also approve any secondary activities by a member of the Management Board. It had already agreed that the Chairman of the Management Board, Dr. Michael Schneider, may continue to be a member of the Supervisory Boards of two German companies. Dr. Klein and Mrs. Stieve do not perform any secondary activities that are subject to approval. Details concerning ancillary activities can be found on the company's website. The remuneration of the Management Board is presented in the → REMUNERATION REPORT.

As part of its long-term succession planning, the Supervisory Board has developed candidate profiles for all three positions on the Management Board together with external consultants on the occasion of the search for the new members and the permanent appointment of the Chairperson of the Management Board. It updates these profiles on a regular basis. Section 3 para. 7 of the Supervisory Board's Rules of Procedure stipulates that the Supervisory Board shall take diversity into account in the composition of the Management Board and that the term of office of a member of the Management Board shall not continue beyond the member's 65th birthday. The Supervisory Board has agreed on a possible replacement rule with the Management Board. The Management Board conducts annual talent reviews in the regions and at Group level at which measures for the development of employees are defined, and reports to the Supervisory Board on the results of the talent reviews and possible candidates to succeed them on the Management Board.

No member of the Management Board currently has reached the age limit of 65 set out in the Rules of Procedure of the Supervisory Board or will do so during the term of their contracts.

Local Presidents in the three regions of EMEA Americas and APAC are responsible for managing the business on a day to day basis. Usually, the entire Management Board meets at least once a year with the Presidents and their managers at the regional headquarters – Singapore for the Asia-Pacific region, Auburn Hills, Michigan, for the Americas region and Maintal for the EMEA region. In addition, usually individual members of the Management Board meet regularly on-site with their respective functional teams. In 2020, these meetings were held virtually due to travel restrictions as a result of the COVID-19 pandemic.

The managers at NORMA Group SE work in a matrix structure in which they have both a disciplinary as well as a technical superior.

Information on the internal control system can be found in the → RISK AND OPPORTUNITY REPORT.

Supervisory Board: members, election, independence and length of Supervisory Board membership

Following the departure of Mr. Berg at the end of 2020, the Supervisory Board of NORMA Group SE consisted of the following members:

- Günter Hauptmann (Chairman of the Supervisory Board since September 1, 2020)
- Erika Schulte (Vice Chairwoman of the Supervisory Board)
- Rita Forst
- Dr. Knut J. Michelberger
- Mark Wilhelms

All members of the Supervisory Board were elected by the Annual General Meeting and are therefore shareholder representatives. NORMA Group SE is not a codetermined company; therefore, worker representatives are not represented on its Supervisory Board.

Miguel Ángel López Borrego was recruited to fill the position on the Supervisory Board left vacant by the departure of Lars Berg. The application for the court appointment of Mr. López to the Supervisory Board of NORMA Group was filed on March 3, 2021. The appointment decision by the court is expected soon. Mr. López will stand for election by the shareholders at the upcoming Annual General Meeting on May 20, 2021.

The Chairman of the Supervisory Board represents the Supervisory Board externally. He organizes the work of the Supervisory Board and chairs its meetings. Resolutions of the Supervisory Board may be adopted by simple majority, with the Chairman having the decisive vote in the event of a tied vote.

All members of the Supervisory Board are independent as defined in the German Corporate Governance Code. No member of the Supervisory Board or close family member was previously a member of the Management Board of NORMA Group SE or a member of the management of one of its predecessor companies, or had a material business relationship with NORMA Group SE or any of its dependent companies, either directly or indirectly as a shareholder or in a responsible capacity of a company outside the Group, or is a close family member of a member of the Management Board in the year preceding his or her appointment.

All members of the Supervisory Board of NORMA Group SE have been on the Supervisory Board for less than twelve years.

There are no consultancy, other service or work contracts between NORMA Group companies and a member of the Supervisory Board.

The Rules of Procedure of the Supervisory Board stipulate that the term of office of a Supervisory Board member should not extend beyond their 75th birthday. No member of the Supervisory Board has exceeded this age limit.

All members of the Supervisory Board are obliged to report any conflicts of interest. Significant and not merely temporary conflicts of interest for members of the Supervisory Board should lead to the termination of the mandate. No such conflicts of interest arose in 2020.

The Supervisory Board evaluates its work annually as part of a self assessment, most recently in February 2020. This was carried out on the basis of a questionnaire and without the involvement of other external consultants.

Transactions between the companies of NORMA Group on the one hand and a member of the Supervisory Board or persons or companies related to them on the other hand must be approved by the Supervisory Board in advance. No such transactions were concluded in 2020.

17 meetings of the Supervisory Board were held in fiscal year 2020. All members of the Supervisory Board took part in 16 meetings. The only meeting in which Mrs. Forst was unable to participate in person was a conference call on a consulting contract. She participated in the passing of the resolution, however. Details of the meetings can be found in the → SUPERVISORY BOARD REPORT.

The objectives for the composition of the Supervisory Board include that all members be independent, no member works for a competitor of NORMA Group, no member who is on the Management Board of a listed company has more than two Supervisory Board mandates in listed companies, no member of the Supervisory Board has significant conflicts of interest and each member complies with a reguar limit of 15 years for the term of office. These goals have all been met. In addition, the Supervisory Board should pay attention to international activities and diversity in proposals for the election of new members.

All members of the Supervisory Board in 2020 were German citizens since Mr. Berg, who is Swedish, stepped down from the Board. The current members satisfy the competence profile for the Supervisory Board as a whole. Some members have special knowledge of the industry and its markets, in particular the automotive industry, and NORMA Group SE's business model. Several members have experience as executives or members of Supervisory Boards as well as international experience. As financial experts, Dr. Michelberger and Mr. Wilhelms in particular have expertise in the fields of accounting and auditing as well as controlling. Other areas in which members of the Supervisory Board have special knowledge include risk management, internal control systems and compliance, capital market experience and knowledge of IT systems, including ERP systems. The members of the Supervisory Board also have enough time to perform their duties.

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

Supervisory Board committees: responsibilities, membership and meetings

The Supervisory Board has three committees: the Audit Committee, the General and Nomination Committee and the Strategy Committee.

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

Dr. Knut Michelberger is Chairman of the Audit Committee. Its other member is Mark Wilhelms. Erika Schulte was a member of the Audit Committee until September 30, 2020. The committee regularly has three members. As soon as the Supervisory Board has six members again, the Audit Committee is to be expanded to three members again. Mark Wilhelms and Dr. Knut Michelberger are independent financial experts within the meaning of Section 100 para. 5 of the German Stock Corporation Act (AktG). Due in particular to their many years of experience as a Chief Financial Officer and Managing Director, they have special knowledge and experience in the application of accounting principles and internal control procedures.

Eight meetings of the Audit Committee were held in fiscal year 2020. All Audit Committee members took part in the meetings.

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

The General and Nomination Committee is comprised of the Chairman of the Supervisory Board, Günter Hauptmann (Chairman of the General and Nomination Committee since September 1, 2020), Dr. Knut Michelberger and, since October 1, 2020, Erika Schulte. Until his departure, the former Chairman of the Supervisory Board, Lars Berg, was a member and Chairman of the General and Nomination Committee.

The committee held eight meetings in 2020, and all members participated in them.

Since October 2020, Mrs. Forst, who was already a member of the committee, has been Chairwoman of the Strategy Committee, and Mr. Wilhelms has been a new member of this committee. Mrs. Schulte remained a member of this committee, while Mr. Hauptmann, who had also been the Chairman of the Strategy Committee until then, resigned.

Three meetings of this committee were held in 2020, each of which was attended by all members.

Further information on the work of the committees in the fiscal year can be found in the → SUPERVISORY BOARD REPORT.

D&O insurance

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

Other mandates of the Supervisory Board members

Exercised professions and other mandates on Supervisory Boards or comparable supervisory bodies of the members of NORMA Group SE's Supervisory Board in fiscal year 2020 are shown in the → TABLE 006: "OTHER MANDATESOF THE SUPERVISORY BOARD MEMBERS".

Other mandates of the Supervisory Board members T006

Supervisory Board member, exercised profession	Other mandates on Supervisory Boards and comparable committees
Günter Hauptmann (Chairman since September 1, 2020), Consultant Member since: 2011	Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)
Lars M. Berg, Consultant Chairman and member until: August 31, 2020	Chairman of the Supervisory Board of Greater Than AB, Stockholm, Sweden (listed on the stock exchange)
Erika Schulte (Vice Chairwoman), Managing Director of Hanau Wirtschaftsförderung GmbH Member since: 2013	No seats on other boards or comparable committees
Rita Forst, Consultant Member since: 2018	Member of the Board of Directors of AerCap Holdings N.V., Dublin, Ireland (listed on the stock exchange) Member of the Board of Directors of Westport Fuel Systems Inc., Vancouver, Canada (listed on the stock exchange) Member of the Supervisory Board of ElringKlinger AG, Dettingen an der Erms, Germany (listed on the stock exchange) Member of the Advisory Board of iwis SE & Co.KG (former Joh. Winklhofer Beteiligungs GmbH & Co. KG), Munich, Germany (not listed)
Dr. Knut J. Michelberger, Consultant Member since: 2011	Member of the Supervisory Board of Weener Plastics Group, Ede, The Netherlands (not listed on the stock exchange) Member of the Advisory Board (Deputy Chairman) of Racing TopCo GmbH, Troisdorf, Germany (not listed on the stock exchange) Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany (not listed on the stock exchange) Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange) Former member of the Advisory Board of Tegimus Holding GmbH, Frankfurt / Main, Germany (not listed on the stock exchange, until June 3, 2020)
Mark Wilhelms, Chief Financial Officer of Stabilus S.A. Member since: 2018	No further mandates on Supervisory Boards or comparable bodies

Targets for the share of women

The target figure for the share of women on the Supervisory Board is two female members. The target is one-third for the Management Board. The target figure is a 25% share of women for the top management level of NORMA Group SE. The aforementioned targets for the Supervisory Board and senior management are each expected to apply until June 30, 2022. The target figure for the Management Board was newly resolved by the Supervisory Board in 2020. Therefore, it is valid until October 31, 2025.

These targets were all either achieved or exceeded in fiscal year 2020. With two female members out of five members, the target figure for the

Supervisory Board has been achieved in 2020. One woman out of a total of three members is on the Management Board, therefore this target figure has also been achieved.

At NORMA Group SE, the first management level comprises all persons who are Executive Vice Presidents or Vice Presidents, report directly to the Management Board, assume management responsibilities and bear personnel responsibility. The Management Board has set the target for the share of women in the first management level at a minimum of 25%. Compared to the previous year, the share of women fell from three to two out of a total of five executives because one female executive left the company and one male was promoted to the position of Vice President. The target of 25% was thus still exceeded. NORMA Group SE does not have a second management level for which the Management Board would also have had to set targets.

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

Shareholders and Annual General Meeting

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

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

NORMA Group SE publishes the invitation and all documents that are to be made available at the Annual General Meeting promptly on its website. Information regarding the number of attendees and the voting results are published there after the Annual General Meeting.

Due to the COVID-19 pandemic, the 2020 Annual General Meeting was held as a virtual event without shareholders or their representatives being present.

Shareholdings of the Management and Supervisory Boards

Of the total of 31,862,400 shares in NORMA Group SE, the current members of the Management Board and Supervisory Board together held 0.7% of the shares on December 31, 2020.

Directors' Dealings

Members of the Management Board and the Supervisory Board and related parties are obliged to disclose Directors' Dealings in NORMA Group SE shares if the value of these transactions reaches or exceeds EUR 20,000 within one calendar year. NORMA Group SE was notified of the following transactions by way of Directors' Dealings announcements in 2020:

Directors' Dealings T007

Buyer / Seller	Type of financial instrument	Type of transaction	Date of transaction	Place of transaction	Average price per share	Total volume
Dr. Michael Schneider, CEO	Share (DE000A1H8BV3)	Purchase	May 20, 2020	Tradegate Exchange	EUR 22.96	EUR 103,320.00
Dr. Friedrich Klein, COO	Share (DE000A1H8BV3)	Purchase	May 12 2020	Xetra	EUR 21.48	EUR 99,881.74
Dr. Knut J. Michelberger, Supervisory Board Member	Share (DE000A1H8BV3)	Purchase	March 25, 2020	Xetra	EUR 16.00	EUR 80,000.00

Stock option plans and equity-based incentive programs

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

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

Declaration to the German Corporate Governance Code

No recommendations of the German Corporate Governance Code were not applicable due to overriding statutory provisions.

Compliance

NORMA Group SE's compliance organization seeks to prevent violations of laws and other rules, in particular through preventive measures. Nevertheless, if there is evidence of violations, these matters are investigated promptly and thoroughly and the necessary consequences are taken. Findings are used to take steps to reduce the risk of future violations. Concrete steps are defined, implemented and tracked annually in a "Compliance Action Plan."

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

The compliance organization conducts regular risk analyses together with the respective units, functions and departments in order to determine and monitor the risk profile of countries, Group companies and functions. Among other things, an assessment system is used that takes both internal and external factors into account (Transparency International's Corruption Perception Index, for example). Based on the global and local risk analyses, the compliance organization identifies the respective need to take action and initiates the appropriate measures.

Specific employee training courses are held regularly on selected risk areas and important current topics or developments. In addition to training on specific focus topics, all employees worldwide are trained (on-site in personal training sessions or in online training sessions) on the basic compliance rules and important content of the compliance policies. Participation in these training courses is monitored. In 2020, the step-by-step implementation of the training concept revised in 2019 took place. In this context, the content of the online training sessions was adapted to the completely revised and updated compliance guidelines and in particular to the current company specifics of NORMA Group. In the past fiscal year, the rollout of online training sessions on the Code of Conduct and on antitrust and competition law was completed. The rollout of the online anti-corruption training is scheduled for the first quarter of 2021. Employees also receive relevant, up-to-date compliance information on a regular and ad hoc basis via various information channels, for example the intranet, brochures, e-mails and notices.

The → COMPLIANCE GUIDELINES of NORMA Group are an important means of communicating to employees NORMA Group's understanding of compliance and demonstrating their ethical and legal obligations. All compliance documents are reviewed regularly and, if necessary, adapted to new legal or social requirements and thus always kept up to date. The compliance guidelines also include requirements in the area of → HUMAN RIGHTS (including forced and child labor, freedom of association and anti-discrimination).

The revision and publication of the compliance guidelines, which had been reviewed and updated in the previous year, was completed in the 2020 fiscal year. Suppliers are subject to their own code of conduct ("Supplier Code of Conduct"), which was also fundamentally updated and published. The Supplier Code of Conduct is intended to help ensure that laws and ethical rules are also observed within NORMA Group's supply chain. A compliance manual also defines in detail the specific areas of responsibility and regulation, describes basic compliance processes and provides a summary of the main compliance topics with reference to the corresponding compliance guidelines. Like the compliance guidelines, the compliance manual is regularly reviewed to determine whether any changes are required and updated as necessary.

NORMA Group encourages its employees to report violations of regulations and internal guidelines, if necessary also across hierarchy levels. In addition to personally approaching, for example, superiors, the HR department or the compliance officers, an Internet-based whistleblower system is available for this purpose. This whistleblower system allows internal and external whistleblowers to report suspicious cases to NORMA Group's compliance organization and, if necessary, to maintain their anonymity. In cases where the electronic whistleblower system cannot be easily used by employees for technical or organizational reasons (for example, lack of PC access by employees in production), NORMA Group offers other suitable reporting channels, such as information boxes at production sites. In addition, any member of NORMA Group's compliance organization can be contacted at any time regarding all questions and issues related to compliance.

In the past fiscal year, the electronic whistleblowing system currently in use was expanded to include additional functionalities that now enable the compliance function to process and document whistleblowing and case handling in a system-integrated manner. In addition to improving the processes for submitting and processing reports, further compliance processes were successively mapped in the system to increase user-friendliness and efficiency. For example, the mandatory approval processes defined by compliance are now fully mapped using a workflow-supported IT system.

The members of the compliance organization investigate any indications of compliance violations. If violations of compliance rules are discovered or weaknesses in the organization are identified, the management initiates the necessary and appropriate measures in consultation with the compliance organization in a timely manner. These measures range, for example – depending on the specific individual case – from targeted training measures to changes in organizational procedures to disciplinary measures including termination of employment.

Corporate Responsibility and ESG

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

Information on the auditor and internal rotation

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt / Main, audited the Annual Financial Statements of NORMA Group SE and its predecessor companies as well as the Consolidated Financial Statements for for fiscal years 2010 to 2020. Furthermore, PwC retroactively audited the years 2009 and 2010 for the prospectus as part of the IPO in 2011.

As part of the audit of the financial statements, Stefan Hartwig acted as the auditor signing on the left and Richard Gudd as the auditor signing on the right in fiscal year 2020. Following an internal rotation within PwC, Mr. Hartwig held the office of auditor-in-charge for the second consecutive year, and Mr. Gudd has held the office of auditor-signatory on the right for the fourth year.

CORPORATE RESPONSIBILITY REPORT

Corporate Responsibility Strategy

NORMA Group's approach to Corporate Responsibility

For NORMA Group, Corporate Responsibility means reconciling the impact of its business with the needs of society. This is done by ensuring that the Management and employees follow legal requirements and integrate social and ecological aspects into the company's strategy and processes. NORMA Group's products can already make a valuable contribution to a more sustainable society by helping to reduce the negative effects of global challenges such as resource scarcity and climate change.

NORMA Group has systematically implemented the concept of Corporate Responsibility (CR) since 2012. The goal is to act in a responsible, sustainable and lawful manner in all areas of the Company. To ensure that NORMA Group as a whole remains oriented toward this goal, CR was integrated as a core element of the corporate strategy. → STRATEGY AND GOALS The Group-wide CR POLICY defines the basic understanding of responsibility as a company. It was revised in 2020 and covers three key areas of action: "Environment," "Social" and "Governance.". The policy describes the strategic approach with the aim of coordinating NORMA Group's responsibility in a structured way and further developing it in a targeted manner. In its CR Policy, NORMA Group also reaffirms its commitment to the UN Global Compact, the United Nations' Sustainable Development Goals and ILO Fundamental Principles and Rights at Work.

Management of CR

In order to strategically align and further develop the CR measures, NORMA Group set up the CR Roadmap, which includes specific objectives for each area of action. → CR TARGETS AND SUSTAINABLE DEVELOPMENT GOALS For all material topics, the relevant departments propose targets, which are reviewed and approved by the Executive Board. → GRAPHIC G007: 'MATERIALITY MATRIX' Subsequently, these targets are cascaded to the regional and local organizations of NORMA Group. The departments are responsible for backing up these CR targets with measures and developing guidelines and management approaches. This way, the CR topics can be addressed reliably and standardized internationally. The Group-wide approaches are complemented by nationally adapted, decentralized measures. To what extent CR topics are managed and implemented Group-wide or decentralized depends on how the respective CR objectives can be achieved as effectively as possible.

The general responsibility for CR lies with the CEO of NORMA Group. This also includes the cross-departmental and cross-location coordination of CR topics in the areas of purchasing, quality, human resources, legal and compliance, among others. The CR areas of environment, occupational health and safety (EHS) are the responsibility of and coordinated by the Chief Operating Officer. → CORPORATE GOVERNANCE REPORT The implementation of the coordination in the CR area is carried out by the Investor Relations, Communications and Corporate Responsibility department.

Stakeholders & materiality

Close exchange with stakeholders

NORMA Group sees itself as a transparent and open company. The company specifically and proactively seeks exchange with its internal and external stakeholders. This enables the company to effectively implement the continuous improvement process, which is applied throughout the Group, for CR issues as well. NORMA Group's most important stakeholders include its employees, customers, shareholders and financial market players, suppliers and representatives from science, the media, politics and non-profit organizations. The company considers it part of its responsible corporate governance to incorporate the interests of stakeholders and the impact of its own business activities on stakeholders into its key decisions. Particularly in the strategic direction of the company, NORMA Group values an open and appreciative approach to stakeholder expectations.

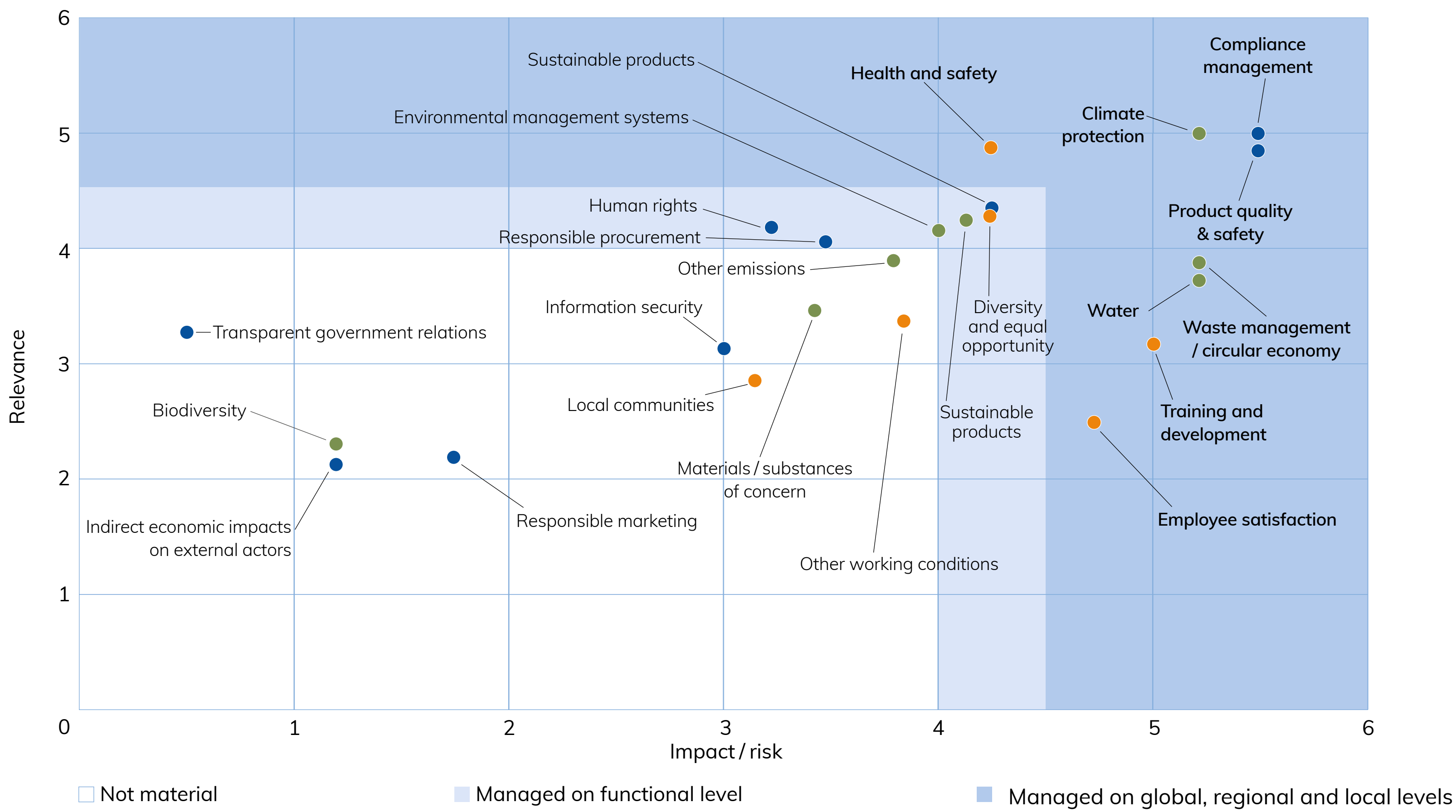
The Stakeholder Roundtable, which took place regularly in the past years, has been an important format for NORMA Group to actively exchange with its stakeholders on CR issues. The focus of the event has always been on sustainability topics that have a strategic relevance to NORMA Group. The last Stakeholder Roundtable in 2019 was dedicated to the topics of diversity management and employer branding. → DIVERSITY AND EQUAL OPPORTUNITY In 2020, no roundtable was organized due to the COVID-19 pandemic.

Materiality analysis defines scope of CR activities

Last year, NORMA Group updated its materiality analysis, in which it defines the most important social, environmental and economic sustainability issues. The methodology was based on the standards of the Global Reporting Initiative (GRI): First, a comprehensive list of CR sub-topics was put together, based on requests from external stakeholder groups and on the GRI standards and the requirements of the German Commercial Code (HGB). The individual sub-topics were aggregated, and a total of 23 topics were defined, which were divided into the three areas of action "Environment," "Social" and "Governance."

For each of the 23 defined sustainability topics, NORMA Group evaluated the relevance and impact. The relevance assessment was based on a survey of NORMA Group employees, the weighting of external customer and financial market ratings as well as an analysis of the assessment by media and existing and future legislation (relevance axis). The impact analysis assessed both the extent to which NORMA Group's business activities influence the various topics and what risks could arise for the Group from these topics (impact risk axis). The latter was based on what are known as gross risks, i.e. those risks with which the NORMA Group is confronted if no suitable countermeasures are implemented. The assessment was deducted on a scale of 1 (irrelevant / no

Materiality matrix G007



impact) to 6 (very relevant / major impact) and then prioritized (→ GRAPHIC G007: "MATERIALITY MATRIX"). This was divided into topics that are managed regionally and locally with measurable targets (right outer area), topics that are managed at the functional level through concrete measures (middle area), and those that are not considered material.

The results were validated internally with the top management of all regions and subsequently confirmed by NORMA Group's Management Board.

CR Roadmap 2021 G008

Environment	Social	Governance
CO_2 emissions **50,470 tons** Indicator: Scope 1 and 2, tons	Incident rate **< 4.6** Indicator: accidents / 1,000 employees	Defective parts **< 6.5** Indicator: parts per million
Water consumption **2% improvement** Baseline: 2019 Indicator: m^3 / EUR thousand of revenue	Training hours **> 30** Indicator: training hours / employee	Customer complaints **< 5.6** Indicator: average per month per entity
Waste **1% improvement** Baseline: 2019 Indicator: kg / EUR thousand of revenue	Voluntary attrition rate **Local targets** Indicator: % of sites that achieved local target	

CR targets und Sustainable Development Goals

CR targets 2021

Based on the topics identified as being material, NORMA Group formulates quantitative targets for each area of action. By integrating the findings of the materiality analysis into the CR Roadmap, NORMA Group ensures that the targets are also oriented towards stakeholders' expectations. Thus, the achievement of the specific Corporate Responsibility targets is an indicator of NORMA Group's performance in the area of corporate responsibility.

An overview of the CR targets for 2021 can be found in chart → GRAPHIC G008: "CR ROADMAP 2021". The group-wide targets presented were approved by NORMA Group's Management Board and subsequently translated by the specialist departments into sub-targets for regions and individual sites. Progress in the material areas is regularly reviewed internally and reported externally.

Climate target 2024 integrated into Management Board's remuneration

NORMA Group had already developed a comprehensive → ENVIRONMENTAL STRATEGY in 2018. A core component of this strategy is the reduction of greenhouse gas emissions at NORMA Group's manufacturing sites. In developing its climate target, NORMA Group followed the recommendations of the SCIENCE-BASED TARGETS INITIATIVE. The target was tightened again last year and now amounts to an around 19.5% reduction in greenhouse gases by the end of 2024 compared to 2017, which corresponds to a target value of 44,434 tons. Among other things, the target is part of the remuneration of NORMA Group's Management Board. → REMUNERATION REPORT

United Nations' Sustainable Development Goals

In many different areas, the CR areas of action are in line with the United Nations' Sustainable Development Goals. The following issues are particularly relevant for NORMA Group:

Goal 4 – Quality Education: Through measures in the area of training and development, NORMA Group enables its employees to constantly advance their career and personal development. → TRAINING AND DEVELOPMENT

Goal 6 – Clean Water and Sanitation: The → PRODUCTS NORMA Group offers globally make a contribution to the efficient use of water. Water consumption is also to be reduced in NORMA Group's → PRODUCTION processes. Furthermore, with its social project → NORMA CLEAN WATER, NORMA Group sets a strong example for awareness-raising regarding water management in emerging and developing countries.

Goal 8 – Decent Work and Economic Growth: NORMA Group pursues ambitious growth targets. At the same time, the → HEALTH AND SAFETY of all employees is an important component of the CR Scorecard.

Goal 9 – Industry, Innovation and Infrastructure: → INNOVATIONS form the basis for future growth and for developing environmentally friendly products. For this reason, NORMA Group sets internal incentives for its employees to generate new ideas.

Goal 12 – Responsible Consumption and Production: NORMA Group seeks to reduce consumption of → NATURAL RESOURCES IN PRODUCTION and conducts measures to do so at every plant. Furthermore, NORMA Group is increasingly taking sustainability criteria into account when → PURCHASING MATERIALS.

Goal 13 – Climate Action: NORMA Group's environmental strategy focuses on consistently → REDUCING GREENHOUSE GASES. This applies to both its production sites as well as the entire value chain.

In addition, NORMA Group also contributes to the implementation of other objectives (such as **"Goal 3 – Good Health and Well-Being"** as part of occupational health and safety measures or **"Goal 11 – Sustainable Cities and Communities"** through products in the area of infrastructure and water management).

Sustainability ratings and sustainable finance

Positive feedback from sustainability ratings

In 2020, NORMA Group again received independent feedback from rating agencies on its performance in the area of Corporate Responsibility. The questions asked to NORMA Group in this context are based on the most important sustainability indicators from the areas of environment, social affairs and corporate governance. As a rule, NORMA Group is required to be able to substantiate its commitment to sustainability with documents and certificates. The results of the ratings are primarily used by two stakeholder groups: customers and financial market players.

NORMA Group's performance in sustainability ratings T008

Sustainability ratings	Score 2019	Score 2020
CDP	• Score: C • Awareness level	• Score: C • Awareness level
EcoVadis	• Score: 78 of 100 • Gold Standard	• Score: 80 of 100 • Platin Standard
ISS ESG	• Score: C+ • Prime Status	• Score: C+ • Prime Status
MSCI	• Score: AA	• Score: AA
Sustainalytics (standard report)	• Risk Score: 21.2 of 100 • Medium Risk	• Risk Score: 16.7 of 100 • Low Risk
Sustainalytics (Score-Log report (2019 methodology))	• Risk Score: 21.2 of 100 • Management Score: 57.5	• Risk Score: 16.6 of 100 • Management Score: 67.7

The feedback received on NORMA Group in 2020 was again positive: The CR measures received consistently good to very good ratings from the rating agencies. In the ratings of EcoVadis and Sustainalytics, NORMA Group continued to improve its score compared to the previous year.

For NORMA Group, the positive results mean a confirmation of its long-term approach to CR. At the same time, the Company is using the feedback to continuously develop its organization.

Improved loan terms through progress in sustainability management

For the first time, NORMA Group set up a loan in 2019 containing a sustainability component to partially refinance its business activities. The sustainability component links the terms of refinancing to NORMA Group's Corporate Responsibility commitment. If NORMA Group can demonstrate that it has improved its sustainability performance, the Company gets access to preferential credit terms.

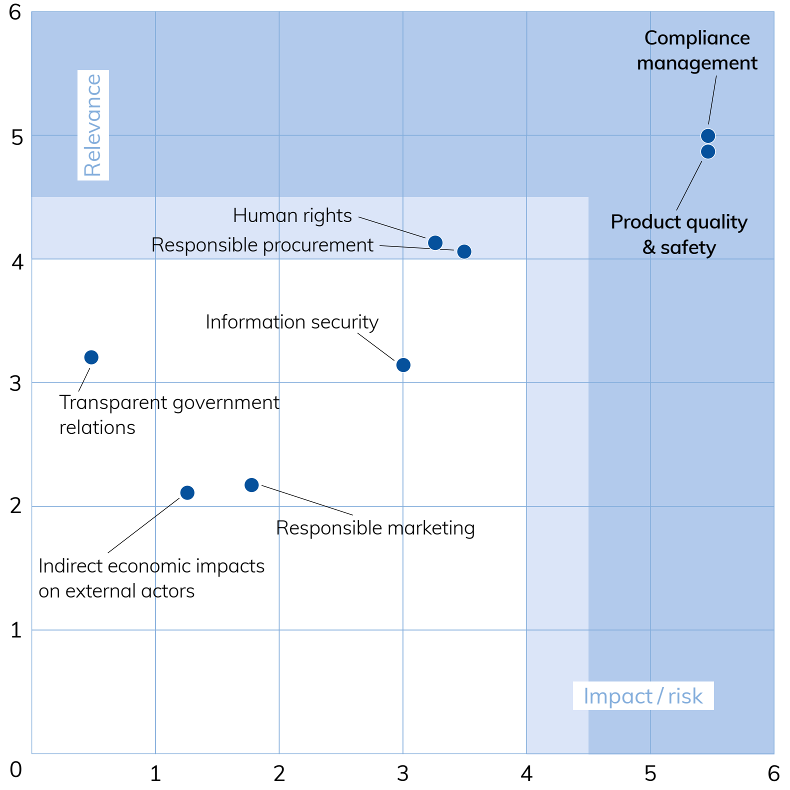
The evaluation of the Sustainalytics rating agency is the basis for assessing the sustainability performance. It assesses NORMA Group holistically in various sustainability categories such as Corporate Governance, Climate Management and Human Rights. While the rating methodology for the standard Sustainalytics report is evolving, the methodology for the sustainability component of the loan remains largely unchanged compared to the base year 2019.

In 2020, NORMA Group was able to achieve the targeted improvement in the management score and thus realize savings in the high five-digit range for 2021.

With a loan term of up to seven years, the integration of the sustainability component in the refinancing is an important step towards integrating sustainability aspects into NORMA Group's core business in the long term. Further information on the refinancing can be found on NORMA Group's website WWW.NORMAGROUP.COM.

Governance

Materiality matrix G009



Compliance

Clear understanding of values embedded in globally applicable guidelines

NORMA Group's understanding of values forms the basis for all business decisions and activities in the Group. In particular, the global focus of the Company makes worldwide implementation and compliance with codes of conduct especially important.

The implementation of compliance-specific frameworks sets rules clearly and transparently. The central compliance guidelines at NORMA Group are

- the CODE OF CONDUCT,
- the ANTI-CORRUPTION POLICY and
- the SUPPLIER CODE OF CONDUCT.

Requirements on → HUMAN RIGHTS (regarding freedom of association, forced labor, no child labor, and anti-discrimination, among others) form an integral part of the compliance guidelines. As part of regular update cycles, the compliance guidelines were fundamentally revised and published in the past fiscal year.

NORMA Group's compliance management system aims to ensure that its values and rules are lived throughout the Group. Concrete steps are determined, implemented and comprehended each year in a Compliance Action Plan.

Group-wide compliance management

The Management Board of NORMA Group is responsible for an effective compliance management system. The Chief Compliance Officer manages the Group-wide compliance activities and reports directly to the Management Board. → CORPORATE GOVERNANCE REPORT Besides the central compliance department at Group level, Compliance Representatives are appointed at the level of the regions EMEA, Americas and Asia-Pacific regions as well as in all operationally active individual entities. The Compliance Representatives of the individual Group companies are in regular contact with the other local departments and regularly report to the respective Regional Compliance Representatives, who in turn report to the Chief Compliance Officer.

Any member of NORMA Group's compliance organization can be contacted at any time on any compliance issue. The compliance department is in close communication with the legal department of NORMA Group in order to continuously take into account new or changed legal requirements in the compliance risk analyses and in the compliance program.

The effectiveness of the compliance organization set up by the Management Board is monitored by the Supervisory Board of NORMA Group SE, which is regularly informed about compliance-relevant matters.

As part of the continuous development of NORMA Group's compliance management system and in addition to updating the formal framework conditions, the integration of compliance-relevant processes in IT systems was advanced further in the past fiscal year. Accordingly, the whistleblowing system already in use was expanded to include supplementary functionalities that now enable system-integrated processing and documentation of the information and case handling. In addition, an IT system was implemented that maps the entire request and review process for matters requiring approval in a workflow-based manner.

NORMA Group's Compliance Management System G010

Close risk monitoring and control

Based on a rating system that incorporates both internal and external factors (such as Transparency International's Corruption Perception Index), the risk exposure of each individual NORMA Group company is evaluated centrally for possible compliance-relevant risks (compliance risk scoping) by NORMA Group Compliance.

Together with the companies that have a higher risk value according to the rating system, specific compliance risk assessments are carried out on-site, performing a detailed analysis of the specific compliance risks of the company. In addition to local Compliance Representatives, representatives of all relevant departments are included, e.g. finance, purchasing, human resources, production, and research and development.

The risks to which NORMA Group is exposed form the basis for determining the compliance program and the corresponding measures. Implementing these measures and adhering to the compliance rules are also regular audit tasks of internal auditing.

Systematic, demand-oriented training of employees

To ensure the effectiveness of NORMA Group's compliance management system, all employees must be familiar with the relevant legal requirements and internal compliance guidelines. The goal is that all employees of NORMA Group know the compliance rules as well as the contact persons and reporting channels.

The compliance training that NORMA Group offers serves as the basis for this. It takes place in the form of face-to-face and online training sessions. Depending on the job and responsibility profile of an employee, the training courses to be completed are assigned as needed. During the training, the employees receive concrete support on which behavior is in line with the compliance guidelines and may test their knowledge in practical assessments and case studies. Accompanying the updating and publication of the compliance guidelines, the training concept and the training content were also updated in the past fiscal year. The training courses of fundamental relevance, which must be completed as basic training by every employee of NORMA Group, include the online training courses "Code of Conduct & Compliance Basics" and "Anti-Corruption." Depending on the job profile, employees must attend specific focus training sessions (including "antitrust law"). Furthermore, NORMA Group has developed a concept to refresh the learning content so that the knowledge of employees on essential and basic compliance topics is updated and extended regularly through refresher courses.

In the 2020 fiscal year, 2,091 employees (2019: 1,233) were trained in online compliance training. In this context, training courses totaling 3,432 hours (2019: 3,278) were conducted. The increase in the number of trained employees and the number of training hours is mainly due to the introduction of the completely revised "Code of Conduct & Compliance Basics" and "Anti-Corruption" training courses. Employees who are unable to participate in online training due to language or technical reasons, especially industrial employees, are informed about the content relevant to them via other formats and media (e.g. face-to-face training by the Local Compliance Representatives, written information or similar).

The need for training is checked regularly. Internal reporting records the status of compliance training. This report is included in the status report on the Compliance Action Plan and is reported to the Management Board on a regular basis. Compliance-related topics are also communicated via additional channels such as posters, brochures, Compliance Safety Cards that summarize key compliance topics in condensed form, and e-mails and intranet articles.

Various ways of reporting violations

NORMA Group encourages its employees to report violations of rules and internal policies, even across hierarchical levels. Besides personally approaching supervisors, the human resources department or Compliance Representatives, NORMA Group's INTERNET-BASED WHISTLEBLOWER SYSTEM is yet another example. It enables anonymous reporting of matters by internal or external whistleblowers. The employees of the compliance organization always follow up on indications of possible compliance violations. Further information on the whistleblower system can be found in the → CORPORATE GOVERNANCE REPORT.

In 2020, a separate whistleblowing guideline was established, which intends to provide even more transparency for those who report on the procedure for handling notifications. The guideline already takes into account the requirements of currently foreseeable legal developments and established market standards and is expected to be published in the first half of 2021.

For cases in which the electronic whistleblower system cannot easily be used by employees for technical or organizational reasons (for example, lack of PC access by employees in production), NORMA Group offers other suitable reporting channels, such as notice boxes at the plants.

Human rights

NORMA Group is committed to international human rights

NORMA Group categorically rejects the violation and restriction of human rights in any form. The Company is committed to the Universal Declaration of Human Rights as well as to the core labor standards of the International Labor Organization (ILO). CR POLICY STATEMENT OF PRINCIPLE ON HUMAN RIGHTS

NORMA Group rejects all forms of forced, compulsory and child labor. In doing so, ILO Conventions numbers 138 and 182 are recognized as the minimum standard for protection against child labor. The Company is also committed to preventing slavery and human trafficking in its business activities.

Furthermore, NORMA Group recognizes the right of its employees to join unions and to found employee representations. NORMA Group rejects discrimination based on ethnic background, gender, sexual orientation and religion and supports measures to promote diversity within the company. → DIVERSITY AND EQUAL OPPORTUNITY

Monitoring and awareness-raising measures

NORMA Group's commitment to human rights is also reflected in its Code of Conduct. In the course of the revision of the CODE OF CONDUCT, a separate section on human rights was added to clarify NORMA Group's position.

If employees observe human rights violations, they can report them at any time via the → COMPLIANCE REPORTING CHANNELS. Among other things, the NORMA Group whistleblower system provides them with the category "Violations of social standards and human rights." In the areas of anti-discrimination and freedom of association, NORMA Group also monitors whether its commitment is being met through regular internal reporting of legal disputes. In 2019, there were no cases of discrimination or violations of freedom of association by NORMA Group that were established by the courts.

NORMA Group also takes its responsibilities seriously along the value chain. In the SUPPLIER CODE OF CONDUCT, the Company commits its suppliers to respect and comply with human rights. However, due to the size and complexity of the value chain, human rights violations cannot be completely excluded as a matter of principle. Beyond its direct business partners, NORMA Group has only limited influence on compliance with minimum standards. If the Company becomes aware that business partners are committing or tolerating human rights violations, the business relationship is re-evaluated, and terminating the contract is considered. In the event of violations by employees, NORMA Group will take measures that may even lead to termination of employment.

Product quality and safety

Product quality and safety is a key customer promise

Product quality is of great importance in all industries relevant to NORMA Group. As joining elements for various individual parts, NORMA Group's products are often critical to proper functioning for the direct customers. Even if only one single element has a leak, this could affect the functioning and the safety of an entire application. That is why NORMA Group wants to guarantee its customers the highest level of reliability with its brands. Quality, customer requirements and added value for society are thus directly linked.

An important control parameter for improving product quality is the number of defective parts per million (PPM). In 2020, this number was at 5.1 PPM, and thus once again below the prior-year figure (2019: 6.1 PPM). Further information on managing product quality and safety can be found in the → ECONOMIC REPORT.

Responsible procurement

Corporate responsibility in purchasing

In fiscal year 2020, NORMA Group purchased goods and services worth EUR 404.1 million. It is ensured that aspects of corporate responsibility are taken into account in this context. The purchasing department works on making contractual relationships with suppliers socially and environmentally compatible and ensures that human rights, labor and environmental standards are adhered to.

The purpose of the purchasing process is to ensure NORMA Group's high quality standards and to reduce direct costs in order to achieve maximum value for the Company. The purchasing process is subject to risks with regard to negative impacts on environmental and social standards in the supply chain. For this reason, the purchasing process does not take only purely price factors into consideration, but also evaluates quality, logistics and supplier sustainability. → ECONOMIC REPORT

Managing sustainability in purchasing is the responsibility of the global purchasing organization, which reports to the Chief Operating Officer. → CORPORATE GOVERNANCE REPORT Every team member of the purchasing organization contributes to it in the course of making sourcing and nomination decisions.

Supplier Code of Conduct forms the framework

NORMA Group expects its suppliers to conduct their business in compliance with laws, ethics, respect for human rights, occupational safety and environmental standards.

For these reasons, the purchasing department has integrated social and ecological sustainability aspects into its processes and organization. One key example is the purchasing manual, which describes all essential processes

Supplier Code of Conduct:
basic understanding of sustainability management in purchasing, signing is a condition to be graded "preferred" supplier

Supplier Scoring:
carried out once a year, environmental and health and safety certificates as well as sustainability self-assessement are criteria in the scoring

Commodity Strategies:
contain sustainability fact sheets that quantify impacts on climate and water and identify improvement potentials

Training:
training of Purchasing employees on sustainability tools in purchasing

and procedures used as a framework for the global organization. The basis for sustainable supplier relations is the SUPPLIER CODE OF CONDUCT. This globally valid code of conduct outlines NORMA Group's expectations for the sustainable management of its suppliers in the areas of human rights, occupational health and safety, environment and business integrity. With regard to human rights, the Supplier Code of Conduct is based on regulations issued by the International Labour Organization, the Universal Declaration of Human Rights, the UN Global Compact and the standard SA8000. In the past fiscal year, the Supplier Code of Conduct - like the other compliance guidelines - was fundamentally revised.

The commitment to the Supplier Code of Conduct plays an important role in the regular purchasing processes. Only a supplier who signs the Supplier Code of Conduct can be classified as "preferred" within the commodity group. At the reporting date, these were 18 production material suppliers, which make up around 21.9% of the production material turnover. The decrease compared to the previous year (2019: 22 suppliers with a share of 27.8%) is due on the one hand to the reduction of inventories during the COVID-19 crisis and a changed sourcing strategy in the course of the Get-on-Track program. Approval of the Supplier Code of Conduct is a binding requirement when selecting new suppliers. Around 6% of preferred suppliers had signed the updated version of the Supplier Code of Conduct as of year-end 2020.

Sustainability in commodity management

An important way of supporting sustainability in purchasing is the introduction of a new Commodity Strategy Template. These strategy documents include Sustainability Fact Sheets as an analytical approach to assess sustainability throughout the supplier base. The Sustainability Fact Sheets include information on suppliers' environmental and health and safety certificates (ISO 14001 and OHSAS 18001 or comparable standards). The fact sheets are in line with NORMA Group's → ENVIRONMENTAL STRATEGY. They quantify each commodity's impact on greenhouse gas emissions and water consumption in the supply chain and show commodity managers direct improvement measures. The majority of all commodity strategies already contain this sustainability information.

Sustainability self-assessment for suppliers

In order to be able to better assess, compare and manage suppliers, NORMA Group uses a Group-wide supplier scoring. In addition to the price, numerous other factors are also taken into account, such as quality, cost transparency and logistics services. One of the four pillars of scoring is “sustainability,” in which environmental and occupational safety certifications are included into the scoring.

In 2020, the voluntary sustainability self-assessment again formed part of the supplier scoring. NORMA Group asked its suppliers for detailed information on social issues (freedom of association, grievance mechanisms and accidents), environmental issues (including CO_2 emissions, water consumption and waste management) and compliance issues. The evaluation of the self-assessment showed that it was completed by 32.0% of the suppliers included in the scoring. This was an increase of 3.3 percentage points compared to last year (2019: 28.7%).

Excluding conflict minerals from the supply chain whenever possible

NORMA Group also purchases minor amounts of components that contain what are known as “3TG raw materials” – tin, tantalum, tungsten and gold in small quantities. These raw materials are particularly controversial in that a large part of the ore deposits lie in conflict regions (particularly those of the Democratic Republic of Congo), where they are partially mined and processed under serious violations of international law. NORMA Group aims to exclude these “conflict minerals” from its supply chains as far as possible. NORMA Group does not buy these minerals directly. However, they are partially included in components from suppliers. For example, small amounts of gold are used in urea lines, and some components are finished with a coating consisting of tin.

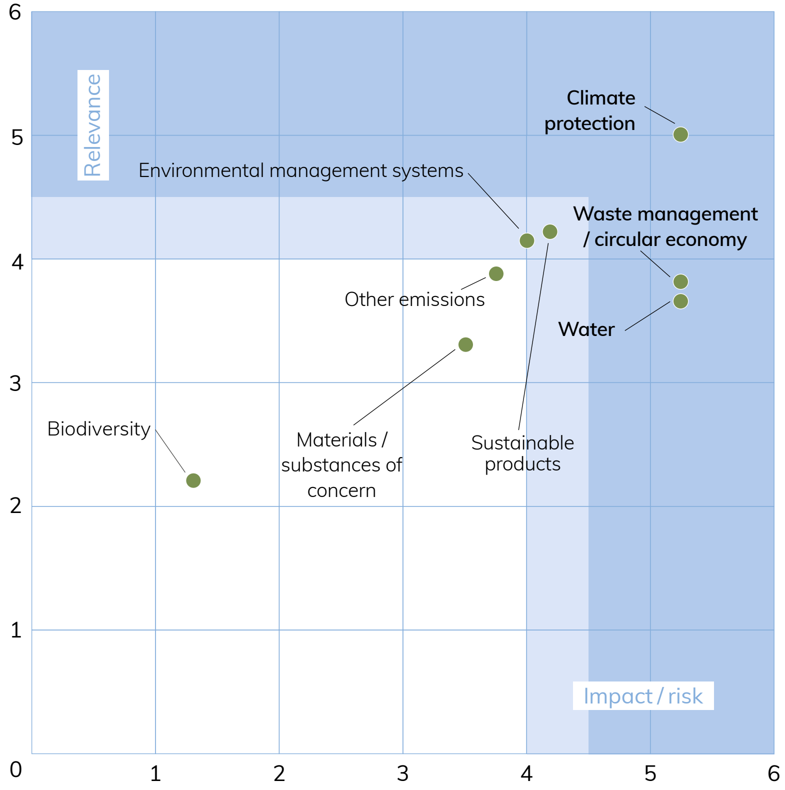
NORMA Group has therefore launched the “Conflict Minerals Roadmap,” which aims to create maximum transparency within the supplier base. The NORMA Group purchasing organization commits itself to the principles of the Responsible Minerals Initiative, including the use of due diligence processes provided by the initiative. The due diligence processes are based on the Conflict Minerals Reporting Template (CMRT) of the Responsible Minerals Initiative, which all relevant suppliers have to provide. The management of the CMRT is integrated into the Group-wide e-Sourcing platform.

The Group purchasing organization trained purchasers at all sites on the importance of the issues of conflict minerals and the potential risk related to the materials coming from suppliers who might be involved. In addition, NORMA Group ensures that 100% of affected suppliers have signed the Supplier Code of Conduct, which requires them to confirm that they cooperate with conducting due diligence on conflict minerals issues.

NORMA Group shares the information it receives with its customers as transparently as possible. Given the large number of products, suppliers and subcontractors, it is usually not possible with a reasonable amount of effort to make any detailed traceability statements as to which melting operation or mine the raw materials come from for a specific product for a particular customer.

Environment

Materiality matrix G011



Sustainable products and innovations

Sustainability in the innovation process and product development

NORMA Group offers product solutions that help its clients to respond to megatrends such as scarcity of resources and climate change. The long-term economic success of NORMA Group also depends on whether NORMA Group keeps this promise. Should this not be the case, NORMA Group would face medium to long-term risks in the area of sales development. → CLIMATE-RELATED RISKS

The strategic orientation of NORMA Group's innovation management therefore builds on these megatrends and focuses on emissions reduction and scarcity of water. Based on these long-term trends, NORMA Group's. FORESIGHT MANAGEMENT and Business Development derives potential market segments, for example in water management or the areas of battery cooling and exhaust treatment. NORMA Group continuously measures its ability to innovate based on the invention applications reported by employees in a formalized process. In 2020, the number of invention disclosures was 22 (2019: 22).

Simultaneously, NORMA Group gives all employees the opportunity to actively contribute their own ideas. In the evaluation of proposals, alignment with megatrends is an important criterion for ensuring focused business development in the strategically important areas of water management and electromobility. The ideas are directly incorporated into product development. Furthermore, NORMA Group has integrated sustainability aspects into the product development process itself. Products are evaluated according to whether their materials are recyclable, whether the design is as light as possible (thus avoiding unnecessary emissions in the use phase, especially in the automotive sector) and whether they take environmental requirements, such as those relating to hazardous substances, into account.

Further information on innovation management can be found in the chapter. → RESEARCH AND DEVELOPMENT

Further information on the topics of electromobility and water management can be found in the respective subchapters. → WATER MANAGEMENT → CLIMATE PROTECTION

Environmental strategy and management systems

NORMA Group's environmental strategy

In order to further structure and enforce its efforts in the area of environmental management, NORMA Group developed a comprehensive environmental strategy in 2018. In developing the strategy, 2018's Stakeholder Roundtable was an important milestone as it helped to validate the Company's approach and provide new impulses which were subsequently integrated.

The basis of the strategy form the material topics that were identified in the materiality analysis: climate, water and waste management. → STAKEHOLDERS AND MATERIALITY The strategy clusters each of these topics into three levels (→ GRAPHIC G012: "ENVIRONMENTAL STRATEGY"): at the core is the management within NORMA Group's own operations, the second level targets impact assessments along the value chain followed by the outer level of pilot projects. This three-level approach allows the Company to focus on those operations that lie in its direct sphere of influence while not neglecting impacts that arise in its supply chain or during the products' use phase. The environmental strategy is framed by communication measures and the further development of due diligence and risk management approaches.

The targets set in the environmental strategy have been integrated into the CR Roadmap. → CR TARGETS Detailed approaches to the three different topics will be explained in the following chapters. Other environmental topics such as biodiversity were viewed to be less relevant for NORMA Group. As a result, they are not the focus of NORMA Group's activities.

Certification of manufacturing sites according to ISO 14001

The increasing importance of environmental management in production processes is reflected in the increasing scarcity of resources, stricter regulatory requirements and expectations from customers, capital markets and society towards the Company. If not managed systematically and implemented throughout the entire Group, these trends might translate into risks for the Company.

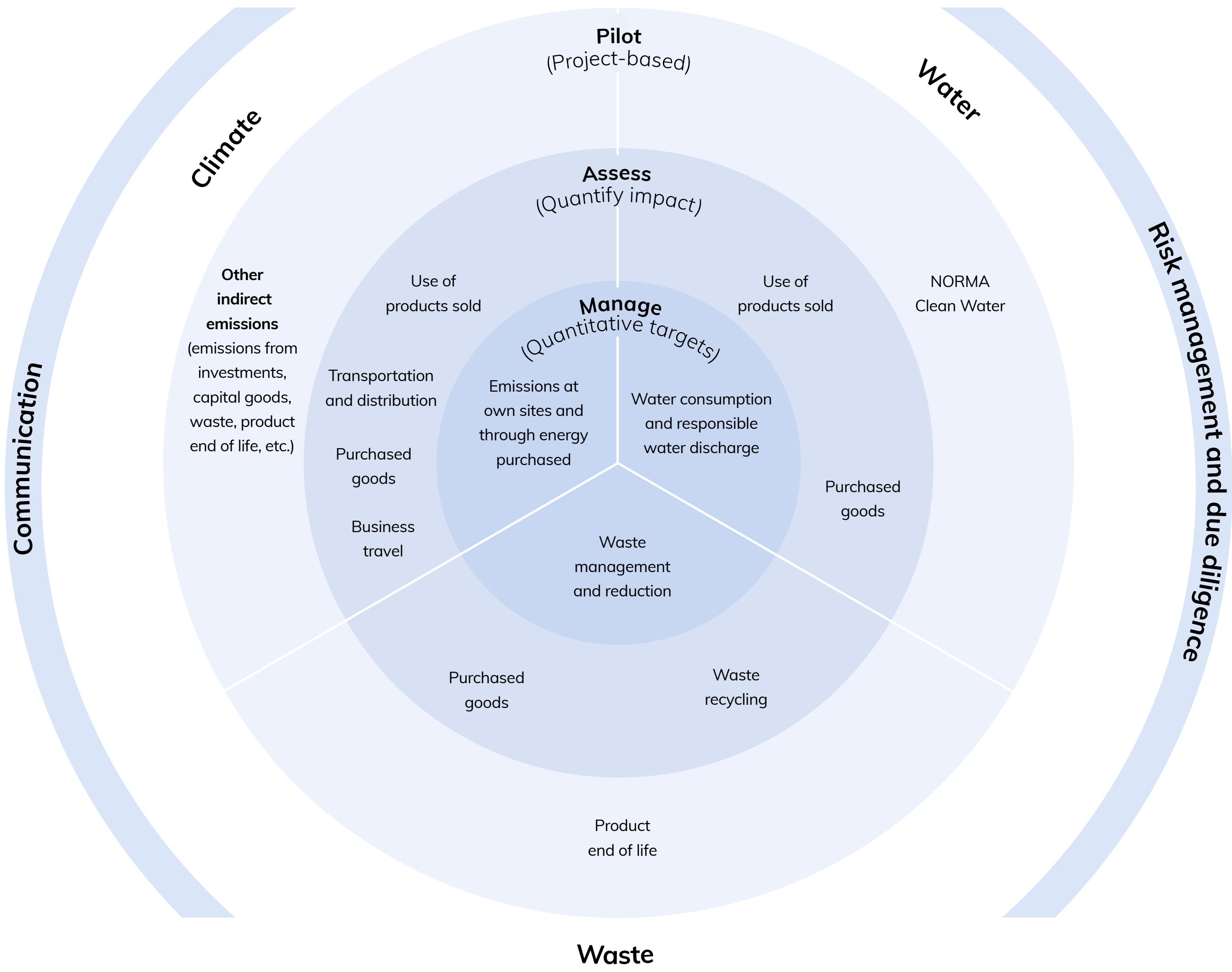
In order to confront these risks, NORMA Group has set itself the goal that all manufacturing sites that have been integrated into NORMA Group for more than 12 months should be certified according to the international standard ISO 14001. As of December 31, 2020, 93% (26 of 28) of these manufacturing sites were certified according to ISO 14001. The two locations missing are a manufacturing site of subsidiary NDS in the United States and the subsidiary Connectors in Switzerland, which moved to a new location in 2019. The basis for management in accordance with ISO 14001 are the principles laid down in NORMA Group's global environmental policy. → ENVIRONMENTAL POLICY

Responsibility for the environmental management systems and the associated topics regarding climate, water and waste at NORMA Group's manufacturing locations lies with the department for environment, health and safety (EHS), which is staffed with qualified personnel at all production sites. On the global level, the EHS management reports to the Management Board member that is responsible for operations. → CORPORATE GOVERNANCE REPORT

This structure allows for developing and implementing specific measures in accordance with local environmental challenges on the one hand and site-specific production processes on the other. To ensure compliance with ISO 14001 standards, sites are audited regularly by external specialists. Progress on the achievement of targets in the areas of climate, water and waste is evaluated in regular management reviews on a local level and through reporting of aggregated data to the Management Board on a global level.

Along the supply chain, similar environmental risks as for NORMA Group itself exist because the majority of suppliers also come from the manufacturing industry. Assessment and verification of these potential sustainability and financial risks are the responsibilities of the purchasing department. → SUSTAINABILITY IN PURCHASING → PURCHASING AND SUPPLIER MANAGEMENT

Environmental strategy G012



Climate protection

Climate-related opportunities and risks

Climate change has a direct impact on various sectors of the economy, which could have direct and indirect consequences for NORMA Group over a long-term time horizon until 2030.

On the one hand, both the reduction of greenhouse gases and the adaptation to global warming offer opportunities for NORMA Group. These include, for example, new or growing market segments in the fields of e-mobility and water management, which can have a positive impact on sales development. At the same time, energy savings offer the potential to reduce NORMA Group's operating costs. Last but not least, NORMA Group can benefit from the increasing relevance of this topic in the financial markets by positioning itself as a sustainable investment and thus reducing capital costs.

Conversely, risks can also result from these developments. For example, the increase in the production of alternative forms of drive leads to a decline in the market for conventional drives, a market in which NORMA Group is also active. Increased pricing of greenhouse gases may result in higher operating costs. On the capital market side, a changed reputation can lead to reluctance on the part of capital market players focused on sustainability and thus to higher capital costs.

NORMA Group meets these opportunities and risks with a clear strategy and active management in the areas of → WATER MANAGEMENT, → E-MOBILITY as well as → RESEARCH AND DEVELOPMENT. With regard to the risks arising from its own production processes, NORMA Group operates a structured environmental management system at all production sites, with clear targets for reducing greenhouse gases.

An overview of opportunities and risks within the guidelines of the "Task Force on Climate-Related Financial Disclosures" (TCFD) can be found in the public CDP REPORT of NORMA Group.

Progressive climate change does not only mean risks and opportunities for NORMA Group's business. NORMA Group's business activities also contribute to the emission of greenhouse gases. This applies in particular to emissions caused by the production of purchased materials and its own production processes.

Active management of e-mobility opportunities

NORMA Group aims to make an active contribution to e-mobility by developing new products such as quick connectors and thermal management systems. These solutions support optimizing the cooling and heating of batteries as well as the complex power electronics, the drivetrain and other sub-systems of electric vehicles. During product development, they are tailored to solve the main challenges faced by customers: weight savings, lack of space and the reduction of pressure drops of coolants in the system. The latter is decisive to ensuring optimal performance of the thermal management systems of batteries, power electronics, drivetrain and other components: Only if the flow of coolant is properly managed throughout the entire system is the thermal management working efficiently, and no additional pump upsizing (and thus extra weight and cost) is needed. As a result, the battery can deliver its optimal performance and maximize the range of the vehicle.

In addition to providing solutions to these requirements, NORMA Group also ensures high safety standards by applying its experience in the design of fuel transport systems in the delicate environment of batteries and cooling water.

NORMA Group manages its e-mobility efforts in a project-based organization at the interface between engineering and sales. In doing so, the company has the flexibility to confront an emerging and very dynamic market and to connect the new challenges to the existing product portfolio and customer expertise. Last year, relevant internal stakeholders again received extensive training. To ensure global alignment and steering, all projects are coordinated and supported by the Global Product Management E-Mobility.

In fiscal year 2020, NORMA Group received several large orders for thermal management systems. This includes both orders from traditional car manufacturers and battery manufacturers.

Strong decrease of production-related emissions (scope 1 and 2) due to COVID-19 pandemic

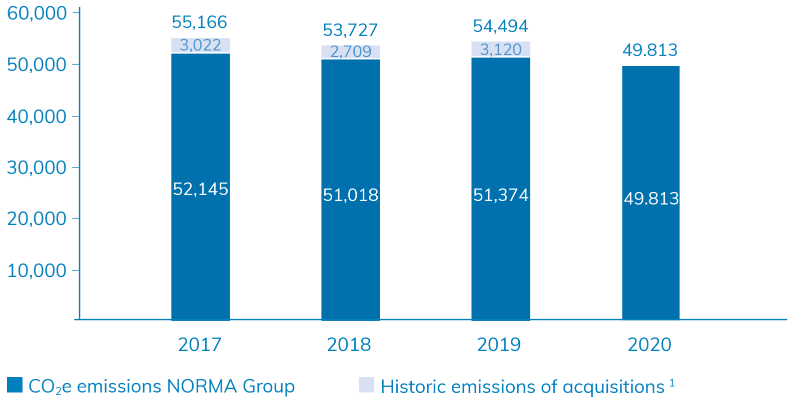
NORMA Group is currently concentrating on the collection and management of its greenhouse gas emissions from gas consumption (scope 1) as well as from purchased electricity and district heating (scope 2) at its production sites. Regarding electricity and district heating, emissions are calculated using a combination of location-based and market-based methodologies: NORMA Group uses emission factors from specific suppliers wherever these are available (market-based). If this is not the case, NORMA Group uses country emission factors provided by the International Energy Agency (location-based). Values on emissions calculated according the location-based methodology can be found under → CR PERFORMANCE INDICATORS.

In fiscal year 2020, NORMA Group integrated the acquired units Kimplas Piping Systems and Statek Stanzereitechnik into its environmental reporting. In the course of this, the emissions were calculated back to the base year 2017 in accordance with the Greenhouse Gas Protocol (GRAPHIC G013: "DEVELOPMENT OF GREENHOUSE GAS EMISSIONS), the energy figures back to the date of acquisition. The following figures refer to these revised figures (a comparison to the previously reported values can be found under → CR PERFORMANCE INDICATORS).

In 2020, scope 1 emissions amounted to 5,417 tons of CO_2 equivalents (2019 revised: 5,794 tons) while scope 2 emissions were 44,396 tons of CO_2 equivalents (2019 revised: 48,700 tons). Overall, emissions from Scope 1 and 2 were thus 49,813 metric tons of CO_2 equivalents, 8.6% below the previous year's figure (2019 revised: 54,494 tons). The main reason for the sharp decline of emissions was the reduction in production capacity due to the impact of the COVID-19 pandemic.

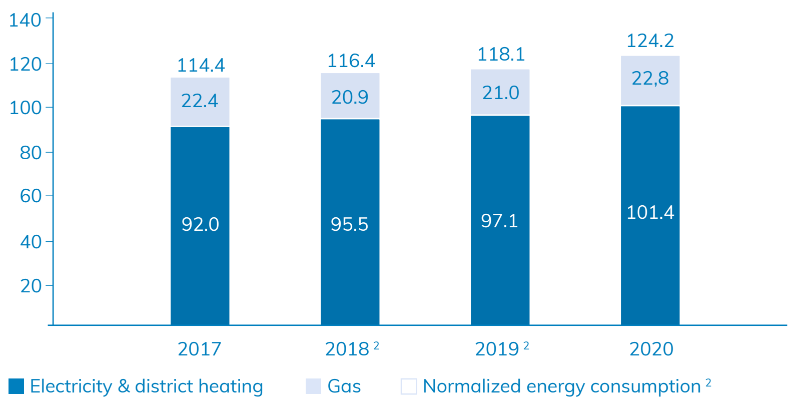
The corresponding energy consumption of gas, electricity and district heating (combined) was 118,214 megawatt hours or 124.2 kilowatt hours per EUR thousand of revenue (2019 revised: 118.1 kilowatt hours per EUR thousand of revenue). The sharp increase compared with the previous year can also be explained by the effects of the COVID-19 pandemic. Energy consumption did not fall in proportion to the decline in sales because certain types of consumption (e.g. building heating) remained relatively stable.

Development of greenhouse gas emissions (scope 1 and 2) G013
from gas, electricity and district heating, in tons of CO_2 equivalents



1_Estimated emissions of Kimplas Piping Systems and Statek Stanzereitechnik, which were integrated into environmental reporting in 2020. Non-revised values: 2017: 52,145 t; 2018: 51,018 t; 2019: 51,374 t. For calculation methodology, see GHG Protocol, Chapter 5.

Development of specific energy consumption [1] G014
in kilowatt hours per EUR thousand of revenues



1_Deviations in decimal places may occur due to commercial rounding.
2_In 2020, the acquired entities Kimplas Piping Systems Ltd. and Statek Stanzereitechnik GmbH were integrated into NORMA Group's environmental reporting. In order to ensure comparability with previous years, historic energy consumption data was updated back to the time of acquisition. Detailed information may be found in the data chapter.
→ CR KEY PERFOMANCE INDICATORS

Target to reduce greenhouse gas emissions

For scope 1 and 2 emissions, NORMA Group set itself an absolute reduction target: NORMA Group wants to reduce its absolute scope 1 and 2 emissions by at least around 19.5% by 2024 compared to 2017. In setting its climate target, NORMA Group followed the recommendations of the SCIENCE-BASED TARGETS INITIATIVE (Science-based target setting tool 1.1, Absolute Contraction Approach). The target does not consider emissions resulting from growth by acquisitions and forms part of the Management Board's remuneration components. → REMUNERATION REPORT

In order to achieve this goal, NORMA Group manages the energy consumption of all production sites and is integrating the energy reduction targets into its → ENVIRONMENTAL MANAGEMENT SYSTEMS. At NORMA Group, the individual plant management is responsible for the concrete measures taken to reduce energy consumption and thus greenhouse gas emissions.

Quantification of emissions along the value chain

In addition to its efforts to reduce emissions at its production sites, NORMA Group is also committed to managing greenhouse gas emissions along the value chain (scope 3 emissions). This includes the supply chain, as in many cases large amounts of energy are required to produce the materials and components that NORMA Group purchases. → RESPONSIBLE PROCUREMENT

In addition, last year, NORMA Group quantified the resulting emissions for other scope 3 categories (emissions from capital goods, waste, business travel, commuting by employees). An overview of all scope 3 reporting categories can be found in NORMA Group's public CDP REPORT.

Water

NORMA Group's products provide effective water management solutions

The United Nations estimates that demand for water will increase by 40% by 2050. According to current calculations, one in four people will then be living in a country with water scarcity. UNITED NATIONS NORMA Group recognized this megatrend at an early stage and has made establishing a global position in water management a strategic priority. Most predominantly, NORMA Group's water management product offering includes drip irrigation systems that save up to 60% of water consumption, compared to sprinklers and hand watering, and stormwater management solutions that protect properties from water damage and, increasingly, ensure that stormwater is managed sustainably.

NORMA Group's water management business is managed in its global "Water Management" organization. It currently comprises NORMA Group's US subsidiary NDS in the Americas and growing organizations in EMEA and APAC. All regions maintain a constant and intensive exchange.

In 2020, NORMA Group hired a President for the global Water Management organization with significant experience in the water industry. The strategy and organization for water management were further refined.

Despite the challenges in 2020, NORMA Group's Water Management organization benefitted from continuous investments made in e-commerce infrastructure as the company saw a COVID-19-driven acceleration of online purchase activity around the globe. To further expand this trend, NORMA Group is investing significantly in its digital capabilities and content.

In addition, NORMA Group has substantially invested in new product development to secure long-term profitable growth of the water business. These developments are being recognized externally. In May 2020, the NDS Mini Channel with Decorative Grate received the prestigious Red Dot Design Award. The Mini Channel Drain was recognized in the "product design" category for its innovative potential, functionality and sustainability. The channel drain features a patented decorative grate which was a first in the stormwater management market.

Reduction of water consumption in production

A total of 19% of the world's water consumption is attributable to the production processes of industry alone. FAO With its worldwide presence, NORMA Group is also represented in regions with a medium to high risk of water scarcity (according to the AQUEDUCT methodology). Against this backdrop, NORMA Group also has a special responsibility to handle this resource carefully in its own production.

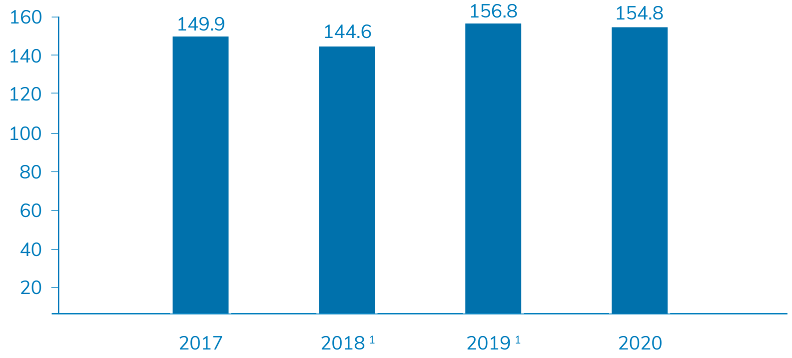
For years, NORMA Group has been working to continuously reduce the use of water in its own production processes. In its environmental strategy, NORMA Group addresses both the water consumption at its manufacturing sites and along the value chain. For its own sites, NORMA Group has set a target of 2% efficiency increase for 2021. → CR TARGETS

NORMA Group focuses on its manufacturing sites as a framework for data collection and targets because water consumption at its administrative and distribution sites plays only a minor role due to significantly lower consumption levels. In 2020, NORMA Group integrated Kimplas Piping Systems Ltd and Statek Stanzereitechnik GmbH into the environmental reporting. In the course of this, water consumption back to the time of acquisition was recalculated. The following figures refer to these revised figures (a comparison with the previously reported values can be found in the → CR PERFORMANCE INDICATORS chapter). The control of water consumption follows the structure and responsibilities of the → ENVIRONMENTAL MANAGEMENT SYSTEMS

NORMA Group's water is mainly sourced from municipal water supplies or other public or private water utilities and – at some locations – from ground and surface water and is used to a large extent for cooling processes within production. Last year, the water consumption of NORMA Group's production totaled 147,425 cubic meters. This translates into an decrease of water consumption by 14.5% (2019 revised: 172.491 cubic meters). The reduction can be attributed primarily to a drop in production capacity in the wake of the COVID-19 crisis. The specific water consumption also sank by 1.3% to 154,8 liters per EUR thousand of revenues (2019 revised: 156,8 liters).

The implementation of ISO 14001 at NORMA Group also covers the handling of wastewater. The vast majority of wastewater at NORMA Group sites is discharged to municipal wastewater systems or local sewage treatment plants.

Water consumption G015
in liter per EUR thousand of revenue



1_In 2020, the acquired entities Kimplas Piping Systems Ltd. and Statek Stanzereitechnik GmbH were integrated into NORMA Group's environmental reporting. In order to ensure comparability with previous years, historic water consumption data was updated back to the time of acquisition. Detailed information may be found in the data chapter. → CR PERFORMANCE INDICATORS

Water consumption in the supply chain

Water consumption also plays an important role in the supply chain: For example, NORMA Group purchases granulates, molded rubber parts and plastic parts, some of which are manufactured using water-intensive processes in the chemical industry. As in the area of CO_2 emissions, NORMA Group in 2019 also quantified the water consumption resulting from the production of the purchased direct materials. The result showed that the production processes in the supply chain required around 1.9 million cubic meters of water. This corresponds to twelve times the water consumption of the NORMA Group production sites. NORMA Group therefore see it as its task to strengthen the awareness of responsible use of water in the supply chain. The Company has included both the reduction of water consumption and the safe handling of waste water in its Supplier Code of Conduct and has included sustainability fact sheets in the commodity strategies. → RESPONSIBLE PROCUREMENT

Resource efficiency and materials

Economic and environmental drivers for resource efficiency

As a manufacturing company, NORMA Group depends on various raw materials and primary products as important precursors of its products. NORMA Group's total production materials turnover amounted to EUR 291.3 million in 2020 (2019: 335.1 million). The largest share was accounted for by steel and metal components, granules, and plastic and rubber products. → PURCHASING AND SUPPLIER MANAGEMENT Efficient handling of the raw materials required for production is therefore both needed from an environmental point of view and economically necessary to reduce production costs.

Taking into account NORMA Group's procurement portfolio, price increases for raw materials are considered likely overall. However, the associated financial impact is estimated to be minor. → RISK AND OPPORTUNITY REPORT

Reducing waste volumes

A key indicator of the efficient use of raw materials is the volume of waste. NORMA Group collects data on both hazardous and non-hazardous waste (metal, plastic, paper, wood and other waste). As with other environmental data, NORMA Group reports waste data in relation to sales to improve internal and external comparability.

The reduction of waste generation is controlled in accordance with the environmental management systems. The Environment, Health & Safety (EHS) department is responsible for ensuring adequate waste management that is implemented at the plant level in accordance with ISO 14001 standards. → ENVIRONMENTAL MANAGEMENT SYSTEMS In its CR Roadmap, NORMA Group has set the goal of further reducing the amount of waste in relation to revenues in 2021. → CR TARGETS

Volumes of various forms of waste T009
in kg per EUR thousand of revenue

	2020	2019 [1]	Change in %
Non-hazardous waste	**11.0**	**8.3**	**31.2**
Metallic waste	6.7	5.7	17.3
Plastic waste	1.1	0.6	99.7
Cardboard / paper waste	0.8	0.7	12.5
Wood waste	1.0	0.5	122.5
Other waste	1.4	0.9	44.9
Hazardous waste	**0.6**	**0.5**	**35.8**

1_Figures do not include locations of Kimplas Piping Systems Ltd., Statek Stanzereitechnik GmbH and – in the case of plastic, wood and other waste – National Diversified Sales Ltd (NDS).

Last year, the absolute amount of non-hazardous waste decreased by 13.6% to 10,429 tons (2019: 9,181 tons). In relation to sales revenues, non-hazardous waste amounted to 11.0 kg per EUR thousand of revenue (2019: 8.3 kg per EUR thousand of revenue), an increase of 31.2%. One reason for the sharp increase was the inclusion of the acquired sites Kimplas Piping Systems Ltd. and Statek Stanzereitechnik GmbH in environmental reporting in 2020. Unlike in the case of water and energy consumption, the waste values of previous years could not be included retroactively back to the time of acquisition due to the lack of data availability.

Metallic waste continued to be the largest waste category. Although a significant proportion of NORMA Group products are made of plastics, the waste produced in this process, however, can often be regranulated and reused in the production process itself.

In 2020, the volume of hazardous waste was 0,6 kg per EUR thousand of revenue (2019: 0.5 kg per EUR thousand of revenue). The handling of hazardous substances affects only a few production areas, and compliance with legal requirements is regularly monitored as part of the environmental management systems.

Efficient production processes

NORMA Group optimizes the efficiency of its production through the implementation and continuous improvement of the NORMA Business System (NBS). Among others, NORMA Group uses the NBS to monitor indicators to improve material efficiency. This includes the number of defective parts produced internally but not delivered to the customer (cf. defective parts under → PRODUCT QUALITY AND SAFETY) and the scrap rate, which sets the value of the scrap in relation to the total production material consumed. To make management as effective as possible, data is collected at the machine, department and plant levels.

In addition to the high focus on these indicators, scrap Marketplaces were set up at all sites. The aim of these “marketplaces” is to sensitize the workforce to the avoidance of scrap and waste. Scrap is collected on the machine level in red boxes and displayed visibly in the production halls. The clear visibility is intended to encourage employees to look for solutions to produce less waste. Depending on the plant, the contents of the Scrap Marketplaces are checked weekly or even daily, the causes analyzed and appropriate countermeasures defined.

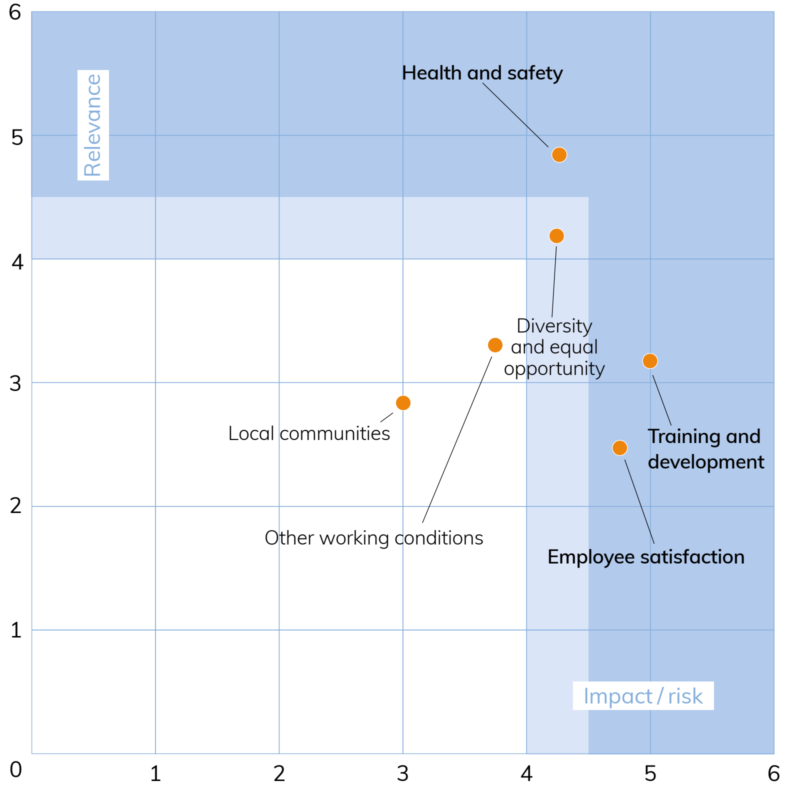
Recycling and compliance with legal requirements on materials

Depending on the type of waste, NORMA Group employs different recycling methods. For example, a large share of the waste generated in production processes is externally recycled by NORMA Group’s contractors. Plastic waste is reintroduced into the manufacturing process as far as possible, depending on the type of plastic and reasonable costs. A certain portion of the resulting plastic waste is re-granulated. If possible, NORMA Group also purchases recycled plastic. One example of this is the US subsidiary NDS, whose purchased plastics consist of more than 60% recycled materials.

NORMA Group is currently not in the position to recycle its own products because these are usually used in end products such as engines and turbines, and doing so would require a disproportionately high investment of time and resources on the part of NORMA Group. All contractually regulated specifications on material type and recyclability are fulfilled. Compliance with the statutory labeling requirement is also guaranteed. In this way, NORMA Group complies with statutory regulations such as end-of-life vehicle regulations and guidelines such as RoHS (Restriction of Hazardous Substances), REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) or California Proposition 65 on the requirements on drinking water infrastructure and supports its customers’ recycling concepts.

Social

Materiality matrix G016



Employee satisfaction

Employee satisfaction as an important parameter

Occupational health and safety, training and development as well as fair payment – all these aspects serve the satisfaction of the employees. NORMA Group is convinced that satisfied employees are also more willing to perform in their daily work. Measuring employee satisfaction is therefore an "organizational thermometer" for the company, enabling strengths to be identified and potential for improvement to be implemented promptly.

In addition to a regular employee survey, NORMA Group uses the voluntary attrition rate as an indicator of employee satisfaction. The voluntary attrition rate describes the number of employees who have voluntarily left NORMA Group in relation to the total number of employees. In 2020, the aggregated attrition rate was 9.6%. However, there are very large regional and local differences, depending on the respective operational, cultural and macroeconomic environment. NORMA Group has therefore not set a global target for 2021 to improve the attrition rate, but has defined individual local targets for all locations with more than 60 employees.

Good performance is rewarded

NORMA Group aims to attract and retain qualified and committed employees. In order to promote the employees' interest in a positive development of the company's value and to allow them to participate in its economic success, the remuneration system of NORMA Group includes a fixed salary and a performance-related variable remuneration component. In the case of employees in Germany who are covered by collective bargaining agreements and those not covered by collective bargaining agreements, for example, this component is based on key financial figures. In addition, the achievement of personal targets by employees also has an influence on the assessment.

Cooperation with employee representatives even in difficult times

In the past few years, the cost and competitive pressure in the automotive industry has increased continuously. NORMA Group is reacting to the increasingly difficult environment with its "Get on Track" program. → ECONOMIC REPORT Against this background, the Management Board announced in mid-June 2020 the relocation and bundling of production activities in Central Europe and the closure of the production site in Gerbershausen by the end of 2022. The relocation of production from Gerbershausen to existing plants in the Czech Republic and Germany is part of the medium-term goal of increasing the efficiency and competitiveness of NORMA Group. In mid-June 2020, the Management informed the works councils about the project and initiated the statutory participation procedure. In September 2020, the Management reached an agreement with the employee representatives on a social collective agreement to implement the measures.

Occupational health and safety

Protecting employees from health effects of COVID-19

The safety and health of its employees is a top priority for for NORMA Group. Since the beginning of the COVID-19 pandemic, NORMA Group has therefore taken measures to protect its workforce and contain the spread of the virus. The measures are managed by a global COVID-19 Task Force. The task force is responsible for implementing safety measures in accordance with the recommendations of the World Health Organization (WHO) at the local and regional levels as well as for their central control and monitoring. The measures include standardized emergency plans and internal COVID-19 guidelines that regulate workplace behavior and are regularly adapted in line with current local conditions. A weekly reporting system also ensures transparency regarding current infection and quarantine cases and enables rapid intervention.

Global management approach to occupational safety

In addition to the acute measures to contain the effects of the COVID-19 crisis, NORMA Group has been pursuing a Group-wide approach to occupational health and safety for years. Regular risk assessments at the production sites show that machinery and vehicle traffic are the most important factors here. However, against the background of the systematic group-wide approach to safety and health management, NORMA Group considers these risks to be low overall.

Laws and regulatory frameworks are clearly defined standards for occupational health and safety in the Company, but in many cases NORMA Group goes significantly beyond merely meeting requirements. In light of the subject's importance, it is addressed in the HEALTH AND SAFETY POLICY, which is valid throughout the Group. In the policy, NORMA Group commits to providing a safe and risk-free working environment for all employees and any other stakeholders affected by its business activities. With supplementary programs, the Company wants to ensure that all workplaces offer the highest level of safety to avoid accidents. In particular, the locations make technical arrangements and conduct training courses to prevent accidents at work. These high standards apply to temporary workers as well as to regular staff. In addition, NORMA Group also includes health and safety certifications into its supplier scoring process. → SUSTAINABILITY IN PURCHASING

Certification of all manufacturing sites

Throughout NORMA Group, all manufacturing sites have local health and safety representatives, who – along with the respective plant management and safety committees – ensure the implementation of health and safety standards and serve as subject matter experts for questions on the topic. At the end of 2020, 20 of 28 of the production sites that had been part of NORMA Group for more than 12 months were externally audited and certified according to the international standards OHSAS 18001 or ISO 45001. Compared to the end of 2019, the absolute number of certified sites stayed the same, while the share increased from 69% to 71% due to due to newly acquired locations that have not yet been certified.

OHSAS 18001 and ISO 45001 prescribe conducting regular assessments on the site level to identify risks for the occupational health and safety of workers. On this basis, regular internal audits are carried out in order to identify potential for improvements and to define appropriate measures. Progress resulting from these measures is tracked regularly. NORMA Group is finalizing the transition of its OHSAS 18001:2007 certified manufacturing sites to the new ISO 45001:2018 occupational health and safety standard. At the end of 2020, 14 manufacturing site had successfully transitioned to ISO 45001.

Health and safety governance on the global, regional and local levels

The success of NORMA Group's health and safety management is assessed by regular reporting from global Health and Safety Management to the Management Board. Thorough root cause analyses are derived from this at the site level, and countermeasures are defined. Progress on the measures is also reported to the Management Board.

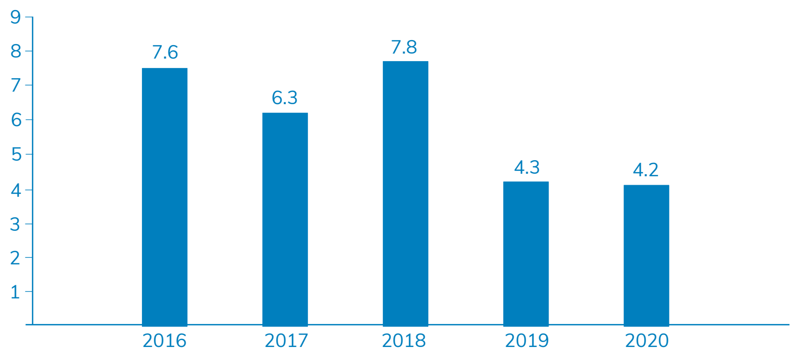
In addition, every region has now introduced a regular Health and Safety Circle that requires all locations to conduct self-assessments on the current status quo of their health and safety activities. Participants include the health and safety managers of each location in the respective region as well as the regional and global health and safety management. Usually the circles also invite participants from other regions to increase the sharing of best practices on a global level.

Accident rate as the key performance indicator

Introducing management systems for occupational safety is not an end in itself. To monitor their effectiveness, NORMA Group monitors the accident rate, which counts the number of accidents per 1,000 employees that result in a loss of work of more than three working days. Since 2014, the accident rate has already been reduced significantly. In 2020, the accident rate per 1,000 employees was 4.2, which means a significant decrease compared to 2019 (4.3). As in previous years, there have been no fatalities. The goal is to further reduce the accident rate in the coming years. By the end of 2021, the notifiable accidents per 1,000 employees per year should be at least below 4.6.

→ CR TARGETS

Development of the accident rate G017
in reportable accidents per 1.000 employees



NORMA Group also monitors the number of medical treatments or accidents that result in a work loss of less than three days (medical treatment rate). In 2020, this was 25.1 treatments per 1,000 employees. This value, too, decreased significantly compared to 2019 (29.1).

In order to focus on preventive rather than reactive measures, NORMA Group also monitors the number of "near miss" events, which are occasions where an accident nearly happened but was just avoided. Incidents, medical treatments and near misses are reported to line managers who report this information to local health and safety representatives.

In another proactive measure taken in 2020, NORMA Group released a lock-out-tagout group-wide policy outlining key requirements for the control of hazardous energy sources. The objective is to ensure that dangerous machines are properly shut off and not able to be started up again prior to the completion of maintenance or repair work. NORMA Group will continue developing key health and safety standards like this in 2021 and beyond.

Learning and development

Success factor for business activities

NORMA Group considers itself a learning organization, and therefore pursues the goal of continuous development. This is important, among other things, because the Company operates in a very dynamic environment with constantly changing requirements. Trends such as digitalization, networking, flexibility and sustainability are particularly relevant.

At the core of NORMA Group's business model is the ability to adapt quickly and flexibly to changing customer requirements as well as economic and social conditions. The targeted and effective training and development of employees and the utilization of their creative potential are the decisive keys to innovative strength and corporate success. The aim is also to recruit as many skilled workers as possible from the company's own junior staff and thus become more independent of the external labor market.

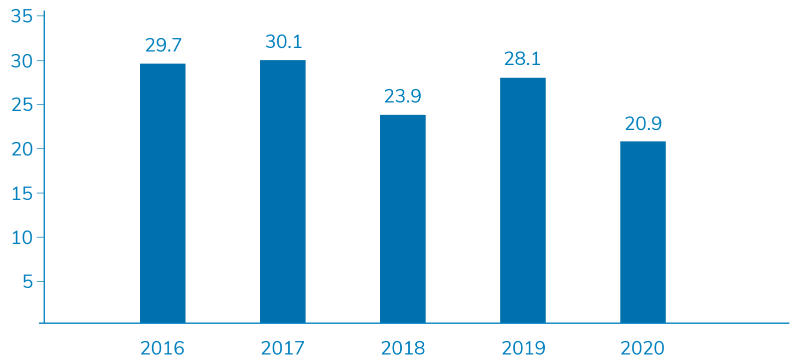
As a responsible employer, NORMA Group wants to offer its employees a supportive work environment that includes opportunities for further development. At the same time, today's working world expects competencies that are in line with the changes resulting from global megatrends. Thus, training and development not only serves NORMA Group as a Company, but also the long-term perspectives of its employees.

Ensuring the development of employees through training

In order to meet the requirements for the training and development of its employees, NORMA Group has firmly anchored the topic in its human resources strategy. Among others, the strategy is implemented at the regional level by Learning & Development Managers and locally by the HR business partners. The focus of the initiative is on designing and offering globally implementable development processes and programs that are aligned with NORMA Group's corporate values and growth objectives. In order to specifically promote learning at the workplace and the individual development paths of employees, both direct supervisors and internal mentors and coaches are available. In addition, various local and regional methods of personnel development have been combined into a global portfolio. This ensures that all NORMA Group employees worldwide have access to the same talent development program.

NORMA Group has set itself the target that each employee should receive an average of at least 30 hours of training per year. Training includes both internal and external courses and workshops and also includes what are known as bubble assignments (see page 58). In 2020, employees received an average of 20.9 training hours (2019: 28.1). → GRAPHIC G018: "DEVELOPMENT OF TRAININGS HOURS"

Development of training hours G018
in hours per employees



2020 was characterized by extremely difficult conditions for training measures as plants were temporarily closed, all external and internal classroom training was completely eliminated, and budgets were restricted due to the crisis. The value that was achieved despite this situation shows that employees received continuous training even in the crisis year 2020.

In the meantime, NORMA Group is increasingly focusing on online training in order to ensure continuous training of employees in the future, even in peak phases of mobile working. An important component of this is NORMA Group's Learning Management System.

The aim is to provide employees with an online platform on which standard training courses can be offered, while at the same time enabling them to advance their training in line with their individual needs. NORMA Group ensures the effectiveness of the training courses through regular internal reporting of participation rates and feedback.

In addition, NORMA Group initiated the global management training program Leadership-Culture@NORMA, was launched, which is specially tailored to the needs of NORMA Group and aims to promote the creation of a Group-wide network. In addition to teaching the theoretical basics, existing knowledge and social skills will be deepened in order to achieve a uniform understanding of leadership within NORMA Group along the lines of its core values. Within the next three years, the global program is intended to train all managers. In the period from 2019 to 2021, all plant managers are to undergo global management training. Once the pandemic has subsided, the training will be continued in the regions and plants.

Competency model G019

Targeted acquisition of competencies

Employee training is most effective when it aligns with the demands of the working environment. To ensure this, NORMA Group's approach is principally demand-oriented, based on bottom-up departmental reporting.

In addition, the competency model, which was developed specifically for NORMA Group, defines the skills that are important to the Company, based on numerous workshops and with the participation of employees in all regions. The competency model is integrated systematically into the global and local HR structures (→ GRAPHIC G019: "COMPETENCY MODEL"). For example, managers have been trained in how to further develop their employees using the competency model, and methods have been introduced to ensure that the selection of new employees is carried out along the framework of the competencies that are of importance to NORMA Group.

Numerous training opportunities for career starters

In addition to part-time courses of study in industrial engineering, mechanical engineering, mechatronics and business administration, NORMA Group also offers internships for students in all departments and regions. In addition, NORMA Group offers apprenticeships for young people in various technical and commercial fields every year.

International exchange

In a globalized world and an international company such as NORMA Group, cross-border exchange, network building and intercultural skills are crucial for success on a personal level as well as on a corporate level. → DIVERSITY AND EQUAL OPPORTUNITIES With its assignment programs, NORMA Group therefore offers its employees the opportunity to expand their experience and skills abroad. The programs distinguish between "bubble Assignments" (up to three months) and "long-term assignments" (more than three months). Skilled employees and managers who participate in these initiatives bring with them specialist knowledge and experience from other places while at the same time benefiting from the expertise of their local colleagues. Exchanges can take place within a country or internationally between countries and regions.

Diversity and equality of opportunity

Diversity pays off

Studies show that companies that value diversity are more successful than others with largely homogeneous teams. As an international company with locations and represenatative offices in 25 countries, NORMA Group is already structurally characterized by a high degree of diversity. By signing the DIVERSITY CHARTER NORMA Group commits itself to ensuring that all employees are valued – regardless of gender, nationality, ethnic origin, religion or belief, disability, age, sexual orientation and identity.

The basis for diversity management is NORMA Group's mission statement on diversity. On the one hand, the mission statement defines the drivers for diversity at NORMA Group (market proximity, innovation and employee satisfaction) and sharpens the focus on appreciation and equal opportunities within the company. To coordinate diversity management, NORMA Group has appointed diversity officers at the group and regional levels.

In 2020, NORMA Group has implemented concrete measures to further develop its diversity management. These include the establishment of systems for measuring the various diversity dimensions in the workforce, the introduction of which will be completed in 2021. In addition, NORMA Group has implemented extensive training on the topic of unconscious bias. On the one hand, these were aimed at managers and were integrated into respective formats for the development of managers. Secondly, an online training course was designed for all employees, combining scientific findings with interactive application examples. With around 1,700 employees participating by the end of 2020, the online training was a great success. Similar formats will be continued in the future.

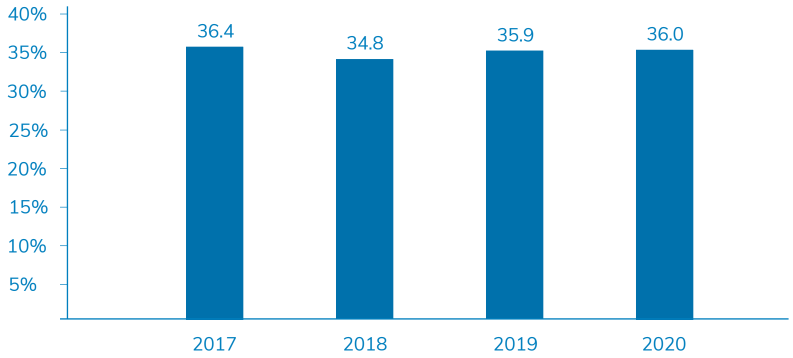
In its communication activities, NORMA Group has also taken further steps to give greater consideration to aspects of appreciation and equality. One example is this report itself, in the preparation of which attention was paid to gender-neutral wording.

NORMA Group's commitment to diversity is appreciated annually on Diversity Day. Due to the COVID-19 crisis and the resulting contact restrictions, the Diversity Day activities had to be cancelled at numerous locations this year.

Gender equality

NORMA Group actively opposes discrimination and considers it a matter of course that women and men are paid the same amount for the same work and qualifications. The proportion of women is generally based on the proportion of women who are available through the job market and who have the necessary qualifications. Accordingly, it varies worldwide between locations. At the end of 2020, the proportion of women in the entire core workforce was 36.0% (2019: 35.9%) → GRAPHIC G020: "DEVELOPMENT OF PROPORTION OF WOMEN AMONG PERMANENT STAFF." One woman is currently represented on the three-person Management Board of NORMA Group SE, and there were two women out of a total of five members on NORMA Group's Supervisory Board in the 2020 fiscal year. → CORPORATE-GOVERNANCE-REPORT

Development of proportion of women among permanent staff G020
in %



Social commitment

NORMA Clean Water

Long-term partnership with Plan International

For NORMA Group, the responsible use of water is directly related to its core business. For this reason, NORMA Group is also involved in this area with its social project NORMA Clean Water. The project aims to show how the challenges in the field of water, sanitation and hygiene can be met: through cooperation between business and civil society.

In the meantime, the NORMA Clean Water project can look back on a partnership of several years. NORMA Group's partner is the children's aid organization Plan International, which supervises and implements the projects in the respective countries. In 2018, the cooperation between NORMA Group and Plan International received public recognition: NORMA Clean Water was among the finalists for the German CSR Award in the category "Civil Society Engagement." The prize is awarded to projects and initiatives that demonstrate exemplary corporate responsibility.

Engagement in India and Brazil

From 2014 to 2017, NORMA Clean Water focused on the water supply and hygiene situation in Indian schools in the greater Pune area. In a total of 27 schools, construction measures for the repair or renovation of toilet facilities were implemented, and almost 18,000 students and around 600 teachers were trained in the use of clean drinking water and hygiene. The training courses formed the core of the work, as they ensure that the water facilities are used to improve hygiene even after the project has ended.

Building on the successful project in India, NORMA Clean Water has been continued since 2017 in the regions of Codó and Peritoró in the state of Maranhão in northeastern Brazil. Here too, there is a lack of safe access to clean water. The project therefore aimed to improve the living and health conditions of children and their families. Specifically, a total of 600 families were given access to clean water through the construction and repair of new drinking water facilities. In addition, around 60 families benefit from vegetable gardens, which diversify and expand their food supply. Here too, training was at the heart of the project to ensure the long-term success of NORMA Clean Water. In all project communities, water committees were actively involved in the implementation and maintenance of the construction and training measures, thus helping to anchor the project throughout the communities in the long term.

Continuing the engagement

The first phase of the project in Brazil was completed in 2020. Due to the success of the project so far and the continuing demand in the project region, NORMA Group has extended the project in Brazil by a second project phase. The total amount provided is EUR 325,000 over three years.

In the existing project communities, where gardens were planted in the first phase, families will now receive advice on fruit and vegetable cultivation. In addition, gardening tools and seeds will be distributed. In the area of health, hygiene and equal opportunities, workshops and exhibitions will be organized to anchor these topics in the communities. In addition, the project is being extended to two further communities, where measures corresponding to the first project phase are to be implemented (installation of water supply systems, establishment of water committees, workshops on gender equality). The expansion is expected to reach an additional 3,800 people.

Against the background of the strong spread of the COVID-19 virus in Brazil, the project take an acute significance: the successes of the first measures – improved access to water and a better understanding of hygiene – can make an effective and lasting contribution to containing the COVID-19 pandemic and other viral infections.

Corporate volunteering at NORMA Help Day

Civil society is of crucial importance for the functioning of society as a whole. Against the backdrop of the current social challenges, NORMA Group is committed to getting involved and playing an active role. The basis for promoting the civic involvement of employees was created with the NORMA Help Day, which was held for the first time in 2014 in Maintal. The program has spread internationally since 2015 to all NORMA Group sites, with employees' participation being voluntary. In recent years, more than 700 employees have regularly taken part in Help Day. Numerous non-governmental organizations (NGOs) benefited from the commitment of employees worldwide. Since the contributions or projects vary greatly from region to region, they are organized and implemented on a decentralized basis.

Due to the coronavirus protection measures, it was only possible to hold a Help Day at a few locations last year. For example, the sites in Brazil, Germany and Italy organized fundraising campaigns for local social organizations, the sites in Portugal and Sweden helped children's charities, employees at the site in Wuxi supported the local fire department, and employees in the Czech Republic did gardening and painting work at an animal shelter.

NORMA Group has received a lot of positive feedback from participants and external project partners. An evaluation carried out in 2019 in cooperation with the University of Mannheim also confirmed the positive effect. Thus, the NORMA Help Day has been a complete success for NORMA Group and all participants and will be continued in the coming years.

Donations and sponsoring at the locations

NORMA Group has long supported local non-governmental organizations through donations and sponsoring with a focus on social, charitable and cultural projects in the regions. The approach here is also decentralized, as the efficiency of the support measures depends on the regional framework conditions.

Staggered approval processes apply to all donation and sponsorship activities, depending on the amount made available. The basis for this is the "Schedule for internal approval authority." Donations to politicians, political parties and political organizations are expressly prohibited. Approval processes and reporting are also linked to NORMA Group's internationally applicable compliance management. → COMPLIANCE In the past year, expenses for sponsoring amounted to EUR 98 thousand, and expenses for donations totaled EUR 111 thousand. The Supervisory Board waived part of its remuneration for fiscal year 2019 in fiscal year 2020. This amount of EUR 25,000 was donated to the international aid organization PLAN International and is included in the total amount of donations.

Contribution to the fight against the COVID-19 crisis

In addition to initiatives to protect its employees, NORMA Group also took measures last year to help combat the effects of the COVID-19 crisis in society. One important initiative in this respect was the development of a face shield in spring 2020 to counteract the shortage of mouth and nose protections. The NORMA FACE SHIELD protects the wearer's eye area against droplets and splashes of liquids. Worn in addition to mouth and nose protection, it further reduces the risk of droplet infection. The development from the first prototype to the finished product was completed in only four weeks.

The face shield is licensed as personal protective equipment. It consists of an ergonomically shaped plastic frame and a film that is clamped into the frame. The polycarbonate film, which is impenetrable for liquids, provides very good viewing for the person wearing it.

In December 2020, the NORMA Group donated 500 of the face shields to the St. Vinzenz Hospital in Hanau.

Non-financial Report, GRI and UN Global Compact

Non-financial report

This CR Report serves to fulfill the legal requirements that have arisen for NORMA Group in accordance with Sec. 315b III HGB in connection with Secs. 289b to 289e HGB (German Commercial Code ("Handelsgesetzbuch"). The contents of the non-financial report can be found in the CR Report and in parts of the Management Report and are marked with a line next to the respective text. An overview of the compulsory components according to HGB can be found in the → TABLE T010: "CONTENT OF NON-FINANCIAL DISCLOSURE" References to disclosures outside the annual report constitute additional information and are as such not part of the non-financial report. The non-financial report has undergone an assurance engagement according to ISAE 3000 (Revised) with limited assurance. → ASSURANCE REPORT

After the implementation of the net method in the determination of reportable risks according to CSR-Richtlinien-Umsetzungsgesetz (CSR-RUG), NORMA Group is not aware of any reportable net risks that are very likely to have a materially adverse effect on reportable aspects. For a description of NORMA Group's risk management system, please refer to the → RISK AND OPPORTUNITY REPORT. The gross risks identified in the materiality analysis are briefly described in the subchapters of the CR Report.

Reportable relations to the amounts of the Consolidated Financial Statements have not been determined. The standards of the Global Reporting Initiative served as a framework for the preparation of the non-financial report.

Global Reporting Initiative (GRI) and UN Global Compact

The Corporate Responsibility Report in conjunction with other information from the Annual Report fulfills the Core option of the GRI Standards. This includes the implementation of the materiality analysis.

It also offers an orientation to GRI Standards within the non-financial report. Above all, the materiality analysis, the presentation of management approaches, and the key figures are oriented toward the specifications of the GRI Standards. The GRI Content Index can be found on NORMA Group's website WWW.NORMAGROUP.COM.

This report also serves as a Communication on Progress for the implementation of the ten principles of the UN Global Compact. References to the Global Compact principles have been integrated into the GRI Content Index.

Content of non-financial disclosure

T010

Mandatory information according to HGB	Reconciliation in report content / material topics	Page
Business model	Principles of the Group	70
	Environmental strategy and management systems	46
	Climate protection	48
	Water	51
	Resource efficiency and materials	52
Environmental issues	Responsible procurement	42
	Compliance	39
	Human rights	41
	Employee satisfaction	54
	Occupational health and safety	55
Labor issues	Training and development	56
Social issues	This aspect was found to be non-material in the materiality analysis.	See 34, 35
	Compliance	39
	Human rights	41
Respect for human rights	Responsible procurement	42
Combating corruption and bribery	Compliance	39
Presentation of risks		See corresponding subchapters
Correlations to the Consolidated Financial Statements	About this report	62

CR performance indicators

Governance / integrity

T011

Indicator	Unit	2020	2019	Change in %
Compliance management systems & compliance training				
Employees who were trained on compliance topics online	Number	2,091	1,233	69.6
Completed hours in compliance online training	Hours	3,432	3,278	4.7
Substantial fines for non-compliance with laws and regulations	EUR thousands	0	0	0
Human rights: elimination of discrimination				
Cases of discrimination determined by courts	Number	0	0	0
Human rights: freedom of association				
Violations of freedom of association determined by courts	Number	0	0	0
Percentage of permanent staff covered by collective bargaining agreements	%	52.7	46.3	n/a
Product quality and safety				
Manufacturing locations certified according to EN 9100	Number	27	26	3.8
Defective parts per million producted parts	ppm (parts per million)	5.1	6.1	– 16.4
Customer complaints	Average per month per entity	4.7	6.4	– 26.6
Sustainability in purchasing				
Purchasing turnover	EUR millions	404.1	490.3	– 17.6
Total production materials turnover	EUR millions	291.3	335.1	– 13.1
Share of preferred suppliers who have signed the Supplier Code of Conduct (SCoC)	%	100.0	100.0	n/a
Preferred production material suppliers [1]	Number	18	22	– 18.2
Share of preferred suppliers in production material purchasing spend	%	21.9	27.8	n/a
Share of suppliers in supplier scoring that participated in sustainability self-assessment	%	32.0	28.7	n/a

1_The information refers to the status prior to the update of the Supplier Code of Conducts. → SUSTAINABILITY IN PURCHASING Around 6% of preferred suppliers had signed the updated version as of December 31, 2020.

Environment

T011

Indicator	Unit	2020	2019 revised [1]	2019 reported [1]	Change in %
Eco-management systems					
Number of manufacturing locations certified according to ISO 14001	Number	26	n/a	26	0
Share of manufacturing locations certified according to ISO 14001	%	93.0	n/a	89.7	n/a
CO_2 Footprint					
Scope 1 emissions (from gas consumption [2])	tons CO_2e	5,417	5,794	5,754	– 6.5
Scope 2 emissions (from purchased electricity / heat, market-based [2])	tons CO_2e	44,396	48,700	45,620	– 8.8
Scope 1 and 2 emissions (from purchased electricity / heat, market-based [2])	tons CO_2e	49,813	54,494	51,374	– 8.6
Scope 1 and 2 emissions (from purchased electricity / heat, location-based [2])	tons CO_2e	52,327	57,987	54,868	– 9.8
Energy					
Absolute energy consumption	MWh	118,214	129,963	124,954	– 9.0
Gas	MWh	21,668	23,095	23,018	– 6.2
Electricity	MWh	96,123	106,303	101,435	– 9.6
District heating	MWh	424	565	501	– 25.0
Normalized energy consumption	kwh / EUR thousand of revenue	124.2	118.1	113.6	5.1
Gas	kwh / EUR thousand of revenue	22.8	21.0	20.9	8.4
Electricity & district heating	kwh /EUR thousand of revenue	101.4	97.1	92.7	4.4
Water in production processes					
Water consumption	m^3	147,425	172,491	165,155	– 14.5
Water consumption (normalized)	liter / EUR thousand of revenue	154.8	156.8	150.1	– 1.3
Resource efficiency					
Hazardous waste	tons	617	n/a	525	17.5
Non-hazardous waste	tons	10,429	n/a	9,181	13.6
Metallic waste	tons	6,376	n/a	6,280	1.5
Plastic waste	tons	1,067	n/a	617	72.9
Cardboard / paper waste	tons	730	n/a	750	– 2.6
Wood waste	tons	956	n/a	496	92.6
Other waste	tons	1,300	n/a	1,037	25.4

1_In 2020, the acquired entities Kimplas Piping Systems Ltd. and Statek Stanzereitechnik GmbH were integrated into NORMA Group's environmental reporting. In order to ensure comparability with previous years, historic energy and water consumption data was updated back to the time of acquisition. CO_2e emissions were re-calculated to the baseline year 2017 in accordance with the GHG Protocol (Chapter 5). Due to data availability, the waste data was not revised.
2_Market-based emissions in accordance with GHG Protocol Scope 2 Guidance, using supplier-specific data as well as IEA emission factors. Scope 2 emissions calculated using "location-based" method (calculated using exclusively IEA emissions factors).

Social

T011

Indicator	Unit	2020	2019	Change in %
Occupational health and safety				
Manufacturing locations certified according to OHSAS 18001	Number	20	20	0
Share of manufacturing locations certified according to OHSAS 18001 / ISO 45001	%	71.4	69.0	n / a
Accident rate	Accidents / 1,000 employees	4.2	4,3	– 1,1
Medical treatment rate	Treatment / 1,000 employees	25.1	29,1	– 13,5
Lost time incidents	Number	35.0	38	– 7,9
Medical treatments (non-notifiable accidents)	Number	210	258	– 18,6
Training and development				
Average training hours per employee	hours per employee	20.9	28,1	– 25,8
Employee satisfaction				
Attrition rate (voluntary)	%	9,6	n / a	n / a
Diversity and equality of opportunity				
Countries in which NORMA Group is currently represented	Number	25	25	0
Share of female employees in permanent staff	%	36,0	35,9	n / a
Women on the five-member (normally: six-member) Supervisory Board	Number	2	2	0
Social commitment				
Donations	EUR thousands	111	60	86,0
Sponsoring	EUR thousands	98	177	– 44,9

Assurance Report

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting

To NORMA Group SE, Maintal

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Norma Group SE, Maintal, (hereinafter the "Company") for the period from 1 January to 1 December 31, 2020 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement, we did not perform an audit on external sources of information or expert opinions referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from January 1 to December 31, 2020, has not been prepared in all material aspects in accordance with §§ 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst other things the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and relevant personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report

- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Verification of the implementation of central management requirements, processes and specifications for data collection with the help of virtual site visits at the following locations:
  - NORMA Germany GmbH, Maintal, Germany
  - NORMA Group Mexico S de RL de CV, Monterrey, Mexico
  - National Diversified Sales, Inc., Lindsay, USA
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from January 1 to December 31, 2020, has not been prepared in all material aspects in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed upon with the Company. The assurance engagement has been performed for purposes of the Company, and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt / Main, March 11, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke Wirtschaftsprüferin German public auditor	ppa. Claudia Niendorf-Senger Wirtschaftsprüferin German public auditor

CONSOLIDATED MANAGEMENT REPORT

MANAGEMENT REPORT

Principles of the Group

Business model

NORMA Group is an international market and technology leader in joining and fluid-handling technology. With its 28 production sites and numerous sales offices, the Group has a global network with which it supplies more than 10,000 customers in more than 100 countries. NORMA Group's product portfolio includes more than 40,000 high-quality joining products and solutions for numerous cross-industry applications. The focus is on innovative solutions for promising end markets with a focus on the areas of Water Management, Industry Applications, Mobility and New Energy. With its products and solutions, NORMA Group supports its customers and business partners in responding to global challenges such as climate change and the increasing scarcity of resources. High customer satisfaction forms the foundation of NORMA Group's continued success. The main factors here are the customized system solutions, the global availability of products in consistently high quality, delivery reliability and a strong brand image.

Organizational structure

Corporate legal structure

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

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

As of December 31, 2020, NORMA Group SE holds shares in 50 companies that belong to NORMA Group either directly or indirectly and are fully consolidated.

In fiscal year 2020, the following changes of the legal structure of the Group were made:

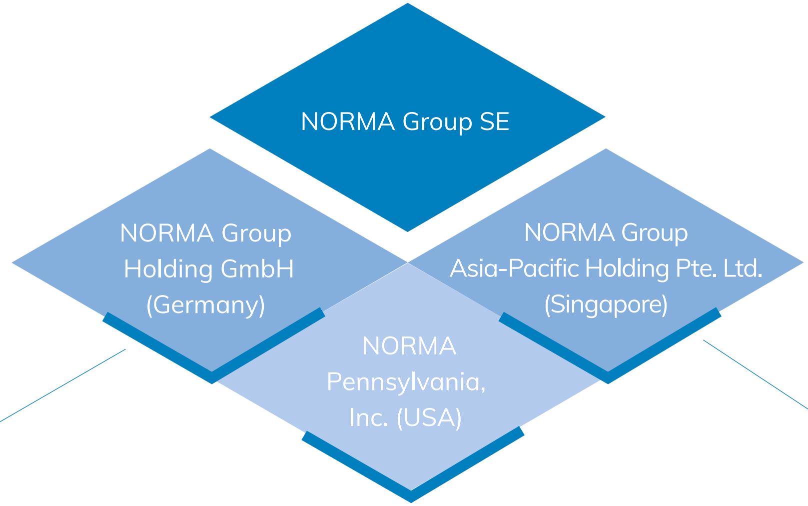
With effect from December 31, 2019, NORMA Germany GmbH acquired all assets of STATEK Stanzereitechnik GmbH. Therefore, as of January 1, 2020, all actions and transactions of STATEK Stanzereitechnik GmbH are deemed to be for the account of NORMA Germany GmbH.

In addition, NORMA Group acquired the remaining 20 percent of the shares in the Chinese subsidiary Fengfan Fastener (Shaoxing) Co., Ltd. at the end of August 2020 and thus now holds all shares in the company. → NOTES

Since the end of December 2020, the US holding company, NORMA Pennsylvania, Inc., has held all shares (100%) in the Brazilian group company NORMA do Brasil Sistemas de Conexão Ltda. The US subsidiary of NORMA Group SE, NORMA Michigan, Inc., had previously held minority shares (1.82%) in NORMA do Brasil Sistemas de Conexão Ltda.

NORMA Group (simplified structure) [1]

G021



NORMA Germany	NORMA Serbia	NORMA Distribution Germany	NORMA Polska
NORMA Group DS Polska	Groen BV (NL)	NORMA Czech	NORMA Italy
NORMA Turkey	NORMA France	NORMA Distribution Center	NORMA Spain
NORMA Sweden	NORMA UK	Connectors Verbindungs-technik AG	NORMA Russia
NORMA China [2]	NORMA Autoline France	Lifial (Portugal)	Kimplas (UK)

Craig Assembly (USA)	NORMA Michigan (USA)
R. G. Ray (USA)	NORMA Group Mexico
National Diversified Sales (USA)	NORMA DS Mexico
NORMA Brazil	NORMA Manufacturing (USA)

NORMA EJT (Wuxi, China)	NORMA Thailand	NORMA Australia	NORMA EJT (China)
Fengfan (China)	NORMA Products Malaysia	NORMA Korea	NORMA India
NORMA Japan	Kimplas (India)		

1_The graph gives an overview of the operating companies of NORMA Group. The company names correspond to the internally used company names. A complete list of the Group companies and NORMA Group's shareholdings as of December 31, 2020, can be found in the → NOTES.
2_NORMA China is organizationally assigned to the Asia-Pacific segment. In terms of company law, it belongs to NORMA Group Holding GmbH.

Group Management

NORMA Group SE has a dual management system that consists of a Management Board and a Supervisory Board. The Management Board manages the company under its own responsibility, while the Supervisory Board advises and monitors the Management Board. In fiscal year 2020, the following personnel changes took place in the Management and Supervisory Board:

Annette Stieve has been appointed CFO with effect from October 1, 2020. She succeeded Dr. Michael Schneider as CFO, who joined NORMA Group as CFO in 2015 and was appointed Chairman of the Management Board in November 2019.

In accordance with the Articles of Association, the Supervisory Board of NORMA Group SE consists of six independent members elected by the shareholders at the Annual General Meeting. Günter Hauptmann has served as Chairman of the Supervisory Board since September 1, 2020, after Lars Berg resigned from his position for health reasons effective August 31, 2020. Miguel Ángel López Borrego could be recruited for the vacant position on the Supervisory Board. The application for the court appointment of Mr. López to the Supervisory Board of NORMA Group was filed on March 3, 2021. The appointment decision by the court is expected soon. Mr. López will stand for election by the shareholders at the upcoming Annual General Meeting on May 20, 2021.

Detailed information on the composition of the Management Board and the Supervisory Board, as well as the distribution of responsibilities among themselves, can be found in the Corporate Governance Report, which forms part of the Annual Report. The Statement of Corporate Governance pursuant to Section 289f HGB and Section 315b para. 3, including the Declaration of Conformity pursuant to Section 161 AktG, a description of the procedures of the Management Board and the Supervisory Board, relevant information on corporate governance practices and a declaration regarding the concept of diversity to be disclosed under the CSR Directive Implementation Act are also part of the Corporate Governance Report. → CORPORATE GOVERNANCE REPORT
Detailed information on the development of the non-financial indicators can be found in the → CR REPORT, which is part of the Annual Report.

Operative segmentation by regions

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

Products and end markets

Two complementary distribution channels

NORMA Group supplies its customers via two different sales channels,

Engineered Joining Technology – EJT: directly to OEMs
and
Standardized Joining Technology – SJT (until 2019: Distribution Services (DS): via retailers and sales representatives.

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

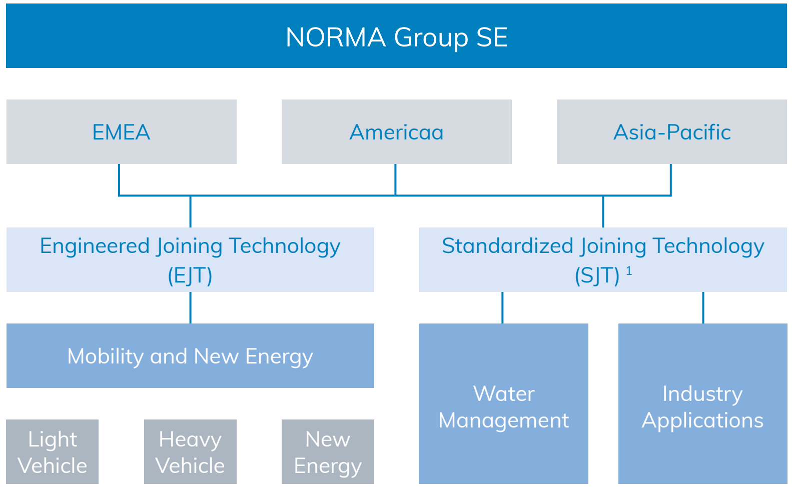
The area of EJT includes sophisticated, individually customized joining technology and is particularly characterized by close development partnerships with OEMs (original equipment manufacturers). NORMA Group's central development departments and resident engineers work together with the customer on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

The EJT business area includes the strategic business units Mobility and New Energy. The Mobility business unit can in turn be divided into the two end markets Light Vehicles (passenger cars) and Heavy Vehicles (commercial vehicles and construction machinery). The New Energies business unit brings together numerous applications for the sustainable energy industry, for example solutions in the field of electromobility and renewable energies. These SBUs were newly introduced at the end of fiscal year 2020 and are designed to ensure an optimized focus on the respective end markets and customers with their specific requirements in future.

Via its Standardized Joining Technology (SJT) [until 2019: Distribution Services (DS)], which consists of the two strategic business areas Water Management and Industry Applications, NORMA Group markets a broad range of high-quality, standardized brand products. This also includes various products for stormwater management, irrigation and water infrastructure solutions. In addition to its own global distribution network, the Company also relies on multipliers such as sales representatives, retailers and importers. Its customers include, among others, distributors, specialized wholesalers, OEM customers in the aftermarket segment, do-it-yourself stores and applications in smaller industries. The brands ABA®, Breeze®, Clamp-All®, FISH®, Gemi®, Kimplas® NDS®, NORMA®, Raindrip®, R.G.RAY®, Serflex®, TORCA® and TRUSTLENE® shall represent technological expertise, high quality and reliability and meet the technical standards of the countries in which they are sold.

By combining expertise in the development of customized solutions for original equipment manufacturers (OEMs) in the field of EJT and the provision of high-quality standardized branded products via a global distribution network (SJT), NORMA Group is able to realize not only cross-selling effects but also numerous synergies in purchasing, production, logistics and distribution. The company also benefits from significant economies of scale and scope thanks to the diversity and high volumes of its product offerings, a clear distinction from its smaller, generally more specialized competitors.

Organizational structure of NORMA Group G022



1_The business area of Distribution Services (DS) was renamed to Standardized Joining Technology (SJT) in the context of internal structural changes.

Product portfolio

NORMA Group's products can basically be divided into three product categories across all business segments based on the technology used in the manufacturing process: **Fluid** (fluid systems and connectors), **Fasten** (metallic fastening clamps and joining elements) and **Water** (applications in the field of water management).

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

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

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

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

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

Market and competitive environment

With its products, NORMA Group provides solutions for numerous industrial applications. Thanks to the unique combination of expertise in both metal and plastics processing and the broad diversification of its product portfolio, NORMA Group can offer its customers a wide range of solutions to different problems from a single source and thus distinguishes itself from its competitors who mainly specialize in individual product segments.

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

In response to the structural changes in the automotive industry, NORMA Group's traditional core business, that have been emerging for a number of years, the company positioned itself in the field of electromobility several years ago and is closely monitoring current developments and trends in order to be able to benefit from any positive developments. Meanwhile, NORMA Group has a broad product portfolio with customized products and system solutions for applications in electric and hybrid vehicles that it produces for the most part in its existing production facilities and on the same equipment on which it also manufactures the traditional products for gasoline and diesel vehicles. Besides cooling systems for cars, trucks and charging infrastructure, these also include solutions for battery thermal management and media-carrying systems, fasteners and connectors for hydrogen vehicles.

In the much more standardized sales channel of Standardized Joining Technology (SJT), NORMA Group operates in mass markets and competes primarily with providers of similar standardized products. It differentiates itself from them particularly through its strong brands that are the result of a deliberate brand policy that focuses on the regional needs of its customers. In addition, customers appreciate the high quality of service. NORMA Group offers its trade customers a complete range of products.

Strategy and goals

Increase in value

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

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

Profitable growth
NORMA Group's primary objective is to increase the value of the company. In each region, the focus is therefore on the ongoing profitable expansion of business activities. Through the continuous expansion of application solutions at existing customers and the identification and acquisition of new customers, business activities are expanded, and the international presence increasingly strengthened. The core of NORMA Group's growth strategy is the selective addition to the product portfolio, the expansion of the regional presence and the expansion of the market position in the focused end markets of water management, industry applications, mobility and new energy. In identifying its business areas, NORMA Group focuses on markets with attractive margins, sophisticated products, strongly growing sales potential as well as a fragmented competitive structure. Global megatrends such as climate change are increasing the need for low-emission technologies. The increasing scarcity of resources offers NORMA Group attractive growth potential, especially for its water business.

Selective product portfolio
The technological requirements placed on the end products of NORMA Group customers are constantly changing. Increasing environmental awareness, scarcity of resources and growing cost pressures play a major role in almost every sector of industry. Furthermore, the automotive and commercial vehicle industries, in particular, are subject to stricter emission regulations and special requirements for the materials used. This is also accompanied by increasing technological change, away from conventional combustion engines towards alternative powertrain techniques such as hybrid, electromobility and hydrogen. → LEGAL AND REGULATORY INFLUENCING ASPECTS. These circumstances form the starting point for the development of new products. NORMA Group focuses on value-enhancing solutions that support its customers in reducing emissions, leaks, weight, space and assembly time. A major focus here is also on the area of thermal management for vehicles. → RESEARCH AND DEVELOPMENT. With its strategic business field Water Management and the extensive product portfolio for applications in landscape irrigation, storm water management and infrastructure solutions in the water sector, NORMA Group supports its customers in optimizing the use of scarce resources. Innovations play an important role in meeting the increasing customer demands that accompany each new production cycle. This is why NORMA Group's more than 300 engineers and developers are constantly working on developing new products and optimizing the currently used processes and systems.

In order to sustainably strengthen its innovative power, the Group plans to spend around 3% of its sales in research and development activities each year. R&D expenditure mainly relates to developments in Engineered Joining Technology (EJT) and accounts for around 5% of EJT sales. Nevertheless, as the water management sector becomes increasingly relevant and a strategic focus, R&D activities are also being stepped up in this area. For this reason, NORMA Group includes these activities in the calculation of R&D expenses from the 2020 reporting year onwards and uses total sales as a reference value to determine the R&D ratio. → RESEARCH AND DEVELOPMENT

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

Strategic and regional growth initiatives

In order to achieve the goals anchored in its Strategy 2025, NORMA Group is driving specific initiatives in the various regions and strategic business fields. These include, in particular, the concerted expansion of the water business in all regions. The activities that are already underway in the area of water management in the Americas are to be strengthened by further expanding the online and e-commerce channels. The focus is also on expanding the water business in the Asia-Pacific and Europe regions. This will involve using current structures to further advance the water business in the Asia-Pacific region. In the EMEA region, acquisitions in this area are also a possibility.

In the area of general industry applications, the focus is on active portfolio management and a targeted brand strategy. E-commerce initiatives, particularly in the EMEA region, are also to be strengthened in this field of business. By localizing production even further, selectively expanding the product range and focusing on fast-growing markets, the industrial business in Asia-Pacific is to be further expanded and at the same time made to be more profitable.

NORMA Group also intends to further expand its activities in the mobility and new energies sectors globally. Here, the company will focus on strategic and profitable applications. At the same time, NORMA Group will seek to defend its primary market position in all regions by constantly improving its cost structures.

Goals regarding finance and liquidity management

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

I. Ensuring solvency at all times

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

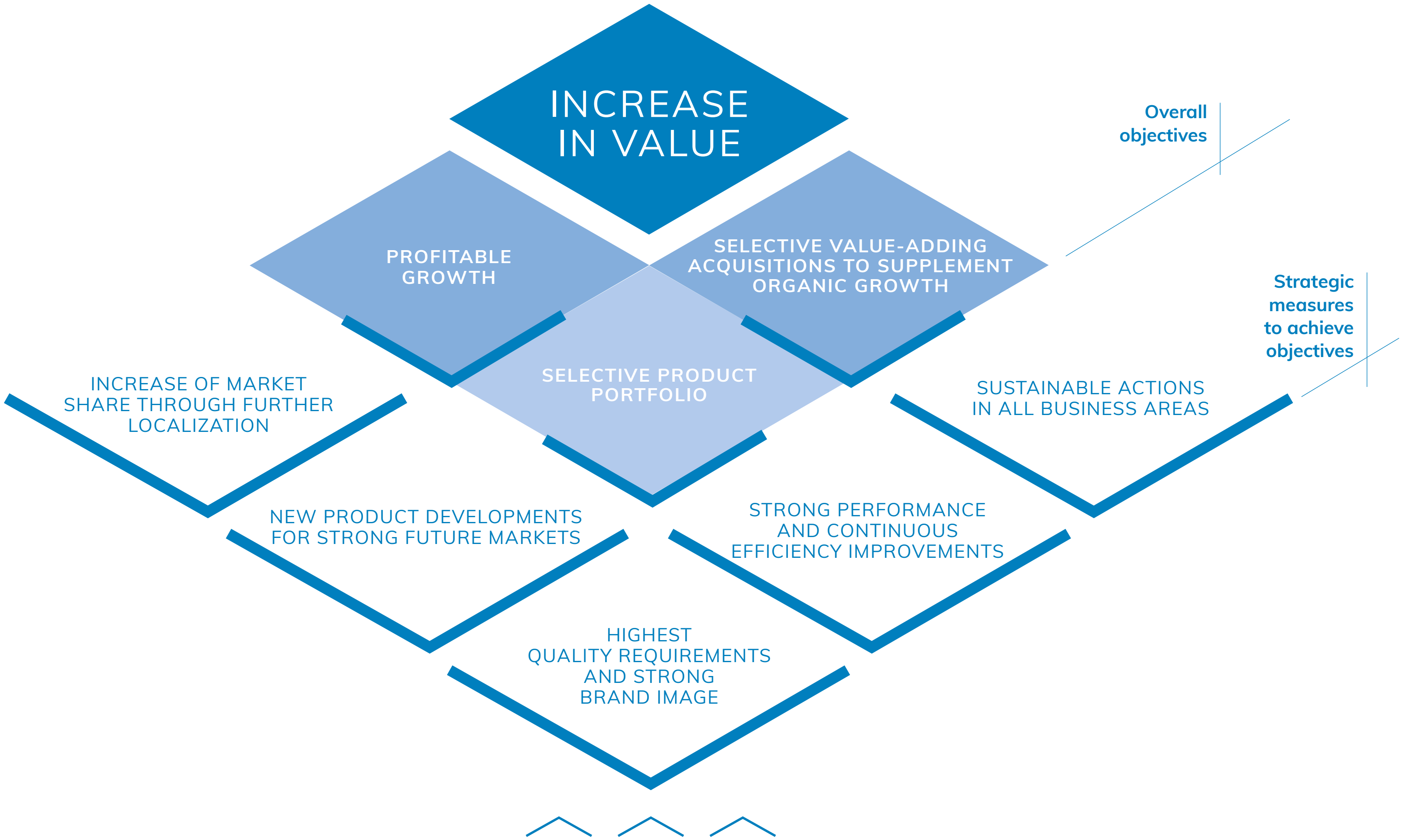
Rolling, regular, currency-differentiated liquidity planning for all major Group companies, which is analyzed and aggregated by the centrally organized Group Treasury, forms the main strategic cornerstone of NORMA Group's financial management. This was also an essential tool for measuring and managing liquidity risk during the COVID-19 pandemic.

Financing flexibility is ensured by maintaining the appropriate credit lines. These are negotiated loan commitments that can be utilized within a very short period of time and thus can compensate for liquidity peaks. NORMA Group has a revolving credit line within its syndicated bank loan. This credit line can be drawn in various currencies and maturities up to an amount of EUR 50 million. In addition, NORMA Group negotiated a liquidity line for another EUR 80 million in the course of the COVID-19 pandemic in June 2020, which, however, did not need to be drawn in 2020. NORMA Group uses asset-backed security (ABS), factoring and reverse factoring programs to manage liquidity, optimize working capital and improve the predictability of cash flows.

The financing measures undertaken in fiscal year 2020 are described in detail in the explanatory notes to the financial position. → FINANCIAL POSITION

Strategic goals of NORMA Group G023

MARKET LEADER FOR JOINING AND FLUID-HANDLING TECHNOLOGY FOR EXISTING AND FUTURE MARKETS



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

II. Limiting financial risks

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

To limit interest rate risks, NORMA Group's objective is to devise a relatively high proportion of financing measures in such a way that they are subject to interest rates on a fixed interest basis or use interest rate swaps. On December 31, 2020, around 49% (2019: 41%) of all debt instruments had variable interest rates and were not hedged by interest rate swaps. In addition, existing risk positions are monitored regularly by Group Treasury and assessed for their risk-bearing capacity. Group Treasury initiates appropriate countermeasures if the defined risk parameters are exceeded.

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

III. Optimizing the Group's internal liquidity

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

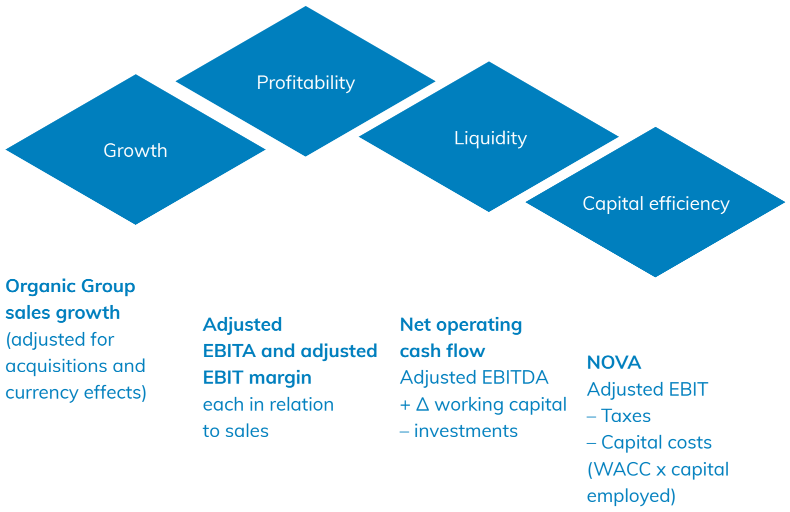
Control system and control parameters

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

Important financial control parameters

NORMA Group's most important financial performance indicators include the following value- and growth-oriented key figures, which have a direct impact on NORMA Group's value creation: organic Group sales growth, adjusted EBITA and adjusted EBIT as well as net operating cash flow. These key figures lead to the NORMA Value Added (NOVA) as the primary strategic performance indicator. NORMA Group uses these key figures to continuously monitor growth, profitability, liquidity and capital efficiency.

Important financial control parameters G024



Organic sales growth

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

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

Operating earnings figures

Adjusted EBITA (EBITA before special items) is an important internal and external control figure with regard to ongoing operating activities and is the basis for incentivizing NORMA Group's workforce. The adjusted EBITA margin, which shows adjusted EBITA in relation to sales, provides information on the profitability of the business activities. In order to maintain the adjusted EBITA margin and thus profitability at a high level, NORMA Group works continuously on optimizing its corporate processes and structures and focuses on reducing key cost factors.

Adjusted EBIT forms the basis for the remuneration of the Management Board under the fundamentally revised and restructured Management Board contracts effective January 1, 2020, and was therefore newly included in the control system in the 2020 fiscal year. From 2021 on, only adjusted EBIT and adjusted EBIT margin will serve as key earnings and profitability indicators. The incentive bases in the workforce contracts will be changed to these target figures in 2021 in line with the Management Board contracts.

For long-term comparison and for a better understanding of the business development, NORMA Group adjusts the operating result for certain expenses. In a departure from previous years, since the 2020 financial year, only those expenses that are related to the acquisition of subsidiaries are adjusted.
→ ADJUSTMENTS

Net operating cash flow

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

NORMA Value Added (NOVA)

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

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

NORMA Value Added (NOVA) T012

	2020	2019 [1]
Adjusted EBIT (in EUR million) [2]	45.3	135.0
Group tax rate (in %)	20.3	27.1
Taxes (in EUR million)	9.2	36.7
Adjusted EBIT after taxes (in EUR million) [2]	**36.1**	**98.4**
– WACC [3] x capital employed (in EUR million)	82,4	81.1
NOVA (in EUR million)	**– 46,4**	**17.3**

1_The values considered for the calculation of NOVA for fiscal year 2019 were shown without the effects of IFRS 16 as these were relevant for the management remuneration.
2_2020: adjusted by expenses related to acquisitions; 2019: adjusted by expenses related to acquisitions and expenses related to the Rightsizing program.
3_Weighted Average Cost of Capital.

Capital employed as of beginning of the year (Jan 1) T013

	2020	2019
Equity (in EUR million)	629.5	602.4
Net debt (in EUR million)	420.8	400.3
Capital employed (in EUR million)	**1,050.3**	**1,002.8**

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

Assumptions for the calculation of WACC (in %) T014

	2020	2019
Risk-free interest rate	– 0.20	0.20
Market risk premium	7.50	7.50
Beta factor of NORMA Group	1.27	1.33
Cost of equity rate	10.23	11.01
Borrowing cost rate after taxes	1.78	1.79
WACC after taxes	**7.85**	**8.09**

The base interest rate is derived from the interest rate structure data of Deutsche Bundesbank (three-month average: October 1 to December 31, 2020). The market risk premium represents the difference between the expected return of a risky market portfolio and the risk-free interest rate. NORMA Group uses the recommendation of the Institut der Wirtschaftsprüfer (IDW) to determine this risk premium. The beta factor represents the individual risk of a share compared to a market index. It is first determined as the average value of the unindebted beta factors of the peer group and then adjusted to NORMA Group's individual capital structure. The cost of equity is calculated by adding the risk-free interest rate and the weighted country risk of NORMA Group with the product of the market risk premium and the indebted beta factor of the peer group. The credit spread used to calculate the cost of debt was determined on the basis of the terms of the current external financing of NORMA Group. Invested capital is calculated from consolidated equity plus net financial liabilities as of January 1 of the fiscal year.

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

Important non-financial control parameters

The most important non-financial control parameters for NORMA Group include CO_2 emissions, the Group's power of innovation, the problem-solving behavior of its employees and the sustainable overall development of NORMA Group as a whole.

CO_2 emissions

Compliance with applicable environmental protection requirements and the avoidance of environmental risks have a high priority for NORMA Group. The company is guided by international standards and guidelines in this regard. Climate-relevant CO_2 emissions are a significant non-financial performance indicator in the area of the environment that has also been part of the Management Board's remuneration system since January 2020. NORMA Group records the greenhouse gas emissions of all production sites resulting from gas consumption (Scope 1) and the purchase of electricity and district heating (Scope 2) and strives to continuously reduce these CO_2 emissions. For its own production processes, NORMA Group has set itself the target of reducing emissions by around 19.5% by 2024 (reference year 2017). This target is based, among other things, on calculations of the Science-Based Targets Initiative. → PROTECTION OF CLIMATE

Invention applications

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

Quality figure

NORMA Group strives for high reliability and service quality. The reputation of its brands and reliability of its products are key factors in the company's success. In developing and manufacturing products, the Group therefore relies on high quality standards. In order to minimize production losses and maximize customer satisfaction, NORMA Group measures and manages the problem solving behavior of its employees by tracking the number of defective parts per million of manufactured parts (parts per million / PPM). This metric is collected and aggregated at the Group level on a monthly basis. → QUALITY MANAGEMENT

Other non-financial performance indicators

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

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

Financial control parameters T015

	2020	2019	2018	2017	2016
Group sales (EUR million)	952.2	1,100.1	1,084.1	1,017.1	894.9
Adjusted EBITA [1] (EUR million)	54.6	144.8	173.2	174.5	157.5
Adjusted EBITA margin [1] (%)	5.7	13.2	16.0	17.2	17.6
Adjusted EBIT [1,2] (EUR million)	45.3	136,1	164.5	166.0	147.7
Adjusted EBIT margin [1,2] (%)	4.8	12,4	15.2	16.3	16.5
Net operating cash flow (EUR million)	78.3	122,9	124.4	132.9	148.5
NORMA Value Added (EUR million)	– 46.4	17,3	60.8	54.9	53.1

1_2020: adjusted by expenses related to acquisitions, 2019: adjusted by expenses related to acquisitions and expenses related to the Rightsizing program. Adjustments for previous years are described in the corresponding Annual Reports.
2_ Adjusted EBIT forms the basis for the remuneration of the Management Board under the fundamentally revised Management Board contracts effective January 1, 2020, and was consequently newly included in the control system in 2020.

Non-financial control parameters T016

	2020	2019	2018	2017	2016
Number of invention applications [1]	22	22	32	33	n / a
CO_2 emissions [2] (tons CO_2 equivalents)	49,813	54,494 [3,4]	53,727 [3,4]	55,166 [3,4]	n / a
Parts per million (ppm)	5.1	6.1	7.1	16.1	32.0

1_The number of invention applications has served as a key control parameter for measuring the Group's innovative ability since 2016, replacing the number of patent applications, a figure that had lost significance in light of changes in the patent strategy.
2_Greenhouse gas emissions of all production sites resulting from gas consumption (scope 1) and the purchase of electricity and district heating (scope 2). Since 2020, CO_2 emissions have been a target for determining part of the long-term remuneration for the Management Board. and were thus newly included in the control system in fiscal year 2020.
3_Recalculated data due to the integration of the acquired companies Kimplas and Statek into the environmental reporting in fiscal year 2020. For the calculation, refer to Greenhouse Gas Protocol, chapter 5.
4_The figures of 2019 and before were audited with limited assurance.

Research and Development

NORMA Group's research and development activities are aimed at identifying technological trends at an early stage and addressing them in a targeted manner. The focus is always on opening up new markets, gaining new customers and developing new products and system solutions. Newly introduced technologies are assessed according to the extent to which they help to optimize existing processes, minimize the use of materials or improve the functionalities of end products. The research focus is on finding solutions for the global challenges of the respective end markets. In addition to water management and electromobility, these include, for example, topics such as digitalization and stationary battery storage systems. By focusing on the megatrends relevant to its customers, which are reflected in particular in increasing environmental awareness and the economical use of resources, NORMA Group is able to initiate technology developments at an early stage.

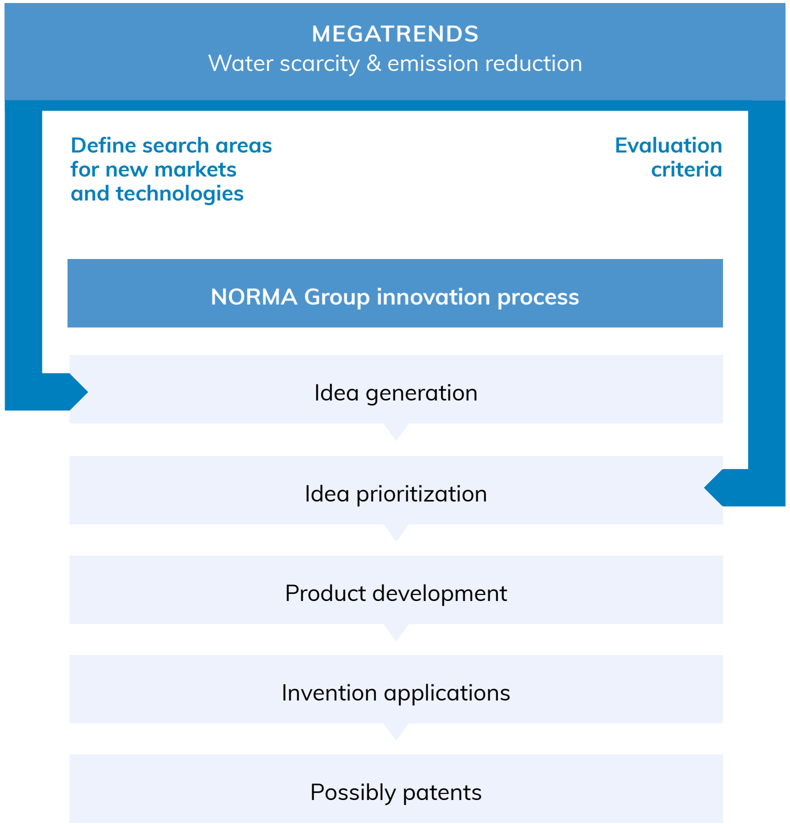
In order to better meet the constantly changing market requirements and increase agility, the R&D department was converted over to the new organizational structure implemented in the previous year in July 2020. The division into the three product categories Fasten, Fluid and Water and the cross-regional cooperation of the respective teams will result in an even better dovetailing of development activities and thus an effective focus on the specific requirements of the individual application areas.

Focus on innovations

The focus of NORMA Group's research and development activities is on strengthening the company's innovative strength. The focus is therefore on the early identification of new technological trends and the systematic planning and implementation of product developments. Observing the relevant end markets and bundling the knowledge gained and integrating it into the internal innovation management process are the tasks of the so-called Foresight Manager. In the 2020 fiscal year, for example, Foresight Management looked at various concepts in the field of vertical farming. This showed that a large number of existing products from the company's portfolio can already be offered in this end market, which is new for NORMA Group, in line with market requirements.

NORMA Group also uses new methods and innovation management processes. One such example is what is called "innovation roadmapping," in which long-term roadmaps for the development of new technologies are

The role of climate change and water scarcity in the innovation process G025



drawn up. The effects of the megatrends identified, including water scarcity and emission reduction, on relevant markets and the resulting requirements for potential new products can thus be taken into account at an early stage.

In fiscal year 2020, NORMA Group realigned the concept of the Innovation Councils. Innovation Councils identify future topics and drive their implementation. For this purpose, all topics and new ideas are first collected, evaluated and then prioritized in a ranking. To ensure strategic alignment with the megatrends here as well, these are incorporated into the evaluation of the ideas: The significance for dealing with water scarcity or electromobility is a key criterion here. This resulted in the identification of new future topics, for example in the field of water irrigation as well as within electromobility and digitalization.

Comprehensive simulation and testing of new technologies

The technologies based on the megatrends flow directly into the development and design of new products. In addition to the usual requirements, such as sealability and impermeability as well as temperature resistance, sustainability criteria such as optimal flow behavior of liquids or the lighter weight of the materials used are also being taken into account. The latter can contribute significantly to emission and cost reductions, especially in the automotive sector.

In order to optimize the properties just mentioned and to improve the durability of its products, NORMA Group uses computer simulations, among other techniques. Besides these theoretical-technical analyses, the prototypes are subjected to extensive physical tests. The test procedures are used in order to be able to ensure consistent performance over the entire service life of the product. The exact design of the testing varies greatly, as it is adapted to individual customer and market requirements.

Strategic cooperation with customers and research institutions

In the area of EJT, when developing new products, NORMA Group works closely with its end customers as well as research and development institutes, suppliers and other external partners. This allows for customer requirements to be addressed directly and taken into account as early as the development stage of new products and technologies. This also ensures rapid marketing. The details of these research collaborations are not published for competitive reasons.

In the SJT area, which is rather a pure trading segment, such technological research services are demanded by the market only to a limited extent. In this area, the requirements of NORMA Group's customers focus more on a strong brand image, availability of products at all times and a largely complete product range. Therefore, the focus in the SJT area is on the meaningful supplementation of the product range and targeted marketing measures.
→ MARKETING

Development focuses in 2020

R&D activities in fiscal year 2020 were again dominated by the three major trend topics of water management, electromobility and digitalization.

In the field of electromobility, thermal management of batteries continues to be a key topic. For this purpose, NORMA Group is developing special fluid systems that ensure uniform temperature distribution in the battery and maintain the optimal operating state of the cells. As these fluid systems sometimes have to accommodate very complex and space-saving geometries, the development focus in 2020 was on optimizing the shaping of the line components with reduced manufacturing tolerances. In addition, the R&D department continues to work on concepts for the development of what are called intelligent fluid systems, which are capable of automatically and wirelessly recording, evaluating and communicating assembly conditions and operating parameters.

NORMA Group has also been active in the field of fuel cells since 2018 and is already supplying line systems for a fuel cell vehicle in series production to a customer.

Against the backdrop of the COVID-19 pandemic and the bottleneck in the supply of face coverings, an international team led by the R&D department designed and developed a face shield within only a few weeks and brought it to market maturity in this short time. With this development activity, NORMA Group was able to provide important support to alleviate the acute shortage of face coverings in the first half of 2020.

Expertise protected by patents

The company's unique expertise in the field of joining technology is a key factor in NORMA Group's success. For this reason, the Group protects its innovations through patents. As of December 31, 2020, 985 patents and utility models were held (2019: 1,094). The decrease results from a consolidation of the patent portfolio carried out as part of the „Get on track“ program. The numbers of internal invention disclosures (2020: 22; 2019: 22) and newly filed patent applications (2020: 43; 2019: 46) remained almost unchanged compared to the previous year.

R&D expenses

Due to the increasing strategic importance of the area of water management, NORMA Group takes the increasing R&D activities in this area into account since fiscal year 2020 when determining the total expenses in the area of R&D and sets them in relation to total sales. R&D expenses amounted to EUR 29.0 million in 2020 (2019: EUR 31.2 million, excluding water management), which equates to around 5.1% of EJT sales (2019: 4.7% of EJT sales) and 3.1% of total sales. The capitalization ratio, i.e. the share of own work capitalized in R&D expenses, amounted to 10.3% (2019: 9.0%) in the current reporting year.

Employees in R&D

As of December 31, 2020, the Group employed 340 people (2019: 345) in research and development worldwide. This represents around 5.1% of the core workforce.

R&D Key Figures T017

	2020	2019	2018	2017	2016
Number of R&D employees	340	345	365	344	305
R&D employee ratio (% of permanent staff)	5.1	5.3	5.3	5.6	5.6
R&D expenses[1] (EUR million)	29.0	31.2	30.5	29.4	28.8
R&D ratio[1] (% of sales)	3.1	4.7	4.5	4.6	5.4
Number of invention applications[2]	22	22	32	33	n/a

1_Up to and including 2019, only R&D expenditures in the EJT area were documented and reported. The R&D ratio resulted from the ratio to EJT sales. With the increasing strategic relevance of water management at NORMA Group, R&D expenses in this area have also been recorded since 2020 and put in relation to total sales. The R&D ratio excluding NDS in relation to EJT-sales was 5.1%.
2_The number of invention applications has served as a key control parameter for measuring the Group's innovative ability since mid-2016, replacing the number of patent applications, a figure that had lost significance in light of changes in the patent strategy. Since the number of invention applications was recorded for the first time for fiscal year 2017, there are no comparative figures for the previous years.

Economic Report

External factors of influence

Economic factors

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

COVID-19 pandemic plunges global economy into a deep recession in 2020

In 2020, the global economy was hit extremely hard by the unexpectedly rapid spread of the coronavirus and the resulting restrictions imposed in an attempt to contain the pandemic. The lockdowns led to temporary shutdowns in industry, and consumer-related sectors were restricted, in some cases permanently. These conditions plunged many countries worldwide into a deep recession in the first half of 2020. Fiscal stabilization packages were launched on a broad scale to counter the severe burdens on the economy and the population. Monetary policy also remained very expansionary throughout the year. In this environment, the global economy shrank by 3.5% in 2020 according to the International Monetary Fund (IMF) (2019: +2.8%). This means the economy did not slump as deeply as feared during the year, mainly due to the pickup in industrial activity towards the middle of the year.

With the outbreak of the virus in China at the end of 2019, the pressure on the economy there came to bear earlier than in other countries. Nevertheless, the deep economic slump in the first quarter of 2020 was quickly countered by implementing government measures. With the subsequent revival, Chinese industrial production grew by 2.8% in 2020. The production of automobiles, machinery and electronic machinery and equipment increased disproportionately strongly. Overall, the gross domestic product in China grew robustly by 2.3% in 2020. By contrast, the economy in Southeast Asia (ASEAN-5) contracted by 3.7%. Brazil (– 4.5%) and Russia (– 3.6%) slid into recession once again. India's economy also slumped significantly by posting an 8% decline. Overall, the developing and emerging nations contracted by 2.4% according to the IMF, although an even deeper slump was avoided by growth in China.

The United States was hit harder by the coronavirus and its spread last year than many other industrialized countries. The gross domestic product slumped by 3.5%, with both private consumption and investment activity weak. US industrial production decreased by 7.0%. Average capacity utilization for the year fell by 59 basis points to 71.9%. While production in the automotive sector in particular came under massive pressure in the past fiscal year, high-tech industries and construction suppliers in particular recovered quickly from the slump in the spring.

GDP growth rates (real) in % T018

	2020	2019	2018
World [1]	– 3.5	2.8	3.5
USA [2]	– 3.5	2.2	3.0
China [3]	2.3	6.1	6.7
Euro zone [4]	– 6.8	1.3	1.9
Germany [5]	– 5.0	0.6	1.5

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

Massive economic slump in the euro zone mitigated by stabilization pacts and revival in the summer of 2020

In the wake of the sudden global economic slump and the drastic restrictions imposed during the first lockdowns, the economy in the euro zone experienced a significant slump in the spring of 2020. Exports, investment activity and private consumption all collapsed at the same time. Many government support packages were launched to stabilize the situation. Furthermore, the European Central Bank launched an emergency coronavirus bond-buying program worth EUR 1.85 trillion. As a result, although industry recovered slightly from the middle of the year on, consumer sectors remained under pressure throughout the year. While France, Italy, Spain, Portugal and Greece fell into a deep recession, the economic losses in the Netherlands, Ireland, Finland and the Baltic states were comparatively low. Overall, economic development in the euro zone followed a negative trend in all countries in 2020, as a result of which the euro zone economy contracted by a total of 6.8% in 2020 (2019: +1.3%), according to the statistical office Eurostat.

In this environment and as a result of the temporary production stoppages during the first lockdown, industrial production in the euro zone continued to decline in 2020, with massive losses in the period from March to May followed by a low point in the month of April (– 41%). For capital goods, the decline in April 2020 was around 41%, and for durable goods, the decrease was around 50%. Despite global demand stimulus during the summer, industrial production output remained down from the previous year. Capacity utilization slumped by up to 158 basis points to 66.8% in the second quarter of 2020. It stood at 78.1% in the final quarter of 2020 (Q4 2019: 81.2%).

Germany: Construction, industry and policymakers provided support during the recession

Germany was also hit very hard by the pandemic and restrictive economic constraints in 2020. Private consumption (– 6.0%) contracted significantly throughout the year, for example. Burdened by the downturn in the global economy, exports fell even more sharply (– 9.9%) despite the slight upturn in the summer. In addition, the investment activities of companies remained very restrained. Investment in machinery and equipment fell by 12.5%, for instance. Construction activity continued to be an important pillar of the economy. In addition, policymakers helped contain the burden on citizens and stabilized the economy by providing massive monetary aid. This also included special rules on short-time working and insolvency. According to the Federal Statistical Office (Destatis), the German economy contracted by around 5.0% in 2020 (2019: + 0.6%).

German industry came under further significant pressure in 2020 following the already weak previous year. In some cases, supply chains were disrupted and production sites were shut down temporarily during the lockdown. In the period from March to August 2020, industrial production was down by double digits year-on-year on a monthly basis, with a clear low point in April (– 29.3%). Starting from this low base, German industry then regained some of its momentum, with capacity utilization averaging 80.8% at the end of December 2020 according to Eurostat (Q4 2019: 82.7%).

Currency rate effects

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

In fiscal year 2020, NORMA Group generated around 25% of its sales in US dollars. The development of the US dollar against the euro resulted in a negative sales effect in fiscal year 2020. Furthermore, changes in the exchange rates of the following currencies had a negative effect on sales development: British pound, Polish zloty, Turkish lira, Indian rupee, Chinese renminbi, Malaysian ringgit, Thai baht and Russian rubel.

Industry-specific factors

Mechanical engineering in recession in nearly all areas again in 2020, sharp decline in Germany

In the wake of the COVID-19 pandemic, the mechanical engineering industry had to scale back its production worldwide with only a few exceptions. There were drastic slumps in April and May, in particular, from which the industry was able to recover to some extent in the further course of the year. Nevertheless, capacity utilization and output failed to reach pre-crisis levels. Contrary to the generally negative trend, individual segments, including construction machinery, for example, benefited from sustained buoyant demand. According to estimates by the VDMA industry association, global machinery sales slumped by around 6% in real terms in 2020. In China, industrial production (+ 2.8%) and fixed asset investments (+ 2.9%) showed encouraging growth. This also boosted real machinery sales in China (+ 5%). The machinery markets in Russia (+ 4%), Turkey (+ 5%) and South Korea (+ 1%) were also slightly up. By contrast, all other major markets declined: USA (– 8%), Canada (– 13%), Japan (– 14%) and the Middle East (– 6%). Latin America (– 21%), India (– 22%) and the UK (– 23%) experienced particularly sharp declines.

The export-oriented mechanical engineering industry in Europe also felt further pressure after an already weak prior year. According to the VDMA, sales in the EU (27) and the euro zone fell significantly by 13%. With the exception of Finland (+0%) and the Netherlands (+1%), demand in the Western and Eastern European EU countries fell, in some cases noticeably. For example, sales were down 13% in France and Spain, 16% in Italy and 15% in Germany. The VDMA estimates that the production of machinery manufacturers in Germany will have slumped by 14% in real terms in 2020.

Automotive industry slides deeper into a crisis in 2020, production losses for cars and commercial vehicles

The situation in the automotive industry was quite mixed: On the one hand, the traditional automotive industry faced a massive crisis in 2020 as a result of the COVID-19 pandemic and lockdowns, while on the other hand, the technology shift continued at an accelerated pace. Sales of electric vehicles (EVs, including hybrids) rose dynamically by 41% to 3.1 million units. Nevertheless, total global sales of light vehicles (LV, up to 6 t) declined by 14.4% to 77.4 million LV in 2020, according to LMC Automotive (LMCA). In the more narrowly defined passenger car market, the global slump was 15%, falling to just under 68 million passenger cars, according to the VDA association. Manufacturers reduced their LV production by a total of 15.8% worldwide due to the uncertain conditions. The most drastic cuts were seen in the United States (– 18.7%), Mexico (– 20.3%), Japan (– 14.9%), Korea (– 9.6%) and India (– 23.9%). In contrast, LV production in China declined by only 4.2% in 2020. Due to government stimulus, the market there picked up again strongly in the course of the year.

In 2020, the negative economic environment also impacted manufacturers of commercial vehicles (trucks, buses), in some cases rather severely. North America (– 28.3%) and Europe (– 24.4%) in particular recorded exceptionally high production losses. Nevertheless, with valuable contributions from China (sales +31.0%, production +29.3%), the global market in 2020 was only moderately down (sales – 3.5%, production – 5.5%).

In Europe (EU + EFTA + UK), demand for passenger cars fell by 24.3% to 12.0 million units last year, according to the ACEA (Association des Constructeurs Européens d'Automobiles). The decline was 24.5% in Western Europe. The negative trend could be seen in all countries with a double-digit drop, with the pressure being particularly noticeable in France (– 25.5%), Italy (– 27.9%), Spain (– 32.3%) and the UK (– 29.4%). Sales in Germany fell by 19.1%. In light of this decline and due to market weakness in virtually all export markets, manufacturers in Europe reduced production by more than one-fifth in 2020 (– 21.8%, 16.6 million LV). In Germany, production was cut by 24.4%, according to LMCA data. The losses were also substantial in Italy, Spain and the UK. However, the cuts were particularly massive in France (– 38.6%). In Europe, demand for commercial vehicles was also weak in all countries. According to LMCA data, commercial vehicle sales slumped by 21.1%. In contrast, the ACEA association puts the decline in Europe (EU + EFTA +UK) at 19.4%. Furthermore, commercial vehicle production had to be scaled back significantly in 2020, with plants temporarily idled. According to the LMCA, the number of trucks and buses manufactured in Europe thus fell by 24.4% to around 470,000 (Germany – 33.6%).

Construction industry mainly faced headwinds worldwide in 2020; China and Germany on the upswing

In China, India and Southeast Asia, the construction industry is growing structurally. Growth is being driven by factors including urbanization and infrastructure expansion. However, construction activity came under strong pressure at times in 2020 due to the pandemic. In China, the construction industry bucked the general trend and recovered early in 2020. According to the NBS statistics office, real construction investment rose by 3.9%, and investment in water management by 4.5%. Investment in buildings increased by 7.0% in nominal terms and by as much as 7.6% in residential construction. By contrast, construction activity in Europe stalled significantly last year. According to the Euroconstruct industry network (including the ifo Institute), real construction output fell by 7.8% (2019: +2.9%), with Western Europe accounting for – 8.0% and Eastern Europe for – 4.5%. The decline was in excess of 10% in France, Spain and Ireland, while construction output in the UK even shrank by nearly a fifth. At 3.8%, the decline in civil engineering was still moderate throughout Europe, whereas the drop in residential construction was substantial at 8.6%. The reason for this development was a more temporary shutdown of construction sites. Building renovation activities were also down 7.3% in this environment (new construction: – 10.5%).

Construction activity in Germany remained robust. Investments in construction increased by 1.5% in real terms (2019: 3.8%; Destatis). According to the DIW (German Institute for Economic Research), the volume of new residential construction once again grew strongly by 5.2% in nominal terms (2019: 5.4%). Despite the economic slump, new construction activity in commercial and public buildings also remained moderately up (+1.9%). Construction work on existing buildings (additions/renovations, modernization, maintenance), which account for around two-thirds of the construction volume in Germany, also grew robustly once again: for residential buildings, the increase was 4.7% (2019: +9.5%), while construction work on other existing buildings rose by 3.4% (2019: +5.6%).

US construction industry and water management see boost in 2020, COVID-19 pandemic spurs maintenance and remodeling

Despite the poor economic environment, the US construction industry grew strongly in 2020. For example, completions of private housing units increased by 2.8%. Private construction spending grew by 4.7% in nominal terms. In this context, private residential construction recovered strongly from the previous year's losses by posting an increase of 11.8%. By contrast, commercial construction was down 5.3% for office buildings and 10.3% for industrial manufacturing buildings. Public construction spending increased by 4.8% in nominal terms and went, among other things, to the expansion of highways and roads (+1.8%), waste disposal (sewage/waste: +3.2%) and water supply (+16.2%). The latter includes investments in screening and stormwater infrastructure. NORMA Group's US water business (NDS activities) correlates very strongly with maintenance and conversion activities in addition to new construction. These activities benefited in 2020 during the corona pandemic and were also favored by a low interest rate environment. According to industry experts at JBREC (John Burns Real Estate Consulting), total spending on building materials in this sector is estimated to have increased by 8.0% last year (new construction: – 5.3%). The combined market volume thus grew by a total of 3.2%.

Legal and regulatory influencing aspects

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

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

Due to NORMA Group's growing water business and the increasing strategic relevance of this business area, the various regulatory initiatives in the field of water management as well as public measures to improve the supply of water to the population have also gained considerable influence for NORMA Group.

Significant developments in fiscal year 2020

Business development affected by the corona pandemic

The development of NORMA Group's business was severely affected by the COVID-19 pandemic and its economic consequences in fiscal year 2020. Due to the lack of incoming orders in the course of the first lockdown in March 2020 and also to protect its own employees, NORMA Group reduced production at many of its plants worldwide in mid-March and in some cases shut them down completely. This led to a significant drop in sales, especially in the second quarter of 2020. Although the order situation eased significantly in the course of the second half of the year, the losses from the first half could not be fully offset. Overall, the situation remained tense and volatile throughout fiscal 2020, creating a high degree of uncertainty and making it impossible to forecast the development of the key financial indicators in fiscal 2020 until October 2020.

Personnel changes on the Management Board and Supervisory Board

With effect from October 1, 2020, Annette Stieve has been appointed CFO, succeeding Dr. Michael Schneider, who joined NORMA Group as CFO in 2015 and was appointed Chairman of the Management Board in November 2019. Annette Stieve joined NORMA Group from Hoffmann Group, an international tool distribution company, where she also worked as CFO. Prior to that, she held various management positions with the automotive supplier Faurecia Automotive GmbH, most recently as Managing Director and CFO of the Northern and Eastern Europe region. With the appointment of Annette Stieve, the Management Board of NORMA Group now comprises three members and is fully staffed. The contract of the COO, Dr. Friedrich Klein, was extended by a further three years in November 2020.

Günter Hauptmann took over as Chairman of the Supervisory Board of NORMA Group with effect from September 1, 2020. He succeeded Lars Berg, who resigned from his position as Chairman and member of the Supervisory Board for health reasons with effect from the end of August 31, 2020. Miguel Ángel López Borrego could be recruited for the vacant position on the Supervisory Board. The application for the court appointment of Mr. López to the Supervisory Board of NORMA Group was filed on March 3, 2021. The appointment decision by the court is expected soon. Mr. López will stand for election by the shareholders at the upcoming Annual General Meeting on May 20, 2021.
→ CORPORATE GOVERNANCE REPORT

Strategic measures implemented to optimize Group structures

Implementation of the measures under the “Get on track” program progressed according to plan in fiscal year 2020. Against this backdrop, the Management Board announced in mid-June 2020 the relocation and bundling of production activities in Central Europe and the closure of the production site in Gerbershausen by the end of 2022. The relocation of production from Gerbershausen to existing plants in the Czech Republic and Germany pays towards the medium-term goal of increasing NORMA Group‘s efficiency and competitiveness. The profile of the plant in Maintal as a highly automated, efficient location is being sharpened, among other things through the creation of a TORRO competence center. NORMA Group is thus responding to the environment in the automotive industry, which has already been increasingly difficult for several years with increased cost and competitive pressures. The management informed the works councils about the project in mid-June 2020 and initiated the statutory participation procedure. In September 2020, the management and employee representatives agreed on a social collective agreement to implement the measures.

Comparison of target and actual values

As part of the preparation of the business plan for fiscal year 2020, the Management Board of NORMA Group made assumptions regarding the development of the Group’s key figures in fiscal year 2020. 2019 ANNUAL REPORT. However, it had to revise this again before the publication of the Annual Report at the end of March 2020 in the wake of the COVID-19 pandemic and the associated lockdown of the global economy. Due to the great uncertainty and the unforeseeable consequences of the COVID-19 pandemic on NORMA Group’s business, the Management Board first did not provide a detailed forecast for the full year but expected a significant negative deviation from the assumptions originally made.

An assessment of the development of the key performance indicators for the full year 2020 was possible on October 20, 2020, only on the basis of the preliminary figures for the third quarter of 2020. Since then, the Management Board has assumed an organic year-on-year decline in sales of around 16% for fiscal year 2020. With regard to the adjusted EBITA margin, it anticipated more than 5% for fiscal year 2020, while adjusted EBIT margin was expected to be above 4%. Expenses related to the “Get on track” program in the amount of EUR 29 million are not adjusted. Furthermore, the Management Board anticipated net operating cash flow of more than EUR 60 million for fiscal year 2020.

→ TABLE T019: “ACTUAL BUSINESS DEVELOPMENT COMPARED TO FORECAST” provides an overview of target and actual values as well as forecast adjustments during the year.

Deviations from the target values

The organic decline of 12.1% in NORMA Group’s sales is above the assumption made in October 2020 of a 16% decline in sales. Influenced by the COVID-19 pandemic and the additional expenses from the “Get on track” program, the adjusted EBITA margin amounted to 5.7% in fiscal year 2020. The margin was thus in line with the expected targets of more than 5%. Net operating cash flow amounted to EUR 78.3 million and thus exceeded the expected value of EUR 60 million. This was due to a positive development in working capital despite the ongoing pandemic. NORMA Value Added (NOVA) amounted to EUR – 46.4 million in fiscal year 2020 and thus also developed as expected in light of the difficult environment in fiscal year 2020.

Actual business development compared to the forecast

T019

	Results in 2019 [1]	March 2020 [2]	October 2020	Results in 2020 [3]
Group sales	EUR 1,100.1 million	n/a	n/a	EUR 952.2 million
Organic growth of Group sales	– 2.0% organic growth additionally EUR 13.3 million from acquisitions	noticeable decline in organic sales of 2% to 4%	organic decline of around 16%	– 12.1%
Organic sales growth EMEA	– 2.3%	stable organic sales	significant organic decline	– 15.5%
Organic sales growth Americas	– 3.1%	noticeable organic decline	significant organic decline	– 12.4%
Organic sales growth Asia-Pacific	2.3%	slight organic decline	noticeable organic decline	– 1.2%
Sales growth EJT	– 2.8%	solid organic growth	significant decline	– 15.8%
Sales growth SJT (former DS)	9.2%	noticeable organic decline	noticeable decline	– 6.5%
(Adjusted) cost of materials ratio	43.4%	roughly at the same level as in the previous year	higher than in the previous year	43.8%
(Adjusted) personnel expense ratio	27.5%	roughly at the same level as in the previous year	noticeable increase compared to the previous year	31.3%
Adjusted EBITA margin	13.2%	more than 13%	more than 5%	5.7%
Adjusted EBIT margin	12.4%	more than 12%	more than 4%	4.8%
NORMA Value Added (NOVA)	EUR 17.3 million	between EUR 10 million and EUR 20 million	between EUR – 60 million and EUR – 45 million	EUR – 46.4 million
Financial result	EUR – 15.5 million	up to EUR – 15 million	no adjustments	EUR – 14.8 million
Adjusted tax ratio	27.1%	between 26% and 28%	tax expenses / income: EUR – 12 million to EUR +3 million	20.3%
Earnings per share	EUR 2.76 (adjusted) EUR 1.83 (reported)	slight decline	strong decline compared to the previous year	EUR 0.77 (adjusted) EUR 0.18 (reported)
Net operating cash flow	EUR 122.9 million	around EUR 110 million	more than EUR 60 million	EUR 78.3 million
Investments in R&D (related to EJT sales)	4.7%	around 5% of EJT sales	no adjustments	5.1%
Investment rate (excluding acquisitions)	5.0%	operative investments of around 5% of Group sales	no adjustments	4.3%
Dividend/payout ratio	EUR 0.04 / 1.5%	approx. 30% to 35% of adjusted net profit for the period [5]	approx. 30% to 35% of adjusted net profit for the period [5]	EUR 0.70 [4] 91.7% [4]
Number of invention applications	22	more than 20	no adjustments	22
Number of defective parts per million (PPM)	6.1	fewer than 20	no adjustments	5.1
Average number of quality-related customer complaints per month	6.4	fewer than 8	no adjustments	4.7

1_The adjustments in 2019 relate to effects from purchase price allocation as well as to expenses related to the “Rightsizing” program.
2_The assumptions made by the Management Board when preparing the Annual Report with regard to the development of the financial figures in the 2020 fiscal year were revised by the Management Board before the Annual Report was published at the end of March due to the unexpectedly rapid spread of the coronavirus and the resulting lockdown. At this point in time, due to the high level of uncertainty regarding the further development of the pandemic, it was not possible to make a reliable forecast for fiscal year 2020, which is why the Management Board assumed a significantly negative deviation from the original forecast without specifying it in more detail. For comparison purposes, the original forecast before the spread of the coronavirus is included here.
3_Adjustments in 2020 are related exclusively to depreciation and ammortization from purchase price allocation. Expenses related to the „Get on track“ program are not adjusted.
4_In accordance with the Management Board's proposal for the appropriation of net profit, subject to the approval by the Annual General Meeting on May 21, 2020.
5_To the extent permitted by the future economic situation, NORMA Group pursues a sustainable dividend policy based on a payout ratio of approximately 30% to a maximum of 35% of the adjusted consolidated net profit for the year.

Earnings, assets and financial position

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

Fiscal year 2020 was significantly impacted by the COVID-19 pandemic and its subsequent economic consequences. These had a negative impact on NORMA Group's business and led to a significant decline in customer demand and sales, particularly in the automotive business (EJT). Sales in the EJT business were 17.0% below the level of the previous year for the year as a whole, although there were signs of a noticeable recovery in demand again in the fourth quarter of 2020. The area of SJT also showed significant sales declines in fiscal year 2020, although these were more moderate at minus 8.1% due to broader industry diversification and the continued good development of the US water business. Overall, NORMA Group's consolidated sales declined by 13.4% to EUR 952.2 million in the COVID-19 year 2020.

Adjusted EBITA amounted to EUR 54.6 million in the fiscal year, 62.3% below the previous year's level (2019: EUR 144.8 million). The adjusted EBITA margin was also significantly lower at 5.7% (2019: 13.2%). Adjusted EBIT declined by 66.7% to EUR 45.3 million compared to the previous year (2019: EUR 136.1 million), and the adjusted EBIT margin was 4.8% (2019: 12.4%). The economic consequences of the corona pandemic and the implementation costs under the "Get on track" program, which amounted to EUR 29.1 million in fiscal year 2020, had a negative impact on the operating result in the reporting year. However, the measures initiated as part of the change program also showed initial success in fiscal year 2020, as planned.

Against the backdrop of the emerging recovery in demand in important customer industries of NORMA Group, the Management Board is nevertheless confident with regard to the fiscal year 2021 and expects organic sales growth in the low double-digit range compared to the previous year. In addition, the Management Board expects an EBITA margin adjusted for acquisition effects of more than 13% and an adjusted EBIT margin of more than 12%.
→ FORECAST REPORT

Adjustments

The Management of NORMA Group adjusts certain expenses and income for the purpose of managing the Group's operations. The adjusted results presented below correspond to the management view. In contrast to previous years, from the 2020 fiscal year onwards, only those expenses and income items are adjusted within operating profit (EBIT) that are related to a company merger. Consequently, the expenses from the transformation program „Get on track", which were recognized in the amount of EUR 25.2 million within employee benefit expenses and in the amount of EUR 3.9 million within other operating income and expenses, were not adjusted in fiscal year 2020 and are included in EBIT. Within EBITA, depreciation of property, plant and equipment from purchase price allocations in the amount of EUR 3.5 million (2019: EUR 3.5 million) and within EBIT, amortization of intangible assets from purchase price allocations in the amount of EUR 21.7 million (2019: EUR 22.5 million) were adjusted additionally. Notional income taxes resulting from the adjustments are calculated using the tax rates of the respective local companies concerned and included in adjusted earnings after taxes.

The adjustments in the previous year mainly relate to other operating expenses (EUR 2.9 million), employee benefit expenses (EUR 9.9 million) and cost of materials (EUR 0.2 million), and are connected with the "Rightsizing" program initiated in the fourth quarter of 2018 to optimize Group structures.

In addition, expenses for integration costs of Kimplas and STATEK (EUR 0.4 million), which were acquired in fiscal year 2018, were adjusted within other operating expenses (EUR 0.3 million,) and employee benefit expenses (EUR 53 thousand) in fiscal year 2019.

In addition to the described adjustments, depreciation of property, plant and equipment from purchase price allocations in the amount of EUR 3.4 million was presented within EBITA (earnings before interest, taxes and amortization of intangible assets) and amortization of intangible assets from purchase price allocations in the amount of EUR 22.5 million within EBIT adjusted in fiscal year 2019.

The following table shows earnings adjusted for these effects:

Adjustments [1] T020

in EUR million	2020 adjusted	Adjustments	2020 reported
Group sales	952.2	0	952.2
EBITDA	99.3	0	99.3
EBITDA margin (in %)	10.4		10.4
EBITA	54.6	3.5	51.1
EBITA margin (in %)	5.7		5,4
EBIT	45.3	25.1	20.1
EBIT margin (in %)	4.8		2.1
Financial income	– 14.8	0	– 14.8
Profit for the period	24.3	18.8	5.5
EPS (in EUR)	0.77	0.59	0.18

1_Deviations may occur due to commercial rounding.

Earnings position

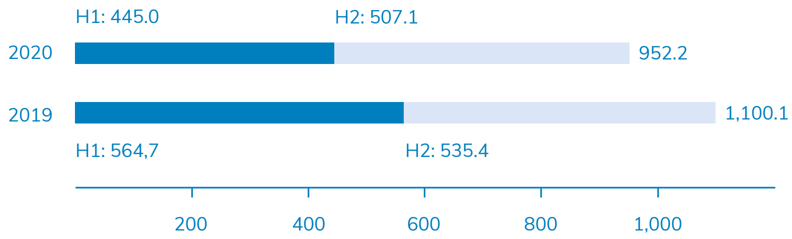
Sales development

Group sales down significantly due to the COVID-19 pandemic

NORMA Group posted sales of EUR 952.2 million in fiscal year 2020 in a difficult market environment. This represents a 13.4% decline compared to the previous year (2019: EUR 1,100.1 million). Organic sales were down by 12.1%, while negative currency effects additionally reduced sales by 1.3%.

The significant decline in sales is mainly attributable to the COVID-19 pandemic and the temporary lockdown in the spring of 2020, which resulted in a sharp drop in demand and temporary production downtime at many of NORMA Group's plants. With a decline in sales of 33.8%, the second quarter of 2020 was the weakest quarter in NORMA Group's history. In particular, the European and American automotive business recorded significant sales losses in this period. Despite significant easing of the situation and a recovery in customer demand in the second half of the year, the sales losses from the spring could not be fully offset. However, all regions showed positive organic sales growth again in the fourth quarter.

Development of 2020 sales G026
in EUR million



EJT business hit hard by the spring lockdown, general industrial business (SJT) strengthened by the water business

The automotive industry and thus NORMA Group's EJT business were particularly affected by the lockdown and the consequences of the corona pandemic. With sales of EUR 552.6 million for the full year 2020, the EJT business declined by 17.0% compared to the previous year (2019: EUR 665.5 million; 2020 organic: – 15.8%). At the same time, the performance of the individual regions differed significantly: While production figures and thus demand from the Chinese automotive industry already picked up noticeably in the second quarter, the respective markets in the EMEA and Americas regions were still down significantly in the second and third quarters of 2020 despite increasing momentum from the third quarter onward. It was not until the fourth quarter that demand in the European and US automotive sectors also recovered noticeably.

In the Standardized Joining Technology (SJT) business – formerly the Distribution Services (DS) business – sales in fiscal year 2020 were 8.1% below the previous year's level at EUR 395.5 million (2019: EUR 430.2 million). The organic decline in sales amounted to 6.5%, while currency effects had an additional negative impact on sales of 1.6%. The Standardized Joining Technology business was also negatively impacted by the COVID-19 pandemic. Although the drop in sales here was much more moderate due to broader sector diversification and a consistently solid US water business, sales were down in all quarters, and there was no significant recovery in the course of the year. The US water business, on the other hand, showed solid growth in each quarter and grew organically by 6.7% for the year.

Effects on Group sales [1] T021

	in EUR million	Share in %
Group sales 2019	1,100.1	
Organic growth	– 133.3	– 12.1
Currency effects	– 14.6	– 1.3
Group sales 2020	**952.2**	**– 13.4**

1_Deviations may occur due to commercial rounding.

Development of sales channels T022

	Engineered Joining Technology (EJT)		Standardized Joining Technology (SJT)	
	2020	2019	**2020**	2019
Group sales (EUR million)	552.6	665.5	395.5	430.2
Change (in %)	– 17.0		– 8.1	
Share of sales (in %)	58	61	42	39

Development of earnings

The developments described below relate to the key figures adjusted for special effects for operational management purposes. Where adjustments have been made to the figures reported in accordance with IFRS, this is indicated in the text. Where the figures are not stated as “adjusted,” they correspond to those reported in accordance with IFRS. While some of the adjustments in fiscal year 2019 also related to adjustments of expenses in connection with the Rightsizing program within EBITDA, the adjustments in fiscal year 2020 relate exclusively to adjustments of depreciation and amortization of tangible and intangible assets from purchase price allocations. For this reason, the comparability of some key figures with those of the previous year is limited.

EBIT, EBITA and ROCE

The operating result (earnings before interest and taxes, EBIT) amounted to EUR 20.1 million in fiscal year 2020 and was thus significantly (– 79.2%) below the previous year’s figure (EUR 96.7 million). The decline in EBIT is mainly due to the significantly lower sales level in fiscal year 2020 and the additional expenses from the “Get on track” change program. In addition, there were expenses related to the COVID-19 pandemic that further reduced the operating result.

As the expenses from the “Get on track” program in the amount of EUR 29.1 million are not adjusted, they are also reflected in the adjusted EBIT and reduced it in equal measure. EBIT adjusted exclusively for depreciation and amortization from purchase price allocations amounted to EUR 45.3 million, a decrease of 66.7% compared to the previous year (EUR 136.1 million). The adjusted EBIT margin for the reporting period amounted to 4.8% (2019: 12.4%).

Earnings before interest, taxes and amortization of intangible assets (EBITA) amounted to EUR 51.1 million (2019: EUR 127.9 million), significantly (– 60.0%) below the previous year’s figure. The EBITA margin was 5.4% (2019: 11.6%). Adjusted EBITA of EUR 54.6 million was 62.3% lower than in the previous year. (2019: EUR 144.8 million). The adjusted EBITA margin was 5.7% (2019: 13.2%).

Return on capital employed (ROCE) as a ratio of adjusted EBIT to capital employed was 4.6%, down from the previous year (13.0%). Among other things, the disproportionate decline in sales as well as adjusted EBIT combined with a less pronounced drop in average capital employed contributed to a deterioration in the return on sales.

Return on capital employed (ROCE) T023

	2020	2019
Adjusted EBIT (in EUR millon)	45.3	136.1
Average capital employed (in EUR millon)	989.1	1,043.8
ROCE (in %)	4.6	13.0

Key factors influencing the development of earnings

Cost of materials ratio and gross margin

Prices on the international commodity markets were extremely volatile in fiscal year 2020. The great uncertainty and restrictions associated with the lockdown in the spring of 2020 led to supply bottlenecks at times and resulted in a significant increase in the general price level on the international commodity markets towards the end of 2020. NORMA Group nevertheless succeeded in keeping the prices of most product groups relatively stable over the course of the year by contractually fixing them.

The cost of materials amounted to EUR 417.5 million in fiscal year 2020 and was thus 12.6% lower than in the previous year (2019 adjusted: EUR 477.4 million). However, due to the disproportionate decline in sales and the fact that the cost of materials is not fully flexible as well as due to increased delivery costs in materials purchasing and distribution, the cost of materials ratio (cost of materials as a percentage of sales) increased to 43.8% in the current reporting period compared to the previous year (2019 adjusted: 43.4%).

This resulted in 14.9% lower gross profit of EUR 536.7 million in fiscal year 2020 (2019 adjusted: EUR 630.6 million) and a reduced gross margin of 56.4% (2019 adjusted: 57.3%).

Personnel cost ratio

Personnel expenses amounted to EUR 298.2 million in fiscal year 2020 and decreased only slightly by 1.4% compared to the previous year (2019 adjusted: EUR 302.4 million), despite the measures aimed at making costs more flexible, such as the use of short-time work, for example. This was due in particular to the one-time expenses of EUR 25.2 million incurred as a result of the "Get on track" program, which were not adjusted and had a significant impact on personnel expenses. These relate in particular to restructuring provisions. The personnel cost ratio as a percentage of sales increased significantly to 31.3% (2019 adjusted: 27.5%) as a result of the above-mentioned effects.

Other operating income and expenses

The balance of other operating income and expenses amounted to EUR – 139.2 million in fiscal year 2020 (2019 adjusted: EUR – 141.0 million). This represents a decrease of 1.3% compared to the previous year. This means the balance of other operating income and expenses fell at a much lower rate than the decline in sales.

As a percentage of sales, the balance of other operating income and expenses was 14.6%, an increase on the previous year (2019: adjusted 12.8%).

The increase in other operating expenses compared to the previous year is also attributable to the impact of the ongoing COVID-19 crisis in fiscal year 2020. Thus, the increased risk of payment defaults by customers due to the COVID-19 crisis and higher write-downs on trade accounts receivable due to expected and actual defaults had a negative impact on other operating expenses. In addition, recognized foreign exchange losses increased compared to the previous year due to strong exchange rate fluctuations in the fiscal year.

Furthermore, additional costs from the "Get on track" program increased other operating expenses by EUR 3.9 million. These were mainly related to consulting fees. In addition, expenses for warranties, which also include penalties in connection with delivery delays, increased significantly compared to the previous year as a result of the effects of the COVID-19 pandemic and the production relocations under the "Get on track" program.

Other operating income includes foreign exchange gains, income from the reversal of liabilities for personnel-related obligations and provisions, and government grants. The latter mainly result from the use of short-time working at some sites in fiscal year 2020. → NOTES

NORMA Value Added (NOVA)

NORMA Value Added (NOVA), which also serves as the relevant benchmark for the long-term remuneration of the Management Board, amounted to EUR – 46. 4 million in the reporting year 2020 and thus decreased significantly compared to the previous year (2019: EUR 17.3 million). The reasons for this were the weak operating result (adjusted EBIT), which was impacted by the COVID-19 pandemic and the additional expenses from the "Get on track" program.

Financial result

The financial result was EUR – 14.8 million in fiscal year 2020 (2019: EUR – 15.5 million) and thus improved slightly compared to the previous year, mainly due to lower interest expenses. → NOTES This positive development is mainly due to the reduction in financial liabilities and the optimization of Group-wide financing.

Income taxes

In the 2020 fiscal year, tax income at Group level amounted to EUR 0.1 million (2019: tax expense of EUR 22.7 million). Based on a pre-tax result of EUR 5.4 million (2019: EUR 81.2 million), this resulted in a tax rate of – 1.8% (2019: 28.0%). The tax rate in the 2020 fiscal year was impacted in particular by non-tax-deductible expenses and non-creditable foreign withholding taxes. In addition, a one-time tax effect realized in the USA had a positive overcompensating impact on the overall tax rate.

Profit for the period and appropriation of profits

The result for the period amounted to EUR 5.5 million in fiscal year 2020 and was thus 90.6% lower than in the same period of the previous year (2019: EUR 58.4 million). Based on the unchanged number of shares of 31,862,400 compared to the previous year, this results in earnings per share of EUR 0.18 (2019: EUR 1.83) after deduction of the profit for the period for non-controlling interests.

Adjusted profit for the period amounted to EUR 24.3 million in fiscal year 2020, down 72.3% on the previous year (2019: EUR 87.8 million). This results in adjusted earnings per share of EUR 0.77 after deduction of the profit for the period attributable to non-controlling interests (2019: EUR 2.76).

The Management Board and Supervisory Board will propose to the Annual General Meeting on May 20, 2021, to distribute a dividend totaling EUR 22.3 million from the unappropriated profit of EUR 41.0 million; this is equivalent to a dividend of EUR 0.70 per no-par value share entitled to a dividend. The proposed payout ratio is thus around 92% percent, which is significantly higher than the range of 30% to 35% specified in the dividend policy. This is intended to make up for part of the dividend shortfall in the previous year.

Development of sales and earnings in the segments

EMEA

External sales in the EMEA region fell by 15.7% (in organic terms: – 15.5%) to EUR 409.5 million in fiscal year 2020 (2019: EUR 486.0 million). The main reason for the decline in sales was both the sharp drop in NORMA Group's automotive business in Europe as a result of the COVID-19 pandemic (EJT: – 15.8%; organic: – 15.5%) and a significant drop in sales in the Standardized Joining Technology segment (SJT: – 15.6%; organic: – 15.5%). While sales in the EJT business showed a return to growth in the fourth quarter of 2020 due to the upturn in production figures in the automotive industry, the sales trend in the SJT business remained significantly below the previous year's figures in all quarters. The EMEA region accounted for around 43% of total sales in fiscal year 2020 (2019: 44%).

Adjusted EBIT in the EMEA region dropped by 83.7% to EUR 9.3 million in fiscal year 2020 (2019: EUR 70.8 million). The adjusted EBIT margin was 2.1% (2019: 13.5%). In addition to corona-related expenses, this was due, among other factors, to the additional expenses incurred as part of the "Get on track" program, which amounted to EUR 23.2 million in the EMEA region. These relate mainly to provisions in the area of personnel expenses and are connected with the relocations within Europe. Adjusted EBITA amounted to EUR 12.0 million in the reporting year (2019: EUR 73.6 million). The adjusted EBITA margin was 2.7% (2019: 14.1%).

Americas

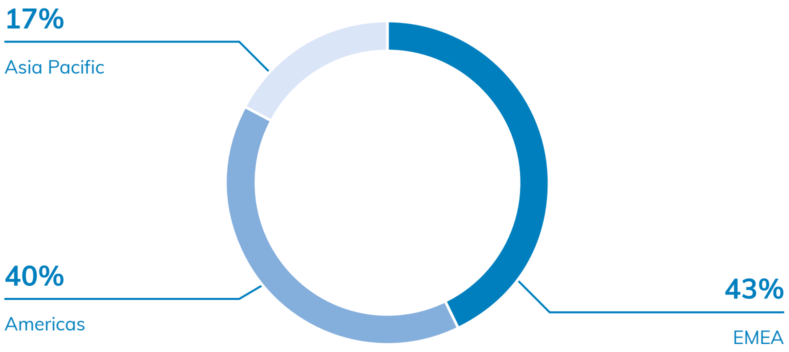
External sales in the Americas segment were down 14.5% to EUR 385.5 million in the 2020 reporting year (2019: EUR 450.8 million). This includes a decline in organic sales of 12.4% and currency effects of – 2.1%, which are mainly related to the US dollar. In the Americas region, the significant decline in production figures in the automotive industry (light and heavy vehicles) was also reflected in a significant drop in sales in NORMA Group's EJT business. Demand did not stabilize again until towards the end of the year so that organic sales in the fourth quarter were again nearly at the previous year's level. For the year as a whole, sales of the EJT business amounted to EUR 146.0 million (2019: EUR 205.0 million) and were thus down by 28.8% (organic: – 26.5%). Currency effects had a negative impact of – 2.3%. SJT sales in the Americas region decreased by 2.4% in the fiscal year (organic: – 0.5%), including negative currency effects of – 1.9%. The SJT business was driven in particular by the solid water business of the US-subsidiary NDS, which was not affected by the lockdown in the spring due to a special permit from the government and grew organically by 6.7% over the year. The Americas region accounted for 40% of sales in fiscal year 2020 (2019: 41%).

Adjusted EBIT in the Americas region amounted to EUR 31.0 million, down 46.4% compared to the previous year (2019: EUR 60.8 million). The adjusted EBIT margin was 7.9% (2019: 13.2%). Earnings in the Americas region were negatively impacted in particular by the consequences of the COVID-19 pandemic. In addition, expenses of EUR 0.4 million were incurred in connection with the “Get on track” program. Adjusted EBITA amounted to EUR 34.3 million in fiscal year 2020 (2019: EUR 64.0 million). The adjusted EBITA margin was 8.8% (2019: 13.9%).

Asia-Pacific

External sales in the Asia-Pacific region amounted to EUR 157.2 million in fiscal year 2020, which represents a 3.8% decline compared to the previous year (2019: EUR 163.4 million). This includes a 1.2% drop in organic sales and negative currency effects of – 2.6%. Contrary to the development in the other regions, the economy in China recovered significantly already in the second quarter of 2020 following a hard lockdown at the beginning of the year. Consequently, demand for joining technology, particularly from the automotive industry, also picked up again starting in the second quarter. EJT sales in the Asia-Pacific region were up from the previous year’s level in all quarters except for the first quarter. For the year as a whole, EJT sales in the region increased by 2.8% (organic: 5.1%) to EUR 103.5 million (2019: EUR 100.7 million). In contrast, the SJT segment in the Asia-Pacific region showed a significantly weaker development. Here, net sales amounted to EUR 52.9 million (2019: EUR 62.4 million), which represents a decline of 15.4% (in organic terms: – 12.2%). The share of sales accounted for by the Asia-Pacific region increased to 17% (2019: 15%).

Sales by segment G027



Adjusted EBIT in the Asia-Pacific region amounted to EUR 20.0 million, up 1.6% (2019: EUR 19.7 million) despite additional expenses of around EUR 1.5 million as part of the “Get on track” program. The adjusted EBIT margin was 12.6%, an improvement on the previous year (2019: 11.8%). Adjusted EBITA amounted to EUR 21.3 million (2019: EUR 20.1 million), and the adjusted EBITA margin was 13.3% (2019: 12.1%). The reason for the positive development of the adjusted EBITA margin was mainly the full utilization of capacities in China due to the good order situation in the automotive sector. In addition, government subsidies granted as support packages against the backdrop of the COVID-19 pandemic had a positive impact on earnings.

Development of segments T024

in EUR million	EMEA 2020	EMEA 2019	EMEA Δ in %	Americas 2020	Americas 2019	Americas Δ in %	Asia-Pacific 2020	Asia-Pacific 2019	Asia-Pacific Δ in %
Total segment sales	439.6	523.2	– 16.0	391.0	460.3	– 15.1	159.2	166.6	– 4.4
External sales	409.5	486.0	– 15.7	385.5	450.8	– 14.5	157.2	163.4	– 3.8
Contribution to consolidated sales (in %)	43	44		40	41		17	15	
Adjusted EBITA [1]	12.0	73.6	– 83.7	34.3	64.0	– 46.4	21.3	20.1	5.7
Adjusted EBITA margin (in %) [1,2]	2.7	14.1		8.8	13.9		13.3	12.1	
Adjusted EBIT [1]	9.3	70.8	– 86.8	31.0	60.8	– 49.0	20.0	19.7	1.6
Adjusted EBIT margin (in %) [1,2]	2.1	13.5		7.9	13.2		12.6	11.8	

1_2020: adjusted by expenses related to acquisitions, 2019: adjusted by expenses related to acquisitions and expenses related to the “Rightsizing” program. → ADJUSTMENTS
2_In relation to segment sales.

Asset position

Assets

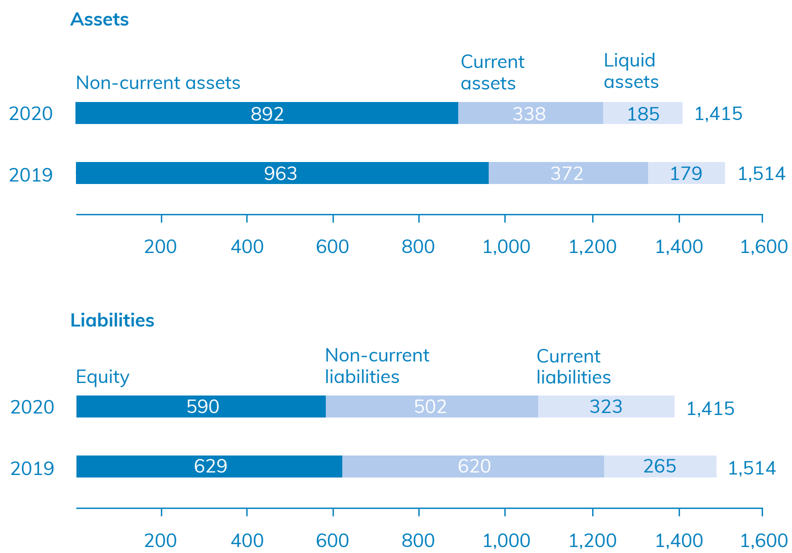
Total assets

Total assets amounted to EUR 1,414.7 million as of December 31, 2020, a decrease of 6.6% compared to the previous year (Dec 31, 2019: EUR 1,514.3 million).

Non-current assets

Non-current assets decreased by 7.4% to EUR 891.7 million compared to the previous year's reporting date (Dec. 31, 2019: EUR 962.8 million), mainly due to currency effects. The carrying amounts of intangible assets decreased by a total of 8.9% to EUR 600.3 million (Dec. 31, 2019: EUR 658.5 million). The goodwill included therein decreased by 3.9% to EUR 377.6 million (Dec. 31, 2019: EUR 393.1 million) due to the depreciation of the U.S. dollar during the year. In fiscal 2020, a total of EUR 41.2 million was invested in fixed assets (2019: EUR 54.8 million). The investments mainly related to the construction of the new production site in Wuxi (China), investments in capacity expansions for the water management business in the U.S., and investments in manufacturing equipment, tools, and testing capacities with a regional focus on Serbia, Poland, the UK, Mexico, and Malaysia.

Asset and capital structure G028
in EUR million



The increase in deferred income tax assets within non-current assets is mainly due to recognized deferred taxes on tax loss carryforwards in 2020.

Non-current assets accounted for 63.0% of total assets as of the reporting date (Dec 31, 2019: 63.6%). → NOTES

Current assets
Current assets amounted to EUR 523.0 million as of the reporting date, a decrease of 5.2% compared to the previous year's reporting date (Dec 31, 2019: EUR 551.5 million). This includes a 12.2% decrease in inventories to EUR 152.2 million (Dec 31, 2019: EUR 173.2 million). In addition, trade receivables decreased by 3.1% to EUR 157.3 million as of December 31, 2020 (Dec 31, 2019: EUR 162.4 million). Here, exchange rate effects in connection with the US dollar had a reducing effect. The decline in ABS and factoring, on the other hand, had an increasing effect on the In addition, within trade accounts receivable.

By contrast, cash and cash equivalents increased by EUR 5.4 million or 3.0% to EUR 185.1 million (2019: EUR 179.7 million). At 37.0%, the share of current assets in total assets increased slightly compared to the previous year's reporting date (Dec 31, 2019: 36.4%).

(Trade) working capital
(Trade) working capital (inventories plus receivables less trade payables, in each case mainly trade payables) amounted to EUR 160.8 million as of December 31, 2020, a decrease of 16.5% compared to the previous year (Dec 31, 2019: EUR 192.5 million). This was due to the decrease in inventories and trade receivables with a simultaneous increase in trade payables. The working capital ratio (trade working capital in relation to sales) was 16.9% as of December 31, 2020 (Dec 31, 2019: 17.5%).

Liabilities

Equity ratio
Group equity amounted to EUR 589.5 million as of December 31, 2020, a decline of 6.3% compared to the previous year (2019: EUR 629.5 million). The decrease in equity mainly resulted from negative currency translation differences in the amount of EUR – 43.0 million (2019: EUR +8.9 million). In addition, the dividend payment (minimum dividend of EUR 0.04 per share) following the Annual General Meeting reduced equity by EUR 1.3 million (2019: EUR 35.0 million). On the other hand, the net result for the period of EUR 5.5 million had an increasing effect, which was significantly lower than in the previous year, however, due to the consequences of the COVID-19 pandemic (2019: EUR 58.4 million). The Group equity ratio amounted to 41.7% as of the reporting date and is thus virtually unchanged from the previous year (Dec 31, 2019: 41.6%).

Net debt
Net debt (financial liabilities, including derivative hedging instruments of EUR 1.4 million, less cash and cash equivalents) amounted to EUR 338.4 million at the end of the reporting period, a significant decrease of 19.6% compared to the previous year (Dec 31, 2019: EUR 420.8 million). This was mainly due to the decrease in non-current loan liabilities.

Financial liabilities
NORMA Group's financial liabilities fell by 12.8% to EUR 523.5 million as of the reporting date (Dec 31, 2019: EUR 600.5 million). This was mainly due to the decrease in loan liabilities, which resulted, among other factors, from the scheduled repayment and repayments of tranches ahead of schedule from the promissory note loan in fiscal year 2020. In addition, effects from exchange rate changes on the US dollar tranche reduced loan liabilities.

Lease liabilities decreased significantly compared to the end of 2019. Changes due to repayments (payment of lease installments), the conclusion of new leasing liabilities, and interest effects more or less offset each other in the current fiscal year. However, exchange rate effects mainly on liabilities denominated in US dollars from subsidiaries in the United States and derecognitions of lease liabilities due to reassessments of renewal options led to a decrease at the end of 2020.

The decrease in other financial liabilities mainly resulted from the disposal of financial liabilities in connection with the acquisition of the minority interests in Fengfan. → NOTES

Gearing (net debt in relation to equity) was 0.6 as of the 2020 balance sheet date (2019: 0.7).

Leverage (net debt excluding hedging derivatives in relation to adjusted EBITDA for the past twelve months) increased compared to the previous year (Dec 31, 2019: 2.2) to 3.4. It was also impacted by the additional expenses incurred as part of the "Get on track" program. The leverage relevant for the financing agreements (excluding expenses under the transformation program) was 2.6 as of the reporting date.

Assets not recognized in the balance sheet

NORMA Group's trademark rights and patents to the brands it holds as well as customer relationships, if acquired externally, are recognized in the balance sheet under intangible assets. However, important influencing factors for a successful business are also the awareness and reputation of these brands among customers and their trust in NORMA Group products. The trustful customer relationships based on NORMA Group's long-established distribution network are equally important. In addition, NORMA Group's workforce makes an important contribution to the company's success with its extensive experience and specific expertise, so that the knowledge gained over many years in the areas of research and development and project management is also seen as a competitive advantage. The values listed are not recognized individually in the balance sheet, but are partly reflected in goodwill.

Financial position

Financing measures

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

NORMA Group had already successfully refinanced its bank credit lines in fiscal year 2019, thus creating further financial security and even greater flexibility for the future. The credit agreement has a total volume of initially EUR 300 million, including a revolving facility of EUR 50 million and a flexible accordion facility. The refinancing was concluded with a banking syndicate consisting of ten international banks. In addition, a sustainability component links the financing conditions to NORMA Group's commitment in the area of corporate responsibility. In 2020, NORMA Group was able to achieve the targeted improvement in its sustainability scoring and realize savings already for 2020. After exercising the first of two extension options from the syndicated loan agreement in fiscal year 2020, all components of the loan agreement will be available to NORMA Group through at least 2025. This ensures maximum financing flexibility.

In response to the COVID-19 pandemic, financial flexibility was increased once again, and a further credit line of up to EUR 80 million was concluded. This mainly involved the banks of the syndicated loan from 2019. This line was installed for one year and can be extended for another six months. This credit line was unused as of December 31, 2020.

The commercial paper program introduced in 2019 is used for short-term liquidity management and was utilized in the amount of EUR 20 million as of December 31, 2020. NORMA Group's gross debt (liabilities to banks) declined significantly from EUR 541 million to EUR 478 million in 2020.

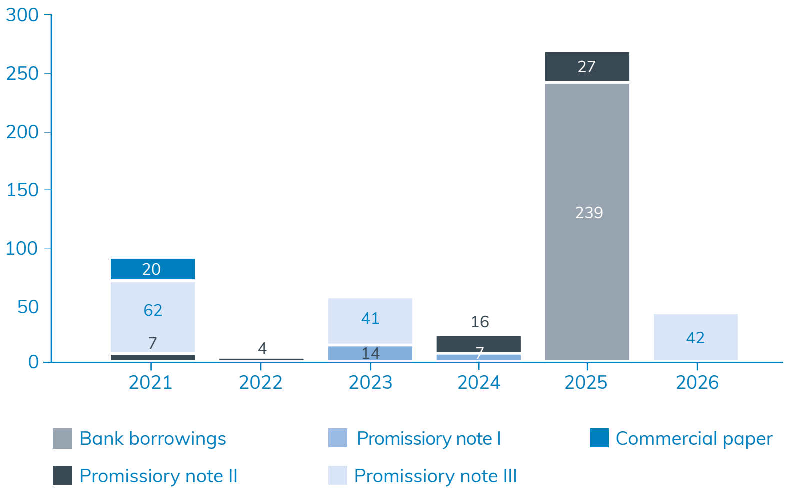
As of December 31, 2020, none of the additional available credit lines totaling EUR 130 million had been utilized. The accordion facility negotiated under the syndicated loan agreement was also not utilized as of the reporting date December 31, 2020.

NORMA Group uses interest rate hedges to hedge interest rate risks that could arise from the external financing components. As of December 31, 2020, the average interest rate of the gross debt (excluding derivatives) was 1.58%. NORMA Group's maturity profile, based on the utilization of the short-term CP program and the promissory note loans I (2013), II (2014) and III (2016) as well as the syndicated bank loan (2019), was as shown in the → GRAPHICS G029 AND G030: "MATURITY PROFILE BY FINANCIAL INSTRUMENT" AND "MATURITY PROFILE BY CURRENCY" as of December 31, 2020.

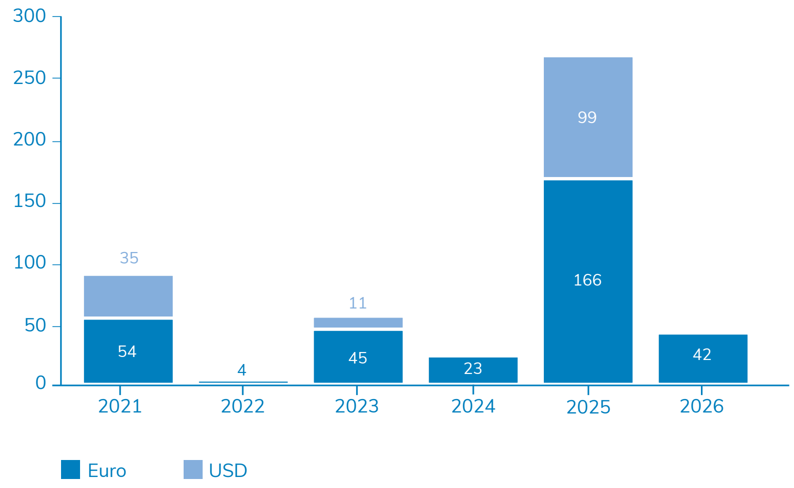
As of the balance sheet date in 2020, NORMA Group complied with all key figures contained in the credit agreements (financial covenants: net debt in relation to adjusted Group EBITDA). In order to counteract the risk of non-fulfillment of covenants in individual instruments and the associated contagion to other instruments, NORMA Group terminated individual promissory note tranches in fiscal year 2020. Thus, a possible "cross default" on a larger scale was excluded at all times. In addition, the term of individual parts of the promissory notes was extended in the course of the negotiations.

Concrete future financing steps depend on the current changes in the financing markets and acquisition potentials.

Maturity profile by financial instrument G029
in EUR



Maturity profile by currency G030
in EUR



Net operating cash flow

In fiscal year 2020, NORMA Group generated net operating cash flow (adjusted EBITDA less changes in working capital and investments from operations) of EUR 78.3 million (2019: EUR 122.9 million). Net operating cash flow was mainly impacted by the lower adjusted EBITDA. However, the cash inflow from working capital achieved compared to the previous year, as well as the lower capital expenditure compared to the previous year in connection with the restrained investment activity as a consequence of the corona pandemic, only partially offset this negative effect.

Cash flow from operating activities

Cash flow from operating activities fell only slightly to EUR 133.5 million in fiscal year 2020 (2019: EUR 137.1 million). It was influenced, among other factors, by the significantly lower net profit for the period compared to the previous year, which was, however, burdened by the partly non-cash expenses for the “Get on track” program. The cash inflow from working capital had an increasing effect on cash flow from operating activities. → NOTES

Cash flow from investing activities

Cash outflow from investing activities decreased to EUR – 39.1 million in fiscal year 2020 (2019: EUR 57.0 million). Investing activities in fiscal year 2020 were influenced by the COVID-19 pandemic and prioritized in terms of their urgency and strategic importance. The focus was particularly on the areas of water management and electromobility. In addition, ongoing customer projects and strategic projects, for example as part of the “Get on track” program, were prioritized.

Investments in the EMEA region included the expansion of production capacities for electromobility applications in Poland, investments in tools in the United Kingdom, and capacity expansions in the area of fluid systems in Serbia. Investments in the Americas region included capacity expansions in the area of water management as well as investments in testing capacities in the area of fluid components and systems, including for applications in electromobility. In the Asia-Pacific region, construction of the new production site in Wuxi continued. In addition, investments were made in capacity expansions in the areas of Fastening and Fluid as well as in the manufacture of products for the US water market.

NORMA Group's investing activities in fiscal year 2020 (property, plant and equipment and intangible assets, excluding leasing) totaling EUR 41.2 million (2019: EUR 54.8 million) resulted in an investment ratio of 4.3% of sales (2019: 5.0%). → PRODUCTION AND LOGISTICS

Cash flow from financing activities

The cash outflow from financing activities decreased to EUR – 81.0 million in fiscal year 2020 (2019: EUR – 93.2 million). This was mainly due to lower dividend payments compared to the previous year (EUR – 1.3 million; 2019: EUR – 35.0 million) and lower interest payments (EUR – 12.9 million; 2019: EUR – 15.1 million). In contrast, the higher net payments for loans compared to the previous year (EUR – 56.2 million; 2019: EUR – 32.1 million), which mainly resulted from the scheduled repayment of the promissory note loan in fiscal year 2020, had an increasing effect.

Production and logistics

NORMA Group manufactures and markets more than 40,000 different products and has 28 production sites all over the world. Furthermore, the company has a network consisting of numerous distribution, sales and competence centers that supply to its customers in the respective regions.

Production and capacity utilization severely impacted by the COVID-19 pandemic

NORMA Group's production activities and the capacity utilization of its plants were significantly affected by the COVID-19 pandemic in fiscal year 2020. Due to declining customer demand, also as a result of the production shutdowns of numerous customers, NORMA Group had reduced its production activities in most plants to below 50% from mid-March 2020 onwards or even closed them down completely due to official orders. Since the end of the second quarter of 2020, the average capacity utilization of NORMA Group's plants has gradually increased again successively.

In fiscal year 2020, production activity followed the strongly fluctuating course of customer demand with many short-term adjustments on the one hand, but was also temporarily limited again and again by pandemic-related absences of employees and resources on the other.

Bundling of production activities as part of "Get on track"

In fiscal year 2020, NORMA Group started implementing the change program "Get on track," which was first initiated in November 2019, in order to increase efficiency and competitiveness. The first crucial measures were announced in June 2020. Among other things, these include the closure of the Gerbershausen site and the relocation and bundling of production activities in the Fasten Division in Central Europe to the existing plants in the Czech Republic and Germany by the end of 2022. → SIGNIFICANT DEVELOPMENTS IN FISCAL YEAR 2020

New production sites and relocations

For the production and assembly of connectors and plastic connectors, a new plant is currently being built in Wuxi, China, which is scheduled to start operations in mid-2021. At the same time, all activities as well as production will be transferred from the current plant in Wuxi (NORMA EJT (Wuxi) Co. Ltd), which was acquired as part of the Autoline acquisition, to the new plant. The current site will be closed after the relocation has been completed.

In the fourth quarter of 2020, the relocation of the production of Fengfan Fastener in Shaoxing to a new site in Changzhou with physical proximity to NORMA Group's existing site in Changzhou (NORMA EJT (Changzhou) Co., Ltd.) was started. The relocation is expected to be completed in the second half of 2021. The previous plant in Shaoxing will be closed.

The relocation of production from the Auburn Hills site to the newly built Mexican site in Tijuana, (NORMA Manufacturing NA SW, LLC) was successfully completed in mid-2020, thus closing the production site in Auburn Hills.

Investments in capacity expansions

Investment activities were also impacted by the COVID-19 pandemic in fiscal year 2020. To further ensure financial flexibility, only the most urgent investments were therefore made. The focus was particularly on the areas of water management and electromobility. In addition, ongoing customer projects and strategic projects, as part of the "Get on track" program, for example, were prioritized. The following table provides an overview of the most significant investments in 2020.

Strategic investment highlights in 2020 T025

Region	Country	City	Investment
EMEA	Serbia	Subotica	Creation of additional production capacity for a newly developed SCR system for major orders from two leading European automotive manufacturers in the fluid systems division
	United Kingdom	Newbury	Investment in a new flexible tool concept in the area of V-profile clamps
	Poland	Pilica	Investment in production equipment and tools for new high-volume customer orders from leading automotive manufacturers, including in the area of cooling water systems for hybrid drives
			Investment in the structural expansion and the strategic development of production capacities, including the area of multilayer fluid lines for e-mobility applications
Americas	Mexico	Monterrey	Tool modernization in the area of fluid component production
			Investment in equipment and tools for two customer orders in the area of e-mobility fluid systems
		Tijuana	Investments in the establishment of production capacities and toolmaking in the area of clamp production
	USA	Lindsay, California	Significant expansion of manufacturing capacities in the field of water management
			Substantial modernization and investment in new tools in the field of water management
		St. Clair, Michigan	Expansion of testing capacities for the fluid components and systems division
			Investment in tools for a new customer order in the area of fluid components for e-mobility applications
		Saltsburg, Pennsylvania	Capacity expansion and modernization of in-house production of clamp components
Asia-Pacific	China	Wuxi	Continuation of the structural extensions to the fluid components production site
		Changzhou	Investment in a new transfer press system to expand capacity for V-profile clamps
			Investment in production expansion for Torro clamps for the Asian market
			Investments in tooling and assembly equipment for major new customer projects in the Fasten division
		Qingdao	Build-up of manufacturing capacities for a customer order in the field of NORMAQUICK fluid connectors
	Malaysia	Ipoh	Significant investment in production of water management products for the US market

Continuous optimization of the entire value chain

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

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

Customer focus and secure supply chain

In order to optimize its logistics costs, NORMA Group always strives to keep the geographical distances in the value chain as short as possible and avoid non value-adding intermediate steps via other NORMA Group sites. The goal is therefore to always manufacture in the regions that its customers are based in. This not only optimizes working capital and lowers logistics costs, but also minimizes delivery risks, reduces negative impacts on the environment and ensures the higher level of flexibility that is being increasingly demanded. The COVID-19 pandemic further highlighted the importance of short and direct delivery routes in fiscal year 2020.

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

Quality management

The NORMA Group products are "mission-critical" with regard to the end products of the customer. Any quality defects or functional failures could have a significant impact on customers or end users. In this context, product safety and the health of end consumers are regularly linked to the impeccable quality of NORMA Group products. Thus, it is a clear business imperative that NORMA Group consistently delivers products that meet all customers' quality needs and expectations. → PRODUCT QUALITY AND SAFETY

In order to ensure a global and standardized quality approach, all NORMA Group production sites are certified according to international quality standards. Currently, all production sites, with the exception of one site of the subsidiary NDS, are certified according to a quality certificate and are either certified according to ISO 9001, EN 9100 or according to IATF 16949.

In addition to the production sites, NORMA Group Holding GmbH is certified according to ISO 9001. This certification helps to ensure that NORMA Group as a whole, i.e. including all relevant specialist departments at the Group level, complies with high quality standards. Compliance with industry-recognized quality requirements also ensures the safety of end products through continuous improvement measures such as risk assessments, training, incident investigation and appropriately initiated countermeasures.

NORMA Group's Quality Management is responsible for the introduction, certification and continuous implementation of the quality management system. There are local quality management officers at each NORMA Group production site. They report to the regional quality managers and the global quality management.

NORMA Group has global operations. A key challenge here is to recognize and understand the different customer requirements as well as the numerous different standards and market conditions. NORMA Group addresses this by localizing production and using standardized tools, for example uniform quality management software, which is an integral part of the Microsoft ERP system that is being rolled out across the Group.

NORMA Group uses several metrics to measure customer quality, satisfaction and delivery performance. The most important key performance indicator is the number of defective parts shipped, expressed in parts per million (PPM). This key performance indicator is reported on a monthly basis to the Management Board. At the same time, root cause analyses are carried out at plant level and countermeasures defined.

The number of defective parts per million (PPM) recorded in 2020 was 5.1 (2019: 6.1). This continues the year on year improvement trend and supports the customers' ever more challenging targets. → NON FINANCIAL KEY PERFORMANCE INDICATORS

Purchasing and supplier management

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

Global purchasing organisation

The purchasing activities of NORMA GROUP are divided into four main product groups in line with the divisional organizational structure:

- Steel and metal components (Fasten)
- Technical granulates, plastic and rubber products (Fluid)
- Standard plastics, components and commodities (Water)
- Capital goods, non-production materials and services (MRO)

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

As part of the "Get on track" program initiated at the end of 2019, numerous measures were launched in the area of purchasing in fiscal year 2020 which have already led to short-term cost reductions in fiscal year 2020. In addition, by strengthening the cross-functional cooperation between the various purchasing departments worldwide, additional savings potential could be identified and, based on this, further cost-reduction levers for medium-term optimization of purchasing processes could be defined. This includes adapting NORMA Group's needs, optimizing processes and supply chains, and standardizing technical and commercial specifications.

Development of material prices

Adjusted costs of materials amounted to EUR 417.5 million (2019: adjusted EUR 477.4 million) or 43.8% (2019: 43.4%) of sales revenue in fiscal year 2020. As a result, the cost of materials ratio was slightly higher than in the previous year. → EARNINGS POSITION The purchasing volume, which is used for internal management purposes and adjusted for currency effects, amounted to around EUR 404 million (2019: EUR 490 million). Of this amount, EUR 291 million (72%) was attributable to sales of production materials.

Steel and metal components
For the stainless-steel product group, the most important product group for NORMA Group, slight reductions in the base prices (basic purchase price for stainless steel excluding alloy surcharges) were achieved in the annual price negotiations. It was also possible to reduce procurement prices slightly in many cases for the metal components used, thus reducing overall procurement costs in the area of Fasten. The punitive tariffs imposed by the Trump administration in 2018 remained in force in fiscal year 2020 and limited international procurement opportunities for the Americas region. However, overall material availability was very good. Due to the sharp drop in production in the second quarter 2020 triggered by the COVID-19 pandemic, NORMA Group's goods procurement volumes in fiscal year 2020 fell significantly short of the volumes procured in the previous year.

The price development of the new monthly fixed alloy surcharges (price components include nickel, scrap and ferrochrome prices) in 2020 was a V-curve for all austenitic materials (300 series) containing the alloy component nickel: While falling prices were recorded in the first half of 2020 – the low for the year was reached in May 2020 – prices rose again significantly in the second half due to rising nickel prices. The highest quotation was recorded in December 2020.

Price fluctuations for ferritic materials (400series) were quite low due to very stable starting material prices (scrap and ferrochrome prices).

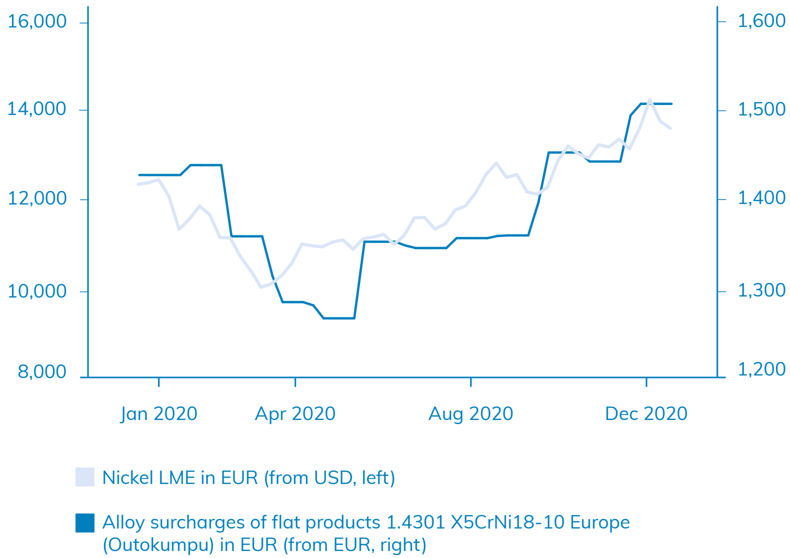
In the product group of surface-refined non-stainless steel, lower purchase prices were agreed upon in the price negotiations for European needs in both the first and second halves of 2020.

Technical granulates, plastic and rubber products
Fiscal year 2020 was characterized by great volatility and uncertainty. The development of oil prices and oil derivatives, which took an unforeseen development in the course of the first lockdown and the collapse of the global economy as a result of the COVID-19 pandemic, was decisive for the engineering plastics product group and fell significantly in the first half of 2020.

NORMA Group was able to take advantage of this situation with foresight and achieve price reductions compared to 2019. Nevertheless, the earnings effect fell short of expectations as the forecast processing volumes could not be met due to restraint on the customer side. In particular, the noticeable decline in demand in the automotive sector had a direct impact on demand for engineering plastics.

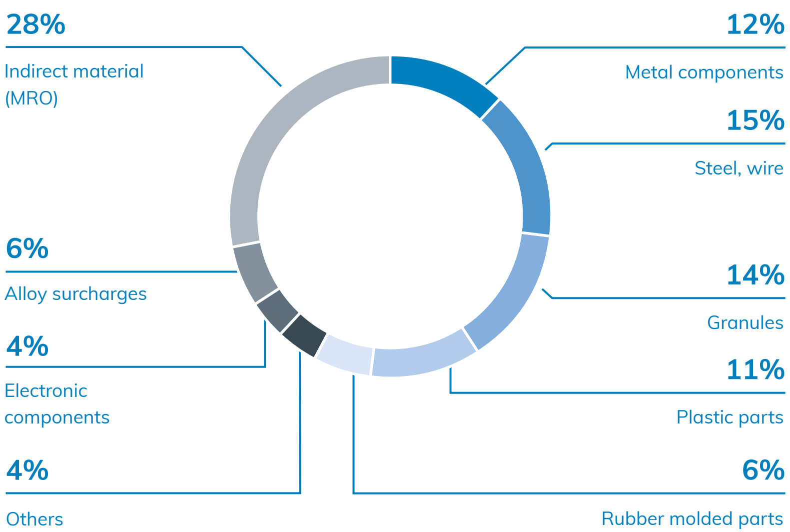
The noticeable economic recovery in the second half of 2020 has stabilized raw material prices again, and the surge in demand recorded in the fourth quarter of 2020 has triggered additional price pressure and a temporary shortage of volumes on the markets. NORMA Group was able to successfully fend off several price increase demands, but the situation on the international procurement markets remains tense.

Development of nickel prices and the alloy surcharge 1.4301 G031



Standard plastics, components and commodities
The situation was comparable for the standard plastics business. Here, too, significant cost reductions were achieved on the basis of the price development in the first half of 2020. Despite the ongoing COVID-19 pandemic, demand in this commodity group remained strong during the year. Coupled with negative impacts due to the strong hurricane season, however, this led to negative effects on material availability in the second half of 2020. The raw material market for standard plastics is expected to stabilize in 2021. → FORECAST REPORT

Purchasing turnover in 2020 by material groups G032



Supplier management and structure

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

In fiscal year 2020, additional tools were implemented, particularly in the areas of risk monitoring and tracking savings as part of the “Get on track” program.

The focus of NORMA Group’s supplier selection is a balance of supplier consolidation to reduce complexity and avoid strong dependencies. This balance is continuously optimized by the purchasing department. The current supplier base is structured as follows: The share of the top 10 suppliers accounted for approximately 27% in fiscal year 2020. The top 50 suppliers accounted for around 58% of the total purchasing volume of production material, amounting to EUR 291 million.

Workforce

Decentralized organization, jointly lived company culture

The employees of NORMA Group make a significant contribution to the success of the Group. For this reason, personnel management and development play an important role.

NORMA Group’s personnel management is organized on a decentralized basis. This reflects the international nature of the business and the rapid growth of NORMA Group. The decentralized organization allows the individual sites to adapt flexibly to local conditions at any time and to contribute their specifications in a targeted manner, particularly with regard to regional expertise in human resources development and recruiting.

To promote a uniform company culture, NORMA Group has formulated central guiding principles and standardized company values that reflect the fundamental convictions of the company. These guiding principles are communicated and lived at all sites.

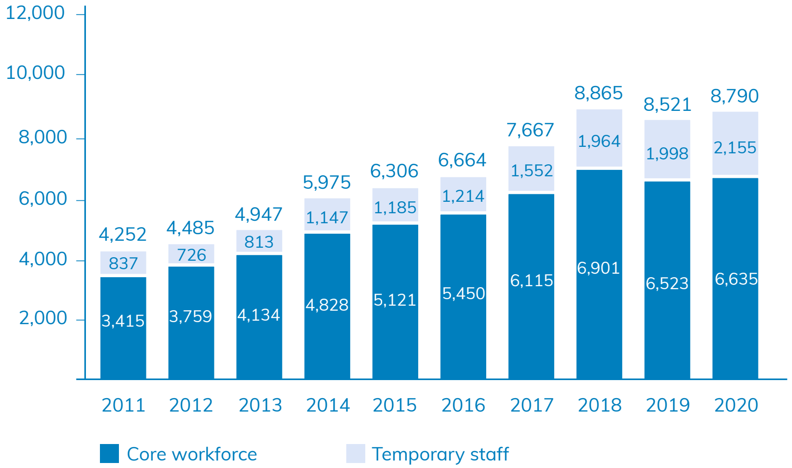
Human resources development

In order to ensure the availability of specialized and managerial staff in the future, NORMA Group places a strong focus on external and internal talent search, the further development of its own staff and their loyalty to the company and its strategic orientation. Therefore, NORMA Group’s internal talent management is of highest relevance for all business units and an integral part of the portfolio of human resources development for management and staff.

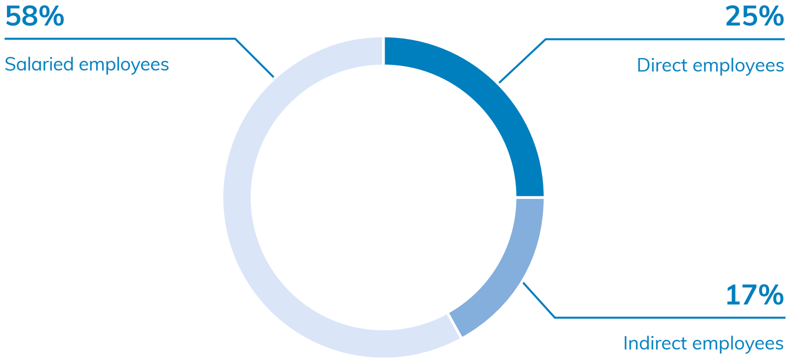
Development of the workforce figures

As of December 31, 2020, NORMA Group employed 8,790 people (core workforce including temporary staff) across the Group, around 3.2% more than on the previous year’s reporting date (December 31, 2019: 8,521). 2,155 temporary workers were employed at the end of December 2020 (December 31, 2019: 1,998). This equates to around 25% of the total workforce (2019: 23%).

Development of personnel figures at NORMA Group G033



Breakdown of employees by group G034



In the Americas region in particular, there was a significant year-on-year reduction in the number of employees. There, the number of employees decreased by 12.5%. This was due in particular to an adjustment of personnel structures in connection with sales losses in the EJT business.

In the EMEA region, the number of employees increased by 8.7% compared to the previous year, while in the Asia-Pacific region it remained largely constant.

Core workforce by segments T026

	2020	Share in %	2019	Share in %
EMEA	3,858	58	3,549	54
Americas	1,401	21	1,601	25
Asia-Pacific	1,376	21	1,373	21
Total	6,635		6,523	

The total number of employees (core workforce and temporary workers) in the current reporting year comprises 5,124 direct employees (2019: 4,672), 1,516 indirect employees (2019: 1,630) and 2,150 salaried employees (2019: 2,219). While direct employees are people involved in the manufacturing process, indirect employees are people from production-related areas, such as the quality department. The group of salaried employees is primarily assigned to administrative functions.

Coping with the COVID-19 pandemic

The health and safety of its employees is a top priority for NORMA Group. Therefore, NORMA Group introduced measures to protect its workforce and to contain the spread of the virus right at the beginning of the COVID-19 pandemic. Against this backdrop, a global COVID-19 task force that is responsible for implementing safety measures in accordance with the recommendations of the World Health Organization (WHO) at the local and regional levels and for centralized control and monitoring was established at the end of February. A weekly reporting system provides the necessary transparency concerning current cases of infection or quarantine and allows for rapid intervention. In addition, standardized emergency plans were developed and internal COVID-19 guidelines communicated to all management and staff levels. These include rules for the behavior of the workforce on the job that are adapted on a frequent basis to suit the current local conditions. Preventive measures and infection protection facilities are also designed to ensure the safety of the local workforce.

In order to cushion the economic consequences of the COVID-19 pandemic, various cost flexibilization measures have also been introduced. These included the reduction of overtime, vacation and short-time working, hiring freezes and the reduction of temporary workers.

Further information on → EMPLOYEE SATISFACTION → OCCUPATIONAL SAFETY AND HEALTH → TRAINING AND EDUCATION and → DIVERSITY AND EQUAL OPPORTUNITIES can be found in the chapter → CR REPORT.

Environmental protection and ecological management

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

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

NORMA Group has set quantitative targets for the reduction of greenhouse gases, water consumption and waste generated at its production sites. Moreover, NORMA Group includes environmental impacts resulting from the supply chain as well as from the application of its products in its environmental strategy. These targets are published in the CR Roadmap. Progress towards climate, water and waste targets is reviewed at the local level through regular management assessments and at the global level through the reporting of aggregated data to the Management Board.

A significant non-financial performance indicator in the area of the environment, which has also been part of the Management Board's remuneration system since January 2020, is climate-relevant CO_2 emissions (Scope 1 and 2). NORMA Group aims to reduce CO_2 emissions generated during its production processes by around 19.5% by 2024. → CLIMATE PROTECTION

Detailed information on the environmental strategy can be found in the → CR REPORT.

Marketing

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

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

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

Marketing focus in 2020

Key marketing activities in fiscal year 2020 included the following:

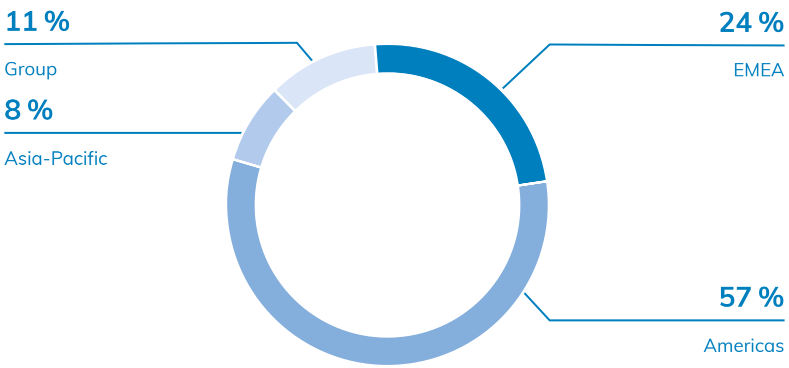
- Introduction and expansion of local e-commerce services for existing customers (including in Germany)
- Introduction of digital information platforms and websites with a focus on water management and outreach in regional markets (including China and the US)
- Expansion of data structures within the product information management (PIM) platform and automation of data exchange with other systems
- Marketing support for new product launches (e.g. eM-Twist Connector)

Traditional marketing activities, such as the organization of trade shows and events, were significantly affected in 2020 by the restrictions due to the COVID-19 pandemic. In this context, some trade shows were therefore held virtually, postponed to 2021, or canceled without alternative.

Marketing expenditures 2020

Marketing expenditures amounted to a total of EUR 4.0 million in 2020 and were thus significantly below the level of the previous year (2019: EUR 5.4 million). Marketing expenses as a percentage of sales amounted to 0.4% in fiscal year 2020 (2019: 0.5%).

Marketing expenses 2020 by segment G035



Forecast Report

Economic and industry-specific factors

The global economy in 2021: recovery expected as the pandemic is gradually overcome

As expected, the COVID-19 pandemic is initially likely to continue to dominate the economic outlook in 2021. However, as vaccination measures progress over the course of the year, the economic environment is expected to gradually return to normal. Fiscal and monetary policies are expected to remain expansionary. The current upswing in China is also having a stimulating effect, as is the predominantly buoyant global industrial economy despite the COVID-19 pandemic. It can also be assumed that trade conflicts, which have been a burden in recent years, will play a less important role. Based on this, the International Monetary Fund (IMF) expects global trade to show positive growth (2021: +8.1%; 2020: –9.6%). In its latest forecast for the global economy, the IMF expects growth of 5.5% in 2021 (2022: +4.2%). With regard to 2021, this is even 30 basis points more than it had assumed in its fall 2020 forecast. Nevertheless, economic risks remain high in 2021 due to continuing uncertainty. On the one hand, setbacks in the response to the pandemic, due to delays in the availability of vaccines, resistant viral mutations and prolonged lockdowns, for example, could pose a significant threat to economic growth. On the other hand, income losses incurred during the pandemic and the massive increase in debt pose a structural burden.

According to the IMF, the strong recovery of the Chinese economy was driven by significant government support measures and investments as well as expansionary monetary policy. The now far-reaching revival continued strongly in light of the recent increase in momentum. Heavy industry in particular is experiencing an upswing. The IMF expects the Chinese economy to grow by 8.1% in 2021. With the upward trend in China and stronger demand impetus from the industrialized countries, the environment in Southeast Asia is also expected to steadily improve. The ASEAN 5 countries are expected to return to a vigorous expansion course as early as 2021 (+5.2%). There are also signs of a sharp recovery in India following the severe slump (2021: +11.5%). Brazil and Russia are also expected to grow strongly, so that the economies of the developing and emerging countries (incl. China) are likely to expand by 6.3% cumulatively in 2021 (2022: +5.0%).

The industrialized nations could also mutually benefit from livelier international demand and impetus from the Chinese upswing as the pandemic is gradually overcome. In addition, many governments, including the United States, are planning extensive economic stimulus packages. The fact that interest rates are expected to remain low should also have a positive effect. These precautionary measures will lay the foundations for an accelerated, positive development of the industrial economy in 2021. By contrast, however, the development curve for consumer demand is likely to remain subdued for the time being. According to the IMF, GDP growth in the industrialized nations is expected to be around 4.3% in 2021 (2022: +3.1%). The US economy in particular is initially expected to recover strongly (2021: +5.1%) and even continue to grow next year. The IMF also expects a lively economic upturn in Japan and the UK.

Vaccination programs started in the euro zone at the beginning of 2021. Due to high infection rates and the rapid spread of viral mutations, however, lockdown rules were tightened again, and their duration was extended. As a result, the return to normal in everyday life and the economy is likely to be delayed for some time. Only marginal impetus can currently be expected from private consumption. By contrast, major contributions to overcoming the recession in the euro zone are expected to come from the industrial sector. On the one hand, global demand is picking up, therefore exports could pick up again. On the other hand, investment is likely to increase again following the deep slump in 2020. Investments in the networking of trade and production processes and in reducing CO_2 emissions will be stimulated in particular by developments in connection with digitalization and the energy transition. It can therefore be assumed that the further tightened climate protection targets of the "European Green Deal" will provide additional impetus. Now that a hard Brexit can be ruled out, complications in connection with important supply chains can be avoided in Europe. There is no longer a risk that established sales markets could collapse. The IMF forecasts relatively robust growth for the euro zone on a region-wide basis in 2021 (2021: +4.2%, 2022: +3.6%). The pace of expansion is estimated to be below average for Germany, however (2021: 3.5%; 2022: 3.1%).

The macroeconomic outlook forms the basis of NORMA Group's outlook for 2021.

Forecast for GDP growth (in %) T027

	2020	2021e	2022e
World [1]	–3.5	5.5	4.2
USA [2]	–3.5	5.1	2.5
China [3]	2.3	8.1	5.6
Euro zone [5]	–6.8	4.2	3.6
Germany [5]	–5.0	3.5	3.1

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

Partly clouded general conditions for important customer industries of NORMA Group

Assuming that the pandemic can be overcome and that the global economy regains strength on a regional basis in 2021, the prospects for important customer industries of NORMA Group should also brighten up again in 2021.

Mechanical engineering

A strong industrial economy is expected to be the main driver of the global economic recovery in 2021. It is assumed that the low interest rate environment, the current pent-up demand for investment, and ongoing projects for the digitalization and sustainable design of manufacturing processes are likely to stimulate investment activity more strongly again. Measures aimed at optimizing international supply structures and value chains are also expected to have a positive impact. In addition, demand for construction machinery and the need for investments in logistics and technologies in the area of the energy transition are also expected to remain buoyant. In the automotive industry, manufacturing facilities are expected to be successively realigned and broadened to cover the production of future-proof product mixes. The VDMA industry association therefore expects to see a noticeable recovery in the mechanical engineering sector. Accordingly, global machinery sales are expected to rise by 7% in 2021 on a broad regional basis. The already strong upturn in China is expected to continue (+7%). In the industrialized countries, demand for machinery is expected to pick up noticeably in 2021. It is estimated that the United States and Japan will each show growth of +6%. South Korea (+4%), Canada (+12%) and the UK (+7%) are also expected to grow strongly. A strong recovery is also expected for major emerging markets. Demand in Russia (+6%), Turkey (+5%), Brazil (+9%) and India (+13%) is also expected to improve significantly. Machinery sales are expected to rise even more significantly in the euro zone and Germany, by 9% and 10% respectively, in 2021. According to the VDMA, mechanical engineering in Germany is expected to increase production in real terms by 4%.

Engineering: real change in industry sales (in %) T028

	2019	2020	2021e
China	4	5	7
USA	–1	–8	6
Euro zone	–1	–13	9
World (excluding China)	0 [1]	–6	7

Source: VDMA
1_Revised data according to VDMA.

Automotive industry

According to the German Association of the Automotive Industry (VDA), there are signs of a "technical recovery" in the automotive sector in 2021, yet pressure on the industry is still expected to remain high. Although global demand for passenger cars is forecast to pick up again from the extremely low base levels, sales and production are not expected to reach pre-crisis levels in 2021. The pace of technological change is expected to accelerate further. However, high upfront development costs will be incurred even with low volumes. Despite dynamic growth, electric vehicles (EVs, including hybrids) are not expected to reach substantial volumes until the medium term. The International Energy Agency (IEA) estimates that sales of 25 million EVs can be achieved in 2030 (base scenario). For light vehicles (LV) (all types of drives), industry experts from LMC Automotive (LMCA) estimate the market volume in 2030 to be just under 111 million vehicles. Looking ahead to 2021, LMCA anticipates a significant upturn in the global LV market (sales +10.8%; production +17.3% to 87.6 million LV). Based on LMCA's forecast, manufacturers in Germany are expected to increase their LV production by 26.8%, while the VDA anticipates an increase of 20% in passenger car production. In the commercial vehicle market, LMCA expects to see a strong recovery in 2021. The global market for commercial vehicles is expected to grow significantly by 20.3%, particularly in North America, but also by 14.5% in Europe. China's commercial vehicle production is an exception to this. Here, LMCA expects a decline of 16.9%.

Automotive industry: global production and development of sales (in %) T029

	2019 [1]	2020	2021e	2022e
Production of light vehicles	– 5.7	– 15.8	17.3	5.3
Sales of light vehicles	– 4.4	– 14.4	10.8	6.1
Production of commercial vehicles	– 3.4	– 5.5	– 1.1	2.7
Sales of commercial vehicles	– 3.7	– 3.5	– 1.7	2.4

Source: LMC Automotive
1_Revised data according to LMC.

Construction industry

As the pandemic is increasingly overcome, Asia's construction industry is likely to pick up not only in China but also in other countries in the region. Thus, expert assumptions indicate that the construction sector in India and Southeast Asia is expected to grow structurally at a dynamic pace. The immense demand for housing and substantial investments, on the one hand in infrastructure and on the other hand increasingly in environmental protection and water management, are the main drivers of the projected development. However, the debt level has risen in 2020, in some cases substantially, in the wake of the global spread of the coronavirus and the related measures implemented by the government. Therefore, it cannot be completely ruled out that the projects planned will be postponed or cancelled. The industry network Euroconstruct (including the Ifo Institute) estimates a robust, steady upturn for the construction industry in Europe. This forecast is based on the assumptions that housing demand is currently high and that there is also considerable demand for energy-efficient building refurbishment and infrastructure modernization. For 2021, Euroconstruct therefore expects a strong increase in real construction output (+4.1%, west +4.5%, east –0.8%). Growth of 4.7% is forecast for residential buildings. The construction industry in Germany is expected to show a steady upswing due to impetus from lively residential construction. As a result, construction investment is expected to increase by 2.6% in real terms in both 2021 and 2022 (IfW). The DIW (German Institute for Economic Research) expects residential construction to increase by 3.7% in nominal terms in 2021. It is assumed that around 4.0% of this will be attributable to new construction volume. In addition, construction work on existing buildings is expected to increase by 3.6%. Moderate growth is also expected for other building construction (non-residential +1.6%) and civil engineering (+1.8%).

The US construction sector is experiencing an upswing. The key data for private residential construction is positive and suggests that the positive trend will accelerate in 2021. Among other indicators, this is supported by the fact that building permits rose by 4.8% and housing starts by 7.0% last year, thus outpacing housing completions (+2.8%). The high level of public investment in infrastructure envisaged by the new US administration could be another key aspect and driver. This is also likely to favor the road construction and sewer and storm water system sectors. Industry experts at JBREC (John Burns Real Estate Consulting) believe that the industry drivers will initially turn as the pandemic gradually fades: While demand for maintenance and remodeling is initially expected to decline in 2021 (– 4.1%) following the recent surge, demand for building materials is expected to pick up very strongly in new construction during the period under review 2021 (+16.7%). In total, JBREC expects nominal market growth of 2.5% in 2021. For the following years, an even stronger upward trend is forecast with very lively demand in both segments (2022: +12%; 2023: +10%).

Construction industry: development of European construction output (in %) T030

	2019 [1]	2020	2021e	2022e
Western Europe	2.7	– 8.0	4.5	3.4
Eastern Europe	5.2	– 4.5	– 0.8	3.3
Europe	2.9	– 7.8	4.1	3.4

Source: Euroconstruct / ifo Institute (19 core markets in total)
1_Revised data according to Euroconstruct / ifo institute.

Future development of NORMA Group

NORMA Group places a strategic focus on sustainable value creation. Key objectives are sustainable sales growth, profitability above the industry average and the most efficient use of capital possible. In addition, NORMA Group orients itself towards sustainability goals in order to live up to its own claim of a responsible approach to people and the environment. → STRATEGY AND GOALS

General statement by the Management Board on probable development

Sales growth in 2021

Based on the current assessments of the relevant economic research institutes and industry associations, the Management Board anticipates a significant improvement in the economic environment in NORMA Group's key customer industries in the 2021 fiscal year. However, this implies that it will be possible to overcome the pandemic and that there are no renewed setbacks and surprising slumps in demand in connection with the corona pandemic.

Against this backdrop, the Management Board expects a noticeable recovery of the automotive industry in fiscal year 2021, especially in Europe and Americas, based on the uniformly optimistic assessments of the automotive associations. Supported by NORMA Group's solid order situation at the time the forecast was prepared and due to the low comparative levels of the previous year, the Management Board therefore expects strong organic growth in the low double-digit range for the EJT business in 2021.

For the SJT business, the Management Board also forecasts significant organic sales growth in the high single-digit range. Due to the expected global economic recovery, which is also based on an expansive monetary policy and the promise of extensive support packages from governments worldwide, the Management Board anticipates a recovery in demand in the area of general industry applications. In addition, growth impetus is also expected from the US water business, although this already grew significantly last year.

For the EMEA region, the Management Board forecasts strong organic sales growth in the low double-digit range, driven by both the recovery in demand from the European automotive industry and strong SJT business.

For the Americas region, the Management Board expects high single-digit organic sales growth, which should result from both the resurgence in demand in the automotive sector (light and heavy vehicles) and the continued good water business.

In the Asia-Pacific region, the Management Board now expects slight organic sales growth following only a slight decline in the previous year.

Overall, the Management Board expects low double-digit organic Group sales growth in 2021. This assumes that there is no further pandemic-related slump in demand.

Development of the cost of materials ratio

The situation on the international commodity markets will remain tense in fiscal 2021 due to the COVID-19 pandemic, but price developments should be less volatile. Against the background of the optimization measures introduced in purchasing as part of the „Get on track" program, the Management Board therefore expects a significant year-on-year improvement in the materials cost ratio in 2021.

Development of personnel cost ratio

In the 2020 fiscal year, additional personnel expenses (around EUR 25 million) from the ongoing „Get on track" program and the sharp drop in sales as a result of the COVID-19 crisis had a negative impact on the personnel cost ratio. For fiscal year 2021, the Management Board expects significantly lower personnel expenses as part of the „Get on track" program. Against this backdrop and assuming a significant recovery in sales, the Management Board therefore expects a significantly improved personnel cost ratio in fiscal year 2021.

Expenses in research and development

To maintain its innovation capability and its competitiveness in the long term, NORMA Group invests a fixed percentage of its sales in R&D activities every year. Up to and including 2019, this ratio was stable at around 5% of EJT sales. Due to the increasing strategic importance of the area of water management, NORMA Group has taken into account the increasing R&D activities in this area since the 2020 fiscal year when determining the total R&D expenses and sets these in relation to total sales. Due to the higher basis for comparison, the targeted investment ratio in R&D activities is therefore now around 3% of total sales.

Adjusted EBITA and adjusted EBIT margin

An important focus of NORMA Group is on maintaining profitability. Accordingly, all business activities are strategically aligned with this goal. The transformation program „Get on track", which was already adopted in November 2019, additionally pays off towards this goal. By optimizing site capacities in all regions, systematically revising structures and processes – especially in purchasing – and focusing the product portfolio, the aim is to sustainably increase the Group's profitability again and maintain its competitiveness.

Cumulative total costs of around EUR 55 million are expected for the implementation and execution of the „Get on track" program by 2023. Of this amount, around EUR 30 million have already been incurred in the 2020 fiscal year. Additional expenses of around EUR 5 million are expected in fiscal year 2021. As in the past year, these costs will not be adjusted. Assuming a significantly positive contribution to earnings from the measures initiated as part of the transformation program and a significantly improved sales forecast, the Management Board expects the EBITA margin adjusted for acquisition effects to exceed 13% and the adjusted EBIT margin to exceed 12% in fiscal year 2021.

Financial result of EUR – 13 million expected

The Management Board expects a financial result of up to EUR – 13 million for the 2021 fiscal year. This includes interest charges on the Group's gross debt with an average interest rate of approximately 1.9% as well as further expenses for currency hedges and transaction costs.

Tax rate between 27% and 29%

For fiscal year 2021, the Management Board expects a tax rate of between 27% and 29%.

Strong increase of adjusted earnings per share

Based on the assumptions described above, the Management Board expects a strong increase in adjusted earnings per share in fiscal 2021.

Adjustments to the result

As in previous years, the Management Board expects adjustments from the allocation of purchase prices to depreciable tangible and intangible assets from acquisitions in previous years. These amount to a total of around EUR 24 million. If new acquisitions are made in fiscal year 2021, the Management Board reserves the right to make further adjustments.

NORMA Value Added (NOVA)

The Management Board expects NOVA for fiscal year 2021 to be between EUR 10 million and EUR 25 million.

Investment ratio of between 5% and 6% targeted

Due to the pandemic-related lower investments in fiscal 2020, the Management Board expects a growth-related revival of investment activity (excluding M&A activities) in fiscal 2021, resulting in a slightly higher investment ratio of around 5% to 6% of Group sales.

Net operating cash flow

Assuming a significantly better sales development compared to the previous year, but also continuous optimization measures in the area of working capital, NORMA Group's Management Board expects a net operating cash flow of more than EUR 110 million in fiscal year 2021.

Sustainable dividend policy

If the future economic situation allows, NORMA Group will pursue a sustainable dividend policy based on a payout ratio of approximately 30% to a maximum of 35% of the adjusted consolidated net income.

Market penetration and innovation capability

The degree of market penetration is reflected in organic growth in the medium term. Securing the ability to innovate is essential for the future and competitiveness of NORMA Group. NORMA Group records the number of invention applications per year as a key figure for measuring and managing innovative strength within the company. For the Group, the target is more than 20 new invention applications per year.

Carbon dioxide emissions

For its own production processes, NORMA Group has set itself the target of reducing CO_2 emissions by around 19.5% by 2024 (reference year 2017). This corresponds to an annual average reduction (CAGR) of 3.0%. For 2021, the Management Board expects to achieve this target.

Problem solving behavior of employees

NORMA Group measures and controls the problem-solving behavior of its employees by using the performance indicator number of defective parts rejected by customers per million parts (parts per million, PPM). The annual target for the PPM indicator is below 10.

Sustainable development of the company

NORMA Group has published its CR Roadmap. The Group's goal is to consistently implement the goals and measures formulated therein and to continue to lay further important milestones for sustainable corporate governance in the current year.

Forecast for fiscal year 2021

T031

Organic group sales growth	Low double-digit organic Group sales growth
	EJT: Strong organic sales growth in the low double-digit range
	SJT: Significant organic sales growth in the high single-digit range
	EMEA: Strong organic sales growth in the low double-digit range
	Americas: High single-digit organic sales growth
	APAC: Slight organic sales growth
Cost of materials ratio	Significantly improved material cost ratio
Personnel cost ratio	Significantly improved personnel cost ratio
R&D investment ratio	Around 3% of sales [1]
Adjusted EBITA margin	More than 13%
Adjusted EBIT margin	More than 12%
NORMA Value Added (NOVA)	Between EUR 10 million and EUR 25 million
Financial result	Up to EUR – 13 million
Tax rate	Between 27% and 29%
Adjusted earnings per share	Strong increase in adjusted earnings per share
Investment rate (without acquisitions)	Investment ratio between 5% and 6% of Group sales
Net operating cash flow	More than EUR 110 million
Dividend / dividend ratio	Around 30% to 35% of adjusted Group earnings
CO_2 emissions	Reduction in CO_2 emissions by around 19.5% [2] by 2024 (CAGR: 3.0 %)
Number of invention applications	More than 20
Number of defective parts (parts per million / PPM)	Below 10

1_Due to the increasing strategic relevance of the area of water management, NORMA Group includes R&D expenses in this area in the calculation from the 2020 reporting year onwards and uses total sales as a reference value to determine the R&D ratio (previously 5% of EJT sales).
2_Reference year: 2017.

Risk and Opportunity Report

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

Risk and opportunity management system

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

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

Risk management process

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

Risk identification is carried out bottom-up by the individual companies as well as top-down by the individuals responsible for functions at the regional and Group levels. Various methods that correspond to the structure of the organization are used to identify risks. Such methods include interdisciplinary workshops, interviews and checklists, but also market and competitive analyses. In certain cases, analyses of the process workflows as well as results from internal and external audit reports are used. NORMA Group's risk managers are responsible for verifying on a regular basis whether all material risks have been recorded.

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

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

Risk reporting

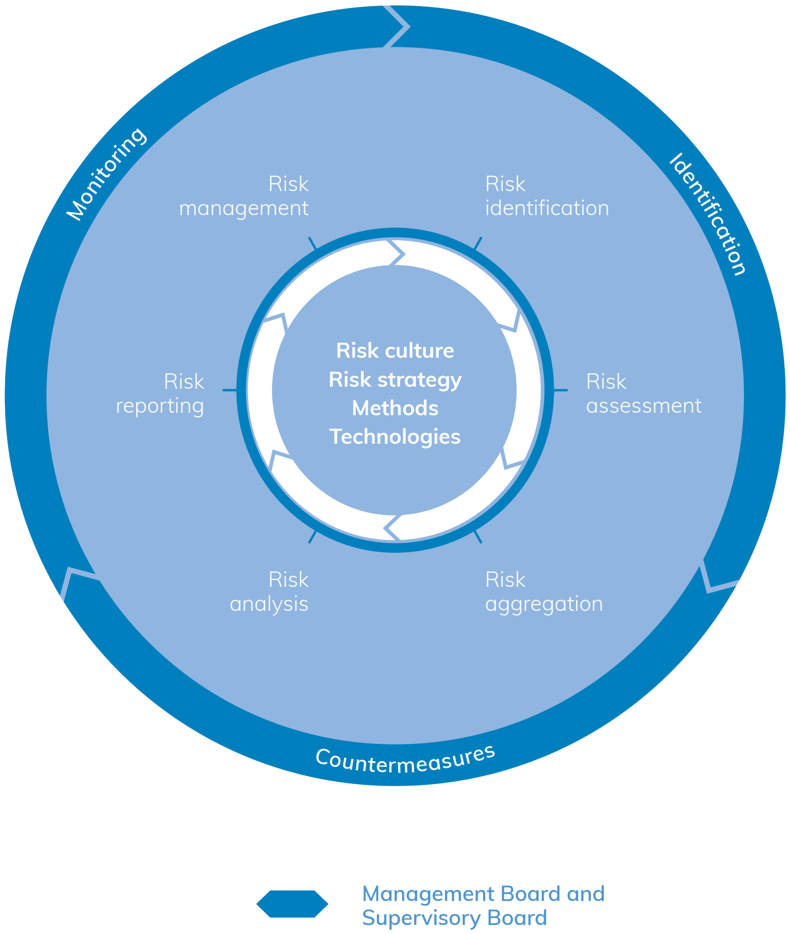
Group-wide recording and assessment of risks as well as their reporting to the functional managers and individual companies by functional areas, the management of the segments, the Management Board and the Supervisory Board take place on a quarterly basis. In addition, risks that are identified within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

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

Opportunity management process

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

Risk management system of NORMA Group G036



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

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

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

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

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

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

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

Risk and opportunity profile of NORMA Group

As part of the preparation and monitoring of its risk and opportunities profile, NORMA Group assesses risks and opportunities based on their financial impact and their probability of occurrence. The financial impact of opportunities and risks is assessed in relation to EBITA, based on the EBITA forecast in the 2019 Forecast Report (before the global spread of the coronavirus). The following five categories are used here:

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

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

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

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

Financial opportunities and risks

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

Capital risk management

NORMA Group's objective when it comes to managing its capital is primarily the long-term servicing of its debts and remaining financially stable. In connection with only a few of its long-term financing agreements, the company is obliged to maintain the financial covenant total net debt cover (debt divided by adjusted consolidated EBITDA). This key figure and its maintenance, but also net debt and the maturity structure of financial debt, are continually monitored. Changes in the value of the amounts included in this financial indicator are limited by employing long-term hedging strategies. Other financial covenants exist only as part of a syndicated bank loan negotiated in 2019 and are tested only in advance of possible M&A transactions without justifying the creditor banks' right of termination.

Default risks

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

Relevant default risks can arise, however, with respect to business relationships with customers and relate to outstanding receivables and committed transactions. NORMA Group reviews the creditworthiness of new customers to minimize the risk of default on trade receivables. Customers whose credit ratings are below Group standards or who have defaulted on payment are supplied to only if they pay in advance. In addition, a diversified customer portfolio reduces the financial repercussions of default risks. Despite the aforementioned measures, the Group now considers the possibility of default risks occurring to be probable (unlikely in the previous year), as it is impossible to fully assess the future impact of the global COVID-19 pandemic on potential insolvencies of individual customers. The potential financial effects of default risks are still judged to be insignificant considering the relevant factors, such as bad debt losses experienced in the past, and due to the countermeasures taken.

Liquidity risks and opportunities

Prudent liquidity risk management requires holding sufficient cash funds and marketable securities, having sufficient financing from committed lines of credit and being able to close out market positions. Due to the dynamic nature of NORMA Group's business, Group Treasury aims to maintain flexibility in financing by keeping committed credit lines available. Therefore, NORMA Group's primary objective is to ensure the uninterrupted solvency of all Group companies. Group Treasury is responsible for liquidity management and therefore for minimizing liquidity risks. As of December 31, 2020, NORMA Group's liquid assets (cash and cash equivalents) amounted to EUR 185.1 million (2019: EUR 179.7 million). Furthermore, NORMA Group has a high level of financial flexibility thanks to a committed revolving credit line with national and international credit institutions in the amount of EUR 50 million. In the course of the refinancing in 2019, yet another flexible accordion line was negotiated that increases NORMA Group's ability to take strategic action even further. In addition, a firmly committed liquidity line with a volume of EUR 80 million was negotiated with international banks in mid-2020. This line increases the existing financial leeway in order to be able to react to the effects of economic upheavals, such as the challenges of the COVID-19 pandemic. NORMA Group thus has a total of EUR 130 million in committed liquidity lines, which were not used as of December 31, 2020. Furthermore, a commercial paper program with a total volume of EUR 300 million was launched in 2019, which can be used flexibly to cover short-term liquidity requirements. These money market papers, which are equivalent to bearer bonds, are issued on a revolving basis for a short-term period of 1 to 24 weeks and thus allow the Group's own liquidity to be managed in line with requirements.

Financial opportunities are seen, among other areas, in NORMA Group's high creditworthiness as well as its solid financial, assets and earnings positions, which enable the company to gradually reduce its capital costs. Accordingly, the financing concluded in 2019 is characterized by even more committed degrees of freedom and lower interest costs. This bank loan of EUR 250 million also includes a sustainability component linked to an external rating. By improving its sustainability rating in the past fiscal year, NORMA Group has already reduced its external interest burden. The liquidity-related opportunities are considered likely despite the economic effects of the COVID-19 pandemic, especially due to the stable business relationships with banking partners and the resulting reputation on the capital markets. In light of the refinancing measures carried out in the recent past, by which the borrowing costs have already been reduced quite considerably, the potential financial effects of liquidity-related opportunities on NORMA Group's earnings are considered to be only minor. → FINANCIAL POSITION

Currently, only a small share of the Group's financing agreements contain standard market credit conditions (financial covenants). If NORMA Group does not adhere to these terms, the banks would be entitled to re-evaluate the agreements and/or demand higher credit margins. In light of the measures implemented to reduce the share of financial covenants in the current fiscal year, non-compliance with these would now have moderate (high in the previous year) financial repercussions. Irrespective of the extent of financial covenants, compliance with them is monitored continuously in order to be able to take appropriate measures at an early stage if necessary and to avoid any worsening of the conditions. NORMA Group partly uses rolling hedging transactions to hedge balance sheet positions in foreign currencies whose valuation leads to fluctuations in the profit and loss account. Group Treasury ensures that sufficient liquidity or granted credit lines are available at all times to cover possible cash outflows related to these hedging measures. This is continuously monitored by means of risk simulation and discussed in senior management meetings. The probability of liquidity risks having a negative impact on NORMA Group's activities is very unlikely given the high level of financial flexibility provided by committed and unused bank credit lines. The risk of non-compliance with financial covenants is still considered very unlikely due to the company's high profitability and strong operating cash flow. In the event of (short-term) increased liquidity requirements that exceed currently negotiated lines, the possibilities of raising funds at market conditions, by issuing new bonds on the commercial paper capital market, for example, are considered to be very good.

Foreign currency trends

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

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

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

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

Changes in interest rates

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

In some cases, the current loans have fixed interest rates and are therefore not subject to interest rate risk. → GOALS AND STRATEGIES REGARDING FINANCE AND LIQUIDITY MANAGEMENT

Loans that initially had variable interest rates were partly synthetically converted into fixed interest rate positions using derivative instruments. NORMA Group has hedged over 60% of its variable interest rate loans in USD valued at USD 157.5 million in total. The remaining USD floating rate loans are unsecured and are continuously monitored by Group Treasury. On the other hand, variable rate loans denominated in euros in the amount of EUR 188 million are unhedged. Due to the Group's internal interest rate expectations, this item is deliberately not hedged. In the event of an increase in interest rates, Group Treasury would limit the interest rate risk by using appropriate hedging measures.

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

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

Economic and cyclical opportunities and risks

NORMA Group's success largely depends on macroeconomic trends on its sales markets and its customers' sales markets. Therefore, important indicators of economic development worldwide are taken into account both in planning as well as in risk and opportunities management. In order to gauge the macroeconomic trend, NORMA Group mainly relies on the forecasts of widely regarded institutions such as the IMF, the Bundesbank and reputable economic research institutes. Accordingly, following the 3.5% contraction in the global economy in the past fiscal year, global growth of 5.5% is expected for 2021.

In the previous year, economic development was negatively influenced in particular by the unexpectedly rapid spread of the coronavirus (COVID-19) and the related restrictions in connection with containment and quarantine measures. In the first half of 2020, in particular, there were significant drops in demand and substantial production losses due to plant shutdowns. Despite the countermeasures initiated by the government in terms of both containing the pandemic itself and its economic consequences, the losses from the spring could not be fully compensated for in the second half of the year. Apart from the COVID-19 pandemic, the uncertain outcome of the negotiations on future trade regulations with the EU following the Brexit process, protectionist activities in connection with the possible conclusion of a trade agreement between the United States and the EU, and other geopolitical crises represented significant risk factors.

For the current fiscal year, the further development of the COVID-19 pandemic, in particular the success of the containment measures initiated as well as the stimulating effect of economic and social policy measures to combat the pandemic and its economic consequences, continues to be seen as a significant risk factor. In particular, setbacks in the fight against the pandemic, as a result of vaccination delays, resistant virus mutations and longer lockdowns, for example, can have a significant negative impact on expected economic growth. Regardless of the pandemic-related risks, geopolitical risks and risks in connection with trade conflicts continue to be major negative factors for the global economy.

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

Industry-specific and technological risks and opportunities

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

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

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

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

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

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

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

Risks and opportunities associated with corporate strategy

NORMA Group's strategic goal is to achieve a sustained increase in the company's value. In view of this goal, NORMA Group is pursuing the strategy of profitably expanding its business activities through organic growth as well as selective value-enhancing acquisitions and achieving broad diversification with respect to its products, regions and end markets, thus becoming less dependent on individual products, regions and end markets. NORMA Group's aim is to grow with innovations, superior product quality and strong brands in existing end markets, to open up new end markets and to continuously improve the efficiency of its business processes in all functional areas and regions. With this in mind, the "Get on track" change program was launched at the end of 2019 with the goal of increasing the profitability and flexibility of NORMA Group and consistently implemented in 2020. → STRATEGY AND GOALS

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

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

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

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

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

Operational risks and opportunities

Commodity prices

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

Due to the ongoing punitive tariffs on imports of steel and metal components in the United States, NORMA Group was confronted with generally higher procurement prices in the past fiscal year, especially in the Americas region. Since there are currently no indications of a reduction in protectionist measures, a politically induced reduction in procurement prices in the region is not to be expected in fiscal year 2021, either. After a solid first quarter, the global recession triggered by the COVID-19 pandemic in the second and third quarters of the past fiscal year led to a significant global reduction in inventories along the entire value chain. Since the fourth quarter, accompanied by an increasing recovery in demand in NORMA Group's key sales markets, the demand for steel and metal components has risen significantly, which has been accompanied by massive price increases on the part of manufacturers. Thanks to its multi-supplier strategy for strategic products, NORMA Group was able to fully cover the significant increase in purchase volumes without having to raise prices significantly. While it was still possible to achieve slight price reductions in the contracts for 2020 and 2021 with regard to the procurement of stainless steel (flat/wire and metal components), significant price increases had to be accepted again for the first time in 2021, especially in the area of non-stainless steel. The contract duration was selected here individually to be short as possible, since lower purchase prices and improved material availability are expected again in the second half of 2021. After a drop in prices in the first four months of the past fiscal year, the alloy surcharges relevant for stainless steel rose again for all nickel-based goods and were significantly higher at the end of the year than at the beginning of 2020. In addition to the development of ferrochrome and scrap prices, the alloying element nickel acted as the most important price driver. Analysts are also assuming a risk of rising nickel prices and a volatile market in the future, which is not least due to the use of nickel in batteries for the growth sector of electromobility.

In the area of engineering plastics, demands for price increases were successfully averted several times in the past fiscal year. However, due to the recent sudden surge in demand for these plastics (e.g. polyamide 66) associated with the economic recovery and the manufacturers' limited production capacities, NORMA Group continues to see itself exposed to increased price pressure. Regardless of this and despite the expected price increases for technical granulates, NORMA Group is optimistic that it will be able to meet current requirements below the price level of 2019 for fiscal year 2021 as well. In contrast, a stabilization of the raw material market is expected for standard plastics (e.g. PVC, PP).

Taking into account NORMA Group's procurement portfolio, price increases for raw materials are considered likely overall. However, the associated financial impact is estimated to be minor. Similarly, the opportunities arising from declining raw material prices are also considered to be minor in terms of their financial impact. Against the backdrop of the complete procurement spectrum and taking into account the prevailing volatility on the raw material markets, potential price reductions are still considered unlikely overall.

Suppliers and dependencies on key suppliers

The loss of suppliers and dependencies on single suppliers can lead to material shortages and thus to negative impacts on the Group's activities. In order to minimize this risk, NORMA Group works only with reliable and innovative suppliers who meet its high quality requirements. In the area of production material, the ten most important suppliers are responsible for approximately 27% of the purchasing volume. → PURCHASING AND SUPPLIER MANAGEMENT These and other key suppliers are regularly observed and assessed as part of quality management. If the loss of a supplier appears imminent, NORMA Group evaluates alternatives immediately. As a result, the loss of suppliers is considered possible, but the potential financial impact is regarded to be moderate (minor in the previous year). However, NORMA Group also sees opportunities in this area as a result of its proactive approach both in terms of current supplier relationships as well as identification of new suppliers and raw materials. Since further optimization in the area of purchasing can also be anticipated in the medium term due to the "Get on Track" change program rolled out in November, NORMA Group estimates the potential of the implemented measures for a positive deviation from planning to be possible. The financial impact of the measures initiated is still assessed to be low.

Quality and processes

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

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

Customers

Customer risks result from a company being dependent on important buyers for a significant share of its sales. They could take advantage of their bargaining power, which can lead to increased pressure on the company's margins. Decreases in demand from these customers or the loss of these customers can have a negative impact on the company's earnings. For this reason, NORMA Group continuously monitors incoming orders and customer behavior so as to identify customer risks early. Due to its diversified customer portfolio, financial repercussions of customer risks are reduced. Accordingly, no single customer accounted for more than 4% of sales in fiscal year 2020. Therefore, it is considered possible that customer risks could have a negative impact on NORMA Group's business, however the financial effects would be minor due to the diversified customer structure.

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

Risks and opportunities of personnel management

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

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

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

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

IT-related risks and opportunities

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

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

NORMA Group has therefore implemented appropriate measures to avoid and reduce this type of risk. These measures are collectively embedded in the IT risk management process and are adjusted to changing conditions. For example, NORMA Group manages the IT risks it identifies by arranging for redundant provision of business-critical applications and databases via physically separated data center areas, using decentralized data storage and outsourced data archiving to a certified external provider, and by using state-of-the-art firewalls and e-mail filters, including permanent network monitoring. Employee access to sensitive information is ensured by means of authorization systems customized for the respective positions, taking into account the principle of segregation of duties. Finally, employees are trained to be more aware of data security aspects. The gradual transfer of old ERP systems into new, uniform Group systems, which will be further advanced in 2020, also harbors risks. During the necessary process changes in the respective plants and distribution centers, adjustment problems may arise at the process level that could result in additional shifts or special freight requirements, for example. If necessary, redundant internal and external resources are kept available to mitigate these risks.

NORMA Group estimates the probability of IT-related risks occurring in all regions despite the countermeasures implemented to be probable and the potential financial impact to still be moderate.

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

Legal risks and opportunities

Risks related to standards and contracts

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

Litigation developed differently in the regions in 2020. As in the previous year, litigations in most cases involved labor disputes. In contrast to the previous year, these issues were mainly concentrated on the EMEA region, especially Germany. Besides lawsuits from former employees in connection with the termination of employment relationships, disputes with employee representatives were a new focus of labor law proceedings. Disputes with customers were usually related to alleged product defects. In addition, NORMA Group companies in the Asia-Pacific region conducted several legal proceedings due to payment claims against customers. NORMA Group managed to assert claims against suppliers in connection with defective deliveries. Furthermore, NORMA Group conducted proceedings on its own or third-party IP rights as well as due to customs issues.

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

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

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

Social and environmental standards

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

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

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

Intellectual property

Violations of intellectual property rights could lead to lost sales and reputation. For this reason, the company ensures that its technologies and innovations are legally protected. NORMA Group also minimizes the potential impact by developing customer-specific solutions and through its speed of innovation. At the same time, it is also possible for NORMA Group to violate the intellectual property of third parties. For this reason, developments for potential patent violations are reviewed at an early stage. Despite these measures, there is still a risk of using third-party intellectual property. The probability of infringements of intellectual property is therefore assessed as possible. The potential impact of IP-related legal disputes and other possible infringements continues to be assessed as moderate. In addition, consistently protecting intellectual property and building up unique legal selling points are also seen as potential opportunities that could lead to a slight deviation from the medium-term planning.

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

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

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

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

Risk and opportunity profile of NORMA Group[1]

T032

		Probability of occurrence						Financial impact					
		Very unlikely	Unlikely	Possible	Likely	Very likely	Change comp. to 2019	Insignificant	Minor	Moderate	Significant	High	Change comp. to 2019
Financial risks and opportunities													
Default risk					■		▲	■					▶
Liquidity	Risks	■					▶			■			▼
	Opportunities				■		▶		■				▶
Currency	Risks			■			▶			■			▶
	Opportunities			■			▶			■			▶
Change in interest rates	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Economic and cyclical risks and opportunities													
	Risks			■			▶			■			▶
	Opportunities			■			▶			■			▲
Industry-specific and technological risks and opportunities													
	Risks			■			▼			■			▶
	Opportunities			■			▲			■			▶
Strategic risks and opportunties													
	Risks		■				▶			■			▶
	Opportunities			■			▶			■			▶
Operational risks and opportunities													
Commodity pricing	Risks				■		▶		■				▶
	Opportunities		■				▶		■				▶
Suppliers	Risks			■			▶			■			▲
	Opportunities			■			▶		■				▶
Quality and processes	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Customers	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Risks and opportunities of personnel management													
	Risks			■			▶	■					▶
	Opportunities				■		▶		■				▶
IT-related risks and opportunities													
	Risks				■		▶			■			▶
	Opportunities				■		▶		■				▶
Legal risks and opportunities													
Risks related to standards and contracts	Risks			■			▶			■			▶
Social and environmental standards	Risks			■			▶			■			▶
	Opportunities			■			▶		■				▶
Property rights	Risks			■			▶			■			▶
	Opportunities			■			▶		■				▶

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

Remuneration Report

This Remuneration Report describes the basic principles of the remuneration system for the members of the Management Board and the Supervisory Board of NORMA Group SE and provides information on the remuneration granted, received and drawn in fiscal year 2020.

Remuneration of the Management Board

In accordance with the recommendation of the German Corporate Governance Code (GCGC) as amended on December 16, 2019, the Supervisory Board shall agree on a clear and comprehensible system for the remuneration of the members of the Management Board and determine the exact remuneration of the individual members of the Management Board on the basis of this. Accordingly, the Annual General Meeting must resolve – basically in an advisory capacity – on the approval of the remuneration system presented by the Supervisory Board.

New remuneration system for Management Board members since 2020

The Supervisory Board has fundamentally revised and redefined the system for the remuneration of Management Board members with effect from January 1, 2020. In doing so, it specifically took into account the points of criticism that had arisen in advance of the 2019 Annual General Meeting. The new remuneration system, which complies with the requirements of the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II) and takes the recommendations of the amendment to the German Corporate Governance Code (GCGC) into account, was explained to and approved by the 2020 Annual General Meeting.

The following key points and changes to the new remuneration system are particularly worth noting:

- The bonus components are based on transparent results that have actually been achieved and audited.

- The Short-Term Incentive (STI) depends on the absolute performance factor adjusted, i. e. EBIT (earnings before interest and taxes) of NORMA Group adjusted for acquisitions, on the one hand. On the other hand, the STI now depends on a relative performance factor (relative total shareholder return (TSR)). NORMA Group SE's TSR is compared with the TSR of a predefined peer group of 15 listed companies. Depending on NORMA Group SE's ranking within the peer group, the payout amount from the STI either increases or decreases by up to 20%.

- Within the Long-Term Incentive (LTI), an amount of up to 20% of the fixed annual salary now depends on the fulfillment of sustainability targets, e. g., the reduction of CO_2 emissions (Environment, Social and Governance-LTI, or ESG-LTI for short).

- With the introduction of a comprehensive share acquisition and shareholding obligation, NORMA Group SE is implementing a new recommendation of the German Corporate Governance Code. The members of the Management Board must invest 75% of the amount paid out from the LTI and 100% of the amount paid out from the ESG-LTI in shares of NORMA Group SE. The company may also pay out this amount in full or in part in shares of NORMA Group SE. As a result, more than 50% of the payout target amount of the variable remuneration will either be invested in shares of NORMA Group SE by the members of the Management Board or granted by NORMA Group SE on a share-based basis. ESG-LTI extends four years into the future and provides for a one-year holding period. LTI will be supplemented by a four-year holding obligation for the shares in the future.

- The Supervisory Board sets binding performance criteria for STI and LTI. The Supervisory Board sets the targets for ESG-LTI before the start of the fiscal year. The respective amounts to be paid out are calculated after the end of the fiscal year on the basis of achievement of the targets. The Supervisory Board has the option to adjust the terms of STI and LTI at its reasonable discretion only in the event of exceptional events otherwise, the Supervisory Board has no discretion in determining the STI and LTI payout amounts.

- The change-of-control clause, according to which Management Board members may leave the company with severance pay of three years' remuneration in the event of a change of control, has been abolished for new members of the Management Board.

- The variable remuneration components are subject to a clawback if the audited Consolidated Financial Statements and/or the basis for determining other targets on which the calculation of the variable remuneration is based are subsequently found to be objectively incorrect and therefore need to be corrected and the error has led to an incorrect calculation of the variable remuneration.

Basic principles of the remuneration system

The system for the remuneration of the members of the Management Board is designed to be clear and comprehensible. The goal of NORMA Group's remuneration system is to remunerate the members of the Management Board in accordance with their tasks and performance and in an appropriate relationship to the company's situation. In line with NORMA Group's Strategy 2025, the remuneration of the members of the Management Board promotes the business strategy as well as the long-term interests of NORMA Group and thus contributes to the sustainable and long-term development of the company. The strengthening of profitable growth of NORMA Group's divisions – also by making certain acquisitions – as well as the consideration of the sustainability strategy are the focus and the basis for the design of the remuneration system for the members of the Management Board.

In this context, the remuneration system takes into account various targets aligned to profitability (through EBIT), return on investment (through NOVA), development of the company's value (through its share price and relative share return) and environmental sustainability. The metrics used have different but always multi-year terms to support the strategic success of the company on a sustainable basis. The remuneration of the Management Board members is designed to create an appropriate incentive system for the implementation of the company strategy and sustainable value creation and enhancement. Particular attention is paid to achieving the greatest possible congruence between the interests and expectations of shareholders and Management Board remuneration.

In line with the role and performance, individual target achievement is taken into account by distinguishing between the fixed remuneration of the Management Board members on an individual basis. Due to the limited number of Management Board members, their performance is regarded as a joint effort and responsibility as a body, and no further individual targets have been included in the remuneration system. In accordance with the recommendations of the German Corporate Governance Code, remuneration is composed of a fixed component (fixed remuneration) as well as short-term variable and long-term variable components.

Overview of the remuneration components and their respective relative share of remuneration

The remuneration of the members of the Management Board includes fixed and variable components. The fixed components of the remuneration of the Management Board members are the fixed annual salary, fringe benefits and the company pension plan. The variable components are the short-term variable remuneration STI and the long-term variable remuneration. The long-term variable remuneration in turn comprises the multi-year LTI and the ESG-LTI, a multi-year variable component based on sustainability targets. The share of long-term variable remuneration in total remuneration exceeds the share of short-term variable remuneration. The relative shares of the fixed and variable remuneration components are shown below in relation to the maximum remuneration. The maximum payout amounts that are limited relative to the fixed annual salary for STI (180% of the fixed annual salary), LTI (200% of the fixed annual salary), ESG-LTI (20% of the fixed annual salary), the pension expense for the company pension plan (service costs), and fringe benefits are set in relation to the maximum remuneration.

Excluding the company pension plan and fringe benefits, the share of fixed remuneration is 20% and the share of variable remuneration is 80% of the sum of the fixed annual salary and the maximum payout amounts from STI, LTI and ESG-LTI ("adjusted maximum total remuneration"). STI (maximum payout amount of 180% of the fixed annual salary) accounts for 36%, LTI (maximum payout amount of 200% of the fixed annual salary) for 40%, and ESG-LTI (maximum payout amount of 20% of the fixed annual salary) for 4% of the adjusted maximum total remuneration.

Taking the company pension plan and fringe benefits into account, for the Chairman of the Management Board, the share of fixed remuneration (fixed annual salary, pension expense (service costs) and fringe benefits) is approximately 38% of the maximum remuneration, and the share of variable remuneration is approximately 62% of the maximum remuneration. STI (maximum payout of 180% of the fixed annual salary) accounts for approximately 28% of the maximum remuneration, LTI (maximum payout of 200% of the fixed annual salary) for approximately 31% of the maximum remuneration, and

ESG-LTI (maximum payout of 20% of the fixed annual salary) for approximately 3% of the maximum remuneration. For ordinary Management Board members, taking the company pension plan and fringe benefits into account, the share of the fixed remuneration (fixed annual salary, pension expense (service costs) and fringe benefits) is approximately 36% of the maximum remuneration and the share of variable remuneration is approximately 64% of the maximum remuneration. STI (maximum payout of 180% of the fixed annual salary) accounts for approximately 29% of the maximum remuneration, LTI (maximum payout of 200% of the fixed annual salary) for approximately 32% of the maximum remuneration and ESG-LTI (maximum payout of 20% of the fixed annual salary) for approximately 3% of the maximum remuneration.

The above percentages may differ slightly due to the different actuarial calculation of service costs for each fiscal year and each member of the Management Board as well as the development of the cost of contractually agreed-upon fringe benefits.

Determination of the target total remuneration

The Supervisory Board determines a target total remuneration for the individual members of the Management Board. The target total remuneration is the sum of all remuneration components that are relevant for the total remuneration. For STI, LTI and ESG-LTI, the target amounts are based on 100% target achievement ("target amounts of variable remuneration components") of the budget values. The Supervisory Board determines the target amounts of the variable remuneration components for each fiscal year. In doing so, the Supervisory Board decides which targets the company should achieve on the basis of the results of the previous fiscal years as part of the budget planning for the current fiscal year.

Maximum remuneration

The total remuneration to be granted for a fiscal year (total of all remuneration amounts expended for the fiscal year in question, including the fixed annual salary, variable remuneration components, pension expenses (service costs) and fringe benefits) of the members of the Management Board – irrespective of whether it is paid out in this fiscal year or at a later date – is capped in absolute terms ("maximum remuneration"). The maximum remuneration is EUR 3,900,000 for the Chairman of the Management Board and EUR 2,500,000 for each of the other members of the Management Board. If the total remuneration calculated for a fiscal year exceeds the maximum remuneration, the amount paid out under LTI is reduced to such an extent that the maximum remuneration is complied with. If necessary, the Supervisory Board may at its discretion reduce other remuneration components or demand reimbursement of remuneration already granted. Irrespective of the maximum remuneration set, the payout amounts of the individual variable remuneration components are also limited in each case relative to the fixed annual salary.

Severance payments

In the event of premature termination of the service contract without good cause, any possible severance payment is limited to the value of a maximum of two years' remuneration in line with the recommendations of the GCGC and, if the service contract has a remaining term of less than two years, may not exceed the contractual remuneration for the remaining term (severance payment cap). The severance payment cap is always calculated on the basis of the total remuneration for the past fiscal year and, if applicable, also the expected total remuneration for the current fiscal year. If a special termination right is exercised in the event of a change of control or due to reorganization – only applicable if the member of the Management Board commences service before 2020 – he or she will receive a severance payment equal to three years' remuneration, but not more than the value of the remuneration for the remaining term of the service contract. In line with the GCGC, the service contracts of Mrs. Stieve and future members of the Management Board no longer include a change of control clause. The annual remuneration is the current fixed annual salary at the time of termination plus the variable remuneration components granted for the past fiscal year.

Fixed remuneration components

Fixed annual salary

The Management Board members receive a fixed annual salary in twelve monthly installments that are paid out at the end of each month. The amount of the fixed annual salary is based on the tasks and the strategic and operational responsibility of the individual Management Board member.

Company pension scheme

The Management Board members Dr. Schneider and Dr. Klein are covered by a company defined benefit plan. The entitlement to a pension arises when the service contract ends and the Management Board member has reached age 65 or is permanently incapacitated for work. The pension level (retirement pension) of the pension agreements is 4% of the fixed annual salary for each completed year of service from being appointed a Management Board member up to a maximum of 55% of the last fixed annual salary. A surviving dependents' pension is also provided for.

The Management Board member Ms. Stieve and future members of the Management Board are granted a defined contribution plan on a reinsurance basis. Under the defined contribution plan, the company is required to make payments to an external provider each year. The amount of the payments is in line with standard market practice.

Fringe benefits

The company provides each member of the Management Board with a company car for private use. In addition, Management Board members are included in the company's D&O insurance, and the company reimburses 50% of the expenses for health and long-term care insurance up to a maximum of the expenses the company would have to pay if an employment relationship under social security law existed. The company also takes out accident insurance (private and occupational accident) for the members of the Management Board at its own expense.

Variable compensation components

The performance indicators used to measure the short-term and long-term variable compensation components are derived from NORMA Group's company strategy and are based on a three- or four-year observation period. The variable compensation of the Management Board consists of the following components:

Short-Term Incentive, STI

STI is a performance-based bonus that takes the absolute performance indicator adjusted EBIT (earnings before interest and taxes, adjusted for acquisitions) of NORMA Group, on the one hand, and, on the other hand, the relative total shareholder return (TSR) of NORMA Group SE in relation to a peer group into account. The payout amount of STI is calculated from a starting value and an adjustment to the target achievement of TSR in the grant year. The calculation is shown in the following formula:

Payout amount = Initial value
(= average adjusted EBIT x individual STI percentage) x
TSR adjustment factor

The initial value results from multiplying the average EBIT, adjusted for acquisitions, in the fiscal year for which STI is granted and the two fiscal years preceding the grant year (arithmetic mean) by the individual STI percentage specified in the service contract. The individual STI percentage is 0.33% for the Chairman and 0.22% for the other members of the Management Board. In a second step, this initial value is then multiplied by the TSR adjustment factor, and the result represents the payout amount. TSR is defined as the percentage change in the stock market price during the grant year, including notionally reinvested dividends and all capital measures. In other words, TSR is a measure of how the value of a share commitment has developed over a period of time and takes into account both dividends accrued during the period and any share price increases that may have occurred. In the current compensation system, the share yield is taken into account as a relative performance factor. The TSR adjustment factor is determined by measuring the TSR development (share price and dividend development) of NORMA Group SE in relation to the TSR development of the companies in the peer group during the grant fiscal year. Depending on the results of the comparison, the starting value of STI is adjusted upwards by 20% if a position in the peer group is reached above the 75th percentile and downwards by 20% if a position in the peer group is reached below the 25th percentile; the TSR adjustment factor is thus limited to the range of 0.8 to 1.2. The peer group currently consists of the following 15 listed companies with a size, structure and industrial sector comparable to NORMA Group: Bertrandt AG, Deutz AG, DMG Mori AG, Elring-Klinger AG, Gerresheimer AG, Jungheinrich AG, König & Bauer AG, Leoni AG, SAF-Holland S.A., Schaeffler AG, SGL Carbon SE, Stabilus S.A., Vossloh AG, Wacker Neuson SE and Washtec AG. The Supervisory Board is entitled to adjust the peer group for future assessment periods before the beginning of the respective assessment period.

The payment amount (= base value x TSR adjustment factor) is limited to a maximum of 180% of the basic annual salary; the initial value (= average adjusted EBIT x individual STI percentage rate) is limited to a maximum of

150% of the fixed annual salary. The short-term variable compensation for the past fiscal year is to be paid out the following year after approval of the Consolidated Financial Statements by the Supervisory Board. If the Management Board member did not work for the company for a full twelve months in a fiscal year, the annual bonus will be reduced accordingly.

All claims to STI from a current fiscal year lapse without replacement or compensation if the Management Board member's service contract ends as a result of extraordinary termination by the company for good cause attributable to the Management Board member in accordance with Section 626 of the German Civil Code (BGB), the appointment of the Management Board member is revoked due to gross breach of duty and/or the appointment of the Management Board member ends as a result of resignation from office without the resignation being caused by a breach of duty by the company or health impairments of the Management Board member or of a close family member ("bad leaver cases"). In the event of extraordinary events or developments, e.g. the acquisition or sale of part of the company, the Supervisory Board is entitled to adjust the plan conditions of STI temporarily and appropriately at its reasonable discretion. The same applies if changes in the accounting standards applicable to the company have a material impact on the parameters used to calculate STI and in the event that a fiscal year comprises less than twelve months (short fiscal year).

The following table provides an overview of the short-term variable remuneration in 2020:

Annual bonus T033

	Assessment basis	% rate	TSR factor (0.8 – 1.2)	Calculation	Payout Cap
Dr. Michael Schneider	Adjusted EBIT of last three years (arithmetic mean)	0.33%	1.16	EUR 110.2 million x 0.33% x 1.16 = EUR 0.42 million	180% of fixed salary
Dr. Friedrich Klein	Adjusted EBIT of last three years (arithmetic mean)	0.22%	1.16	EUR 110. 2 million x 0.22% x 1.16 = EUR 0.28 million	180% of fixed salary
Annette Stieve (since October 1, 2020)	Adjusted EBIT of last three years (arithmetic mean)	0.22%	1.16	EUR 110.2 million x 0.22% x 1.16 = EUR 0.28 million p.a., pro rata for the period from October 1 until December 31, 2020: EUR 0.07 million	180% of fixed salary

Long-term variable remuneration, LTI

The long-term variable compensation consists of two components, the NORMA Value Added-LTI (NOVA-LTI) and the Environmental, Social and Governance-LTI (ESG-LTI).

- **NOVA-LTI**
  NOVA-LTI is granted in the form of a backward-looking performance cash plan in annual tranches, supplemented by a share purchase and share retention obligation. The Management Board members are granted a tranche from the Performance Cash Plan on January 1 of each grant fiscal year. Each tranche of the Performance Cash Plan has a term of three years and covers the grant fiscal year and the two fiscal years preceding the grant fiscal year ("performance period"). The relevant performance criterion for LTI is the average adjusted NORMA Value Added ("NOVA") during the three-year performance period. The amount to be paid out under LTI is calculated by multiplying the individual LTI percentage defined in the service contract by the average adjusted NOVA during the performance period. The individual LTI percentage is 1.5% for the Chairman and 1.0% for ordinary Management Board members.

The annual increase in value is calculated according to the following formula:

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

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

Assumptions for the calculation of the WACC (in %) T034

	2020	2019
Risk-free interest rate	– 0.20	0.20
Market risk premium	7.50	7.50
Beta factor of NORMA Group	1.27	1.33
Cost of equity rate	10.23	11.01
Borrowing cost rate after taxes	1.78	1.79
WACC after taxes	7.85	8.09

The base interest rate is derived from the interest rate structure data of the Deutsche Bundesbank (three-month average: October 1 to December 31, 2020). The market risk premium represents the difference between the expected return of a risky market portfolio and the risk-free interest rate. NORMA Group relies on the recommendation of the Institute of Public Auditors in Germany (IDW) to determine this. The beta factor represents the individual risk of a share compared to a market index. It is initially determined as the average value of the non-leveraged beta factors of the comparable companies (peer group) and subsequently adjusted to the individual capital structure of NORMA Group. The cost of equity is the sum of the following three components: the risk-free interest rate, the weighted country risk of NORMA Group, the product of the market risk premium and the leveraged beta factor of the peer group. The credit spread used for the calculation of the cost of debt capital was determined on the basis of conditions of NORMA Group's current external financing. Invested capital is calculated from Group equity plus net financial liabilities as of January 1 of the fiscal year.

NOVA-LTI is limited to a maximum of 200% of the fixed annual salary for all Management Board members. The company can pay out the amount in cash or in company shares. If it is paid in cash, the Management Board members are obliged to purchase shares in the company for an amount equivalent to 75% of the net amount paid out and to hold these shares for a period of four years (share purchase and shareholding obligation). The Supervisory Board of the company may decide at its reasonable discretion to issue shares in the company in whole or in part in lieu of a cash payment. If the company issues shares in the company rather than a cash payment, the members of the Management Board are likewise obliged to hold 75% of the issued shares in their ownership for four years. Regardless of whether the company makes the payout in cash or shares, 75% of the net payout under NOVA-LTI must be invested in company shares and held in ownership for a period of four years. After termination of the service agreement, the holding obligation generally continues until twelve months after the legal end of the service agreement unless the four-year holding period has expired beforehand.

The cases described with regard to STI for a departure during a current performance period apply accordingly. In the event of extraordinary events or developments, e.g. in the event of an acquisition or the sale of part of the company, the Supervisory Board is entitled to temporarily adjust the plan conditions of LTI as appropriate in its reasonable discretion. The same applies if changes in the accounting standards applicable to the company have a significant impact on the parameters used to calculate LTI and in the event that a fiscal year comprises less than twelve months (short fiscal year).

The following table provides an overview of NOVA-LTI in 2020:

- **ESG-LTI**
  In addition to NOVA-LTI, ESG-LTI is the second component of longterm variable compensation. ESG-LTI is a variable compensation element in the form of a forward-looking performance cash plan in annual tranches, supplemented by a share purchase and shareholding obligation for members of the Management Board. Each tranche of ESG-LTI has a term of four years. A tranche begins on January 1 of the grant fiscal year and ends at the end of December 31 of the third year following the grant fiscal year ("ESG performance period"). The amount paid out under ESG-LTI depends on the achievement of environmental, social and governance targets ("ESG targets"). ESG targets may include reducing greenhouse gas emissions, increasing employee satisfaction, increasing customer satisfaction, reducing workplace accidents, and increasing sustainability, for example.

NOVA bonus / LTI T035

	Assessment basis	% rate	Calculation	Cap	Acquisition of shares / payment
Dr. Michael Schneider	NOVA of the last three years (arthmetic mean)	1.50%	EUR 6.8 million x 1.5% = EUR 0.10 million	200% of fixed annual salary	75% / 25%
Dr. Friedrich Klein	NOVA of the last three years (arthmetic mean)	1.00%	EUR 6.8 million x 1.0% = EUR 0.07 million	200% of fixed annual salary	75% / 25%
Annette Stieve (since October 1, 2020)	NOVA of the last three years (arthmetic mean)	1.00%	EUR 6.8 million x 1.0% = EUR 0.07 million p.a., pro rata for the period from October 1 to December 31, 2020: EUR 0.02 million	200% of fixed annual salary	75% / 25%

The target amount of ESG-LTI is 20% of the fixed annual salary. The payout amount is capped at 100% of the target amount. The payout amount under ESG-LTI is due for payment at the end of the month following the month in which the Supervisory Board has approved the company's Consolidated Financial Statements for the grant year. The company may pay the amount payable under ESG-LTI in cash or in company shares. In the case of cash payment, the Management Board members are obliged to purchase shares in the company for the entire net amount paid out and to hold these shares for a period of one year ("share purchase and shareholding obligation"). The company's Supervisory Board may decide at its reasonable discretion to issue shares in the company in whole or in part in lieu of a cash payment. In this case, too, the Management Board members are obliged to hold 100% of the shares issued for one year. As a result, 100% of the net payout amount from the ESG bonus must be invested in the company's shares and be held in ownership for a period of one year.

The cases described with regard to STI for a departure during a current performance period apply accordingly. In the event of extraordinary events or developments, e.g. the acquisition or sale of part of a company, the Supervisory Board is entitled to temporarily adjust the plan conditions of ESG-LTI as appropriate in its reasonable discretion. The same applies if changes in the accounting standards applicable to the company have a material impact on the parameters used to calculate ESG-LTI or if a fiscal year comprises fewer than twelve months (short fiscal year).

Share-based compensation (applicable exclusively to former members of the Management Board)

Tranches of share-based compensation (allotment in 2015, 2016 and 2017) were granted for members of the Management Board who were appointed to the Management Board before 2015. These members of the Management Board left the company in fiscal year 2019 at the latest. The compensation is composed of the following components:

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

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

The Matching Stock Program (MSP) provided a share price-based long-term incentive to commit to the success of the company. MSP was a share-based option right. For this purpose, the Supervisory Board specified a number of stock options to be allotted each fiscal year with the reservation that the Management Board member makes a corresponding personal investment in the company. MSP was split into different tranches. The first tranche was allotted on the day of the initial public offering of NORMA Group (April 8, 2011). The other tranches were allotted on March 31 each following year, whereby the last allotment took place on March 31, 2017 (no allotment in fiscal years 2018, 2019 and 2020). The stock options related to those shares allotted or acquired and qualified in accordance with MSP stipulated in the Management Board contract. The number of stock options is calculated by multiplying the number of qualified shares held on the grant date (for the years 2015 to 2017, 85,952 shares per year) by the option factor determined by the Supervisory Board. The option factor was or is recalculated for each tranche and amounts or amounted to 1.5 for each of the tranches in 2015, 2016 and 2017. 128,928 shares are or were to be taken into account in fiscal years 2015, 2016 and 2017. Each tranche was or will be recalculated taking into account changes in the influencing factors and was settled pro rata temporis over the holding period. The holding period was and continues to be four years and ended or will end on March 31, 2019, 2020 and 2021 for the 2015, 2016 and 2017 tranches. Exercise of the options of a tranche can take place only within an exercise period of two years after the end of the holding period. As a prerequisite for exercise, the share price at the time of exercise (basis: weighted average of the last ten stock exchange trading days before exercise) must be above the relevant exercise hurdle. The exercise hurdle is determined by the Supervisory Board when the respective tranche is allocated and amounts to at least 120% of the exercise price. The exercise hurdle was set at 120% of the exercise price for the 2015, 2016 and 2017 tranches. The exercise price of the tranches is determined on the basis of the weighted average of the closing prices of the company's shares on the last 60 trading days immediately preceding the allocation of the respective tranche. The value of the stock option is calculated on the basis of valuation models recognized by business management. The company is free to decide at the time of exercise whether the option will be settled in shares or in cash. Based on the history of NORMA Group, a settlement in the form of a cash payment is expected in the future. Further information can be found in the Notes to the Consolidated Financial Statements.

Remuneration of the Management Board in fiscal year 2020

Management Board remuneration for fiscal year 2020 is reported in accordance with the applicable accounting principles (DRS 17) and the recommendations of the German Corporate Governance Code.

Management Board remuneration in 2020 in accordance with accounting standard DRS 17

The total remuneration of the Management Board pursuant to Art. 315e in conjunction with Art. 315a para. 2 and Art. 314 para. 1 no. 6a sentence 5 HGB – Art. 314 and 315a HGB in the version applicable up to and including December 31, 2019, shall apply to this Remuneration Report pursuant to Art. 83 EGHGB (transitional provision to the Act on the Transposition of the Second Shareholder Rights Directive) – is distributed among the individual members of the Management Board as shown in the following table:

Management Board Remuneration 2020

T037

	Dr. Michael Schneider		Dr. Friedrich Klein		Annette Stieve (since October 1, 2020)		Bernd Kleinhens (until July, 31 2019)		Total	
In EUR thousands	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fixed components	614	423	397	334	102	n/a	n/a	310	1,113	1,067
Performance-related components	420	572	280	409	70	n/a	n/a	572	770	1,553
Long-term incentive effect	130	438	90	219	23	n/a	n/a	181	243	838
Total remuneration	1,164	1,433	767	962	195	n/a	n/a	1,063	2,126	3,458

In fiscal 2020, no expenses were recognized in connection with the termination of an activity in the current fiscal year. (2019: EUR 1,480 thousand in expenses for Mr. Kleinhens in connection with the termination of his employment) were recognized in fiscal year 2020. The performance-related components include only short-term annual bonuses. All other bonuses are included under the long-term incentive effect. A provision has been recognized for the variable remuneration components. Stock options under MSP (Matching Stock Program, an expired share-based option right) are measured on an ongoing basis and recognized as an expense under other provisions. The expenses in fiscal year 2020 amount to EUR 226 thousand. The benefits promised to the members of the Management Board in the event of regular termination of their service (cf. Section 315e in conjunction with Section 315a (2) and Section 314 (1) No. 6a Sentence 6 HGB) are distributed among the individual members of the Management Board as shown in in the following table

Overview of the promised pensions of the Board members T038

	Dr. Michael Schneider		Dr. Friedrich Klein		Annette Stieve (since Oct. 1, 2020)		Bernd Kleinhens (until July, 31 2019)		Total	
In EUR thousands	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Present value of pension	2,875	1,843	703	367	n/a	n/a	n/a	n/a	3,578	2,210
Expended amount	1,032	838	336	314	38	n/a	n/a	279	1,406	1,431

The present value of all pension obligations to former members of the Management Board and their surviving dependents amounted to EUR 817 thousand as of December 31, 2020 (2019: EUR 847 thousand).

Remuneration of the Management Board in 2020 in accordance with the German Corporate Governance Code

The German Corporate Governance Code as amended on February 7, 2017, (GCGC 2017) still had to be taken into account in the Remuneration Report for fiscal year 2019. The remuneration of the Management Board was broken down into the amount granted for the reporting year and the amount received in or for the reporting year; the recommended model tables were used to present these amounts. The amendment of the GCGC was initially planned for 2019; due to delays in the Act on the Transposition of the Second Shareholder Rights Directive (ARUG II), the new version of the GCGC, the version dated December 16, 2019, was published on March 20, 2020, and thus came into force on that date (hence in short: GCGC 2020).

GCGC 2020 no longer contains any model tables; the reasons for this are as follows: “The code refrains from making its own recommendations on reporting on Management Board and Supervisory Board remuneration, including the model tables for item 4.2.5 para. 3 GCGC 2017, because Section 162 of the German Stock Corporation Act (AktG) now provides for a meaningful remuneration report. The information to be included in the remuneration report pursuant to Section 162 AktG goes beyond the content of the Code model tables. [....] The Government Commission sees no need to recommend further content for the remuneration report and does not consider it its task to make recommendations on the format of reporting on the remuneration of the Management Board and Supervisory Board [....]”

This means there is no detailed guidance on the presentation of Management Board remuneration for fiscal year 2020 because GCGC 2017 is no longer applicable for fiscal year 2020, the new provisions of ARUG II are not yet applicable – the provisions on the remuneration report contained therein only apply to fiscal years beginning on or after January 1, 2021 – and GCGC 2020 no longer contains any details on the presentation of Management Board remuneration. The Government Commission has recognized this regulatory vacuum and is holding companies accountable for reporting appropriately on Management Board remuneration and not allowing any transparency gaps to arise. Therefore, the presentation using the model tables familiar from previous years has been retained in this Remuneration Report to ensure that no transparency gaps arise.

In accordance with the German Corporate Governance Code as amended on December 16, 2019, the remuneration of the Management Board is presented as follows using the model tables recommended in the version dated February 7, 2017 – broken down by grant for the reporting year and inflow in or for the reporting year.

Remuneration granted to the Management Board

T039

	Dr. Michael Schneider				Dr. Friedrich Klein			
In EUR thousands	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)	2019
Fixed remuneration	585	585	585	396	386	386	386	324
Benefit	29	29	29	27	11	11	11	10
Total	**614**	**614**	**614**	**423**	**397**	**397**	**397**	**334**
One-year variable remuneration	534	0	1,080	572	356	0	713	409
Multi-year variable remuneration	862	0	1,200	438	575	0	792	219
Total	**1,396**	**0**	**2,280**	**1,010**	**931**	**0**	**1,505**	**628**
Pension expenses	543	543	543	357	389	389	389	266
Total	**2,553**	**1,157**	**3,437**	**1,790**	**1,717**	**786**	**2,291**	**1,228**

	Annette Stieve (since October 1, 2020)				Bernd Kleinhens (until July 31. 2019)				Total			
In EUR thousands	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)	2019	2020	2020 (Min)	2020 (Max)	2019
Fixed remuneration	99	99	99	n/a	n/a	n/a	n/a	294	1,070	1,070	1,070	1,014
Benefit	3	3	3	n/a	n/a	n/a	n/a	16	43	43	43	53
Total	**102**	**102**	**102**	**n/a**	**n/a**	**n/a**	**n/a**	**310**	**1,113**	**1,113**	**1,113**	**1,067**
One-year variable remuneration	89	0	178	n/a	n/a	n/a	n/a	572	979	0	1,971	1,553
Multi-year variable remuneration	144	0	198	n/a	n/a	n/a	n/a	256	1,581	0	2,190	913
Total	**233**	**0**	**376**	**n/a**	**n/a**	**n/a**	**n/a**	**828**	**2,560**	**0**	**4,161**	**2,466**
Pension expenses	38	38	38	n/a	n/a	n/a		279	970	970	970	902
Total	**373**	**140**	**516**	**n/a**	**n/a**	**n/a**	**n/a**	**1,417**	**4,643**	**2,083**	**6,244**	**4,435**

The grant table does not show the actual compensation paid. It shows the target values of the respective compensation components and their theoretically possible minimum and maximum values for 2020. The defined expected and target values provide the indication required by GCGC of what would be paid out if the targets (EBIT, NOVA and ESG) were to be achieved as planned or typically expected. If the targets are not actually achieved, the payout is correspondingly lower. This is shown in the following table:

Inflow from Management Board member remuneration (GCGC) T040

	Dr. Michael Schneider		Dr. Friedrich Klein		Annette Stieve (since October 1, 2020)		Bernd Kleinhens (until July 31. 2019)		Total	
In EUR thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Fixed remuneration	585	396	386	324	99	n/a	n/a	294	1,070	1,014
Benefits	29	27	11	10	3	n/a	n/a	16	43	53
Total	**614**	**423**	**397**	**334**	**102**	**n/a**	**n/a**	**310**	**1,113**	**1,067**
One-year variable remuneration	420	572	280	409	70	n/a	n/a	572	770	1,553
Multi-year variable remuneration										
LTI tranche 2016–2018	0	0	0	0	0	n/a	n/a	113	0	113
NOVA-LTI	100	438	70	219	18	n/a	n/a	256	188	913
Total	**520**	**1,010**	**350**	**628**	**88**	**n/a**	**n/a**	**941**	**958**	**2,579**
Pension expenses	543	357	389	266	38	n/a	n/a	279	970	902
Total remuneration	**1,677**	**1,790**	**1,136**	**1,228**	**228**	**n/a**	**n/a**	**1,530**	**3,041**	**4,548**

In the 2020 financial year, no remuneration was paid to former members of the Executive Board (inflow in 2019: EUR 1,144 thousand to Mr. Kleinhens, Mr. Deggim and Mr. Stephenson).

Remuneration of the Supervisory Board

In accordance with the recommendations of the German Corporate Governance Code as amended on December 16, 2019, the remuneration of the Chairman, Vice Chairwoman and Chairpersons and members of committees should take appropriate account of the greater time commitment involved. The Chairman is paid double the remuneration of the other members of the Supervisory Board, and the Vice Chairwoman is paid one and a half times this amount. In addition, the Chairpersons and members of the Supervisory Board's committees, with the exception of the Chairman of the General and Nomination Committee, are remunerated separately. These are exclusively fixed remunerations. Work is currently underway on a modified compensation system for the Supervisory Board for the future. The Supervisory Board members will be remunerated for their activities on the day after the 2021 Annual General Meeting as follows:

No remuneration was paid to Supervisory Board members in fiscal year 2020 for services personally rendered (in particular advisory and brokerage services). Furthermore, the Supervisory Board members are reimbursed for any expenses and travel costs incurred while performing their duties for the company in accordance with the company's respectively applicable guidelines. The members of the Supervisory Board arrange private insurance or are personally responsible for the statutory deductible of 10% of the loss for the D&O insurance policy carried for the Management Board and the Supervisory Board of NORMA Group up to a limit of 1.5 annual salaries.

Remuneration of the Supervisory Board in 2020 — T041

Supervisory Board Member	Membership / Chairperson of a Committee	Remuneration (EUR)
Günter Hauptmann	Chairman of the Supervisory Board since September 1, 2020 Chairman of the General and Nomination Committee since September 1, 2020 Chairman of the Strategy Committee until September 30, 2020 Member of the General and Nomination Committee until August 31, 2020	95,382.51
Erika Schulte	Vice Chairwoman of the Supervisory Board Member of the Strategy Committee Member of the General and Nomination Committee since October 1, 2020 Member of the Audit Committee until September 30, 2020	95,000.00
Rita Forst	Chairwoman of the Strategy Committee since October 1, 2020 Member of the Strategy Committee until September 30, 2020	63,770.49
Dr. Knut J. Michelberger	Chairman of the Audit Committee Member of the General and Nomination Committee	95,000.00
Mark Wilhelms	Member of the Audit Committee Member of the Strategy Committee since October 1, 2020	62,513.66
Lars M. Berg (until August 31, 2020)	Chairman of the Supervisory Board until August 31, 2020 Chairman of the General and Nomination Committee until August 31, 2020	73,333.34
Total		**485,000.00**

Other Legally Required Disclosures

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

Section 315a (1) no. 1 HGB

NORMA Group SE's share capital totaled EUR 31,862,400.00 on December 31, 2020. This is divided into 31,862,400 registered shares with no par value. Each share entitles the bearer to one vote. There are no other classes of shares. NORMA Group SE holds no treasury shares.

Section 315a (1) no. 2 HGB

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

Section 315a (1) no. 3 HGB

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

Section 315a (1) no. 4 HGB

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

Section 315a (1) no. 5 HGB

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

Section 315a (1) no. 6 HGB

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

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

The Supervisory Board is authorized to amend the wording of sections 4 and 5 of the Articles of Association in line with the issue of new shares from Authorized Capital 2020 and, if Authorized Capital 2020 has not been used or not used in full by June 29, 2025, after expiry of the authorization.

The Supervisory Board is authorized to amend the wording of Articles 4 and 6 of the Articles of Association to reflect the issue of new shares from Authorized Capital 2020. The same shall apply insofar as the authorization to issue convertible bonds, bonds with warrants and/or profit participation rights with or without conversion or option rights or conversion or option obligations in accordance with the resolution of the Annual General Meeting of June 30, 2020, is not exercised during the term of the authorization or the corresponding option or conversion rights or option or conversion obligations lapse due to the expiry of exercise periods or in any other way.

Shares may be redeemed without the redemption or its implementation requiring a further resolution by the Annual General Meeting. The retirement of shares generally leads to a reduction in capital. However, the Executive Board may, in derogation of this, determine that the capital stock shall remain unchanged upon redemption and that instead the redemption shall increase the proportion of the capital stock represented by the remaining shares in accordance with Art. 8 par. 3 AktG. In this case, the Executive Board and Supervisory Board are authorized to adjust the number of shares stated in the Articles of Association.

Section 315a (1) no. 7 HGB

Authorized Capital

In accordance with the resolution passed at the Annual General Meeting on June 30, 2020, the Management Board is authorized, with the Supervisory Board's consent, to increase the company's share capital once or repeatedly by up to a total of EUR 3,186,240 on or before June 29, 2025, (including that day) by issuing up to 3,186,240 new registered shares against cash and/or non-cash contributions (Authorized Capital 2020). The Management Board is authorized, with the Supervisory Board's consent, to exclude shareholders' subscription rights wholly or in part, once or repeatedly, in certain cases for capital increases under the Authorized Capital.

Authorized Capital 2015, which was resolved by the Annual General Meeting on May 20, 2015, has been cancelled by resolution of the Annual General Meeting on June 30, 2020. Article 5 of the Articles of Association of NORMA Group SE has been changed accordingly.

Conditional Capital

In accordance with the resolution passed by the Annual General Meeting on June 30, 2020, the Management Board is authorized, with the Supervisory Board's consent, to issue once or repeatedly on or before June 29, 2025, (including that day) bearer or registered convertible bonds and/or bonds with warrants and/or participation rights carrying a conversion or option right and/or conversion or option obligation (or a combination of these instruments) in a total nominal amount of up to EUR 200,000,000 with or without a limited maturity term (hereinafter collectively referred to as "bonds," and to grant the creditors of bonds conversion/option rights and/or conversion/option obligations to subscribe to a total of up to 3,186,240 new registered shares of NORMA Group SE with a pro rata amount of the share capital of a total of up to EUR 3,186,240 in accordance with the terms and conditions of the bonds.

The share capital of the company is conditionally increased by up to EUR 3,186,240 through the issuance of up to 3,186,240 new registered shares (Conditional Capital 2020). The purpose of Conditional Capital 2020 is to issue shares to the creditors of convertible bonds and/or bonds with warrants and/or participation rights carrying a conversion/option right and/or a conversion/option obligation, which will be issued based on the authorizations granted by the Annual General Meeting of the company on June 30, 2020, by NORMA Group SE or companies in which NORMA Group SE directly or indirectly holds a majority of the votes and the capital.

The authorization of the Management Board to issue bonds with warrants and convertible bonds and participation rights with warrants and convertible rights and Conditional Capital 2015 resolved by the Annual General Meeting on May 20, 2015, were cancelled by shareholder resolution of the Annual General Meeting on June 30, 2020. Article 6 of the Articles of Association of NORMA Group SE has been amended accordingly.

Authorization to acquire treasury shares

Pursuant to the resolution of the Annual General Meeting on June 30, 2020, NORMA Group SE is authorized to acquire up to a total of 10% of the share capital of NORMA Group SE at the time at which the resolution is adopted or – in the event that this value is lower – at the time that the authorization is exercised, for any permissible purpose by June 29, 2025, (including that day). The Management Board is authorized to use shares of the company for any legal purpose. The shareholders' acquisition right to these treasury shares is thereby excluded in certain cases.

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

Section 315a (1) no. 8 HGB

NORMA Group's financing agreements, including the contracts for the promissory notes, include the typical Change of Control Clause. In the event of a takeover by a third party, the possibility that NORMA Group would not be able to finance itself at similarly favorable terms and conditions cannot be ruled out. The service agreements of Dr. Schneider and Dr. Klein also contain a Change of Control clause. In this respect, reference is made to the → REMUNERATION REPORT.

Section 315a (1) no. 9 HGB

Dr. Schneider's and Dr. Klein's Management Board service contracts include a special termination right in the event of a change of control. If their service contracts end due to this special termination right, the company will pay severance compensation when the termination takes effect in the amount of one and a half times the severance cap, but not more than the value of the remuneration for the remaining terms of the service contracts.

Report on Transactions with Related Parties

In fiscal year 2020, there were no reportable transactions with related companies or persons besides the minority activities of members of the Management Board described in the Corporate Governance Report.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T042

in EUR thousands	Note	2020	2019
Revenue	(8)	952,167	1,100,096
Changes in inventories of finished goods and work in progress		– 1,797	3,045
Other own work capitalized		3,767	4,910
Raw materials and consumables used	(9)	– 417,467	– 477,628
Gross profit		**536.670**	**630.423**
Other operating income	(10)	19,181	13,630
Other operating expenses	(11)	– 158,350	– 157,879
Employee benefits expense	(12)	– 298,189	– 312,376
Depreciation and amortization	(18, 19)	– 79,167	– 77,116
Operating profit		**20,145**	**96,682**
Financial income	(13)	456	1,460
Financial costs	(13)	– 15,221	– 16,950
Financial costs – net	(13)	**– 14,765**	**– 15,490**
Profit before income tax		**5,380**	**81,192**
Income taxes	(16)	97	– 22,743
Profit for the period		**5,477**	**58,449**
Other comprehensive income for the period, net of tax			
Other comprehensive income that can be reclassified to profit or loss, net of tax		**– 43,598**	**7,210**
Exchange differences on translation of foreign operations	(24)	– 42,976	8,893
Cash flow hedges, net of tax	(21, 24)	– 622	– 1,750
Costs of hedging, net of tax	(21, 24)	0	67
Other comprehensive income that cannot be reclassified to profit or loss, net of tax		**595**	**– 1,519**
Remeasurements of post-employment benefit obligations, net of tax	(24, 26)	595	– 1,519
Other comprehensive income for the period, net of tax		**– 43,003**	**5,691**
Total comprehensive income for the period		**– 37,526**	**64,140**
Profit attributable to			
Shareholders of the parent		5,670	58,422
Non-controlling interests		– 193	27
		5,477	**58,449**
Total comprehensive income attributable to			
Shareholders of the parent		– 37,642	64,236
Non-controlling interests		116	– 96
(Un)diluted earnings per share (in EUR)	(15)	**0.18**	**1.83**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T043

Assets

in EUR thousands	Note	Dec 31, 2020	Dec 31, 2019
Non-current assets			
Goodwill	(18)	377,610	393,087
Other intangible assets	(18)	222,649	265,407
Property, plant and equipment	(19)	270,005	290,843
Other non-financial assets	(23)	2,088	2,792
Derivative financial assets	(21)	0	120
Income tax assets		750	1,173
Deferred income tax assets	(17)	18,634	9,375
		891,736	**962,797**
Current assets			
Inventories	(22)	152,189	173,249
Other non-financial assets	(23)	18,675	21,933
Other financial assets	(21)	2,470	4,792
Derivative financial assets	(21)	429	330
Income tax assets		6,514	8,607
Trade and other receivables	(21)	157,312	162,386
Contract assets	(8)	270	525
Cash and cash equivalents	(29)	185,109	179,721
		522,968	**551,543**
Total assets		**1,414,704**	**1,514,340**

Equity and Liabilities

in EUR thousands	Note	Dec 31, 2020	Dec 31, 2019
Equity			
Subscribed capital		31,862	31,862
Capital reserve		210,323	210,323
Other reserves		– 33,938	9,850
Retained earnings		381,063	375,843
Equity attributable to shareholders		**589,310**	**627,878**
Non-controlling interests		200	1,576
Total equity	(24)	**589,510**	**629,454**
Liabilities			
Non-current liabilities			
Retirement benefit obligations	(26)	16,542	15,890
Provisions	(27)	14,801	5,984
Borrowings	(21)	387,814	495,927
Other non-financial liabilities	(28)	495	356
Contract liabilities	(8)	167	103
Lease liabilities	(20)	25,727	30,168
Other financial liabilities	(21)	0	1,630
Derivative financial liabilities	(21)	0	684
Deferred income tax liabilities	(17)	56,151	69,562
		501,697	**620,304**
Current liabilities			
Provisions	(27)	23,848	8,543
Borrowings	(21)	90,177	45,971
Other non-financial liabilities	(28)	34,967	36,665
Contract liabilities	(8)	998	420
Lease liabilities	(20)	8,118	8,427
Other financial liabilities	(21)	10,212	17,496
Derivative financial liabilities	(21)	1,419	229
Income tax liabilities		5,032	3,712
Trade and other payables	(21)	148,726	143,119
		323,497	**264,582**
Total liabilities		**825,194**	**884,886**
Total equity and liabilities		**1,414,704**	**1,514,340**

CONSOLIDATED STATEMENT OF CASH FLOWS

T044

in EUR thousands	Note	2020	2019
Operating activities			
Profit for the period		**5,477**	**58,449**
Depreciation and amortization	(18, 19)	79,167	77,116
Gain (–) / loss (+) on disposal of property, plant and equipment		944	17
Change in provisions	(26, 27)	26,110	364
Change in deferred taxes	(17)	– 18,386	– 5,254
Change in inventories, trade account receivables and other receivables, which are not attributable to investing or financing activities	(21, 22, 23)	17,209	– 15,299
Change in trade and other payables, which are not attributable to investing or financing activities	(21, 28)	16,614	5,557
Change in reverse factoring liabilities		– 5,622	2,135
Payments for share-based payments		– 90	– 1,045
Interest expenses in the period		12,140	15,008
Income (–) / expenses (+) due to measurement of derivatives		– 303	73
Other non-cash expenses (+) / income (–)	(29)	282	– 38
Cash flow from operating activities		**133,542**	**137,083**
thereof interest received		443	1,007
thereof income taxes		– 14,390	– 32,879
Investing activities			
Investments in property, plant and equipment and intangible assets	(18, 19)	– 39,418	– 57,784
Proceeds from the sale of property, plant and equipment		330	751
Cash flow from investing activities		**– 39,088**	**– 57,033**
Financing activities			
Payments for the acquisition of non-controlling interests		– 560	0
Interest paid		– 12,880	– 15,070
Dividends paid to shareholders	(24)	– 1,274	– 35,049
Dividends paid to non-controlling interests		0	– 43
Proceeds from borrowings	(21)	43,748	263,664
Repayment of borrowings	(21)	– 99,977	– 296,600
Proceeds from / repayment of derivatives		– 14	– 83
Repayment of lease liabilities		– 10,012	– 10,058
Cash flow from financing activities		**– 80,969**	**– 93,239**
Net change in cash and cash equivalents		**13,485**	**– 13,189**
Cash and cash equivalents at the beginning of the year		179,721	190,392
Effect of foreign exchange rates on cash and cash equivalents		– 8,097	2,518
Cash and cash equivalents at the end of the period		**185,109**	**179,721**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

T045

		Attributable to equity holders of the parent						
in EUR thousands	Note	Subscribed capital	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of December 31, 2018 (as reported)		**31,862**	**210,323**	**2,517**	**356,022**	600,724	**1,717**	602,441
Effects of IFRS 16					**– 2,033**	– 2,033	**– 2**	– 2,035
Balance as of January 1, 2019		**31,862**	**210,323**	**2,517**	**353,989**	598,691	**1,715**	600,406
Result for the period					58,422	58,422	27	58,449
Exchange differences on translation of foreign operations				9,016		9,016	– 123	8,893
Cash flow hedges, net of tax	(21)			– 1,750		– 1,750		– 1,750
Costs of hedging, net of tax	(21)			67		67		67
Remeasurements of post-employment benefit obligations, net of tax	(24, 26)				– 1,519	– 1,519		– 1,519
Total comprehensive income for the period								
Dividends paid	(24)				– 35,049	– 35,049		– 35,049
Dividends paid to non-controlling interests							– 43	– 43
Total transactions with owners for the period								
Balance as of December 31, 2019 (as reported)		**31,862**	**210,323**	**9,850**	**375,843**	627,878	**1,576**	629,454
Balance as of January 1, 2020		**31,862**	**210,323**	**9,850**	**375,843**	627,878	**1,576**	629,454
Changes in equity for the period								
Result for the period					5,670	5,670	– 193	5,477
Exchange differences on translation of foreign operations				– 43,285		– 43,285	309	– 42,976
Cash flow hedges, net of tax	(21)			– 622		– 622		– 622
Remeasurements of post-employment benefit obligations, net of tax	(24, 26)				595	595		595
Total comprehensive income for the period								
Dividends paid	(24)				– 1,274	– 1,274		– 1,274
Dividends paid to non-controlling interests	(24)			119	229	348	– 1,492	– 1,144
Total transactions with owners for the period								
Balance as of December 31, 2020		**31,862**	**210,323**	**– 33,938**	**381,063**	589,310	**200**	589,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

1. Group information

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

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

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

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

NORMA Group supplies its customers via two distribution channels:

Engineered Joining Technology – EJT: directly to OEMs
and
Standardized Joining Technology – SJT (until 2019: Distribution Services (DS)): via retailers and sales representatives

The two distribution channels differ in terms of the degree of specification of the products, while having intersections in production and development.

The area of EJT includes sophisticated, individually customized joining technology and is particularly characterized by close development partnerships with OEMs (original equipment manufacturers). NORMA Group's central development departments and resident engineers work together with the customer on developing solutions for specific industrial challenges. Due to the constant proximity to customers in the area of EJT, NORMA Group's engineers gain comprehensive knowledge and a deep understanding of the various challenges their end markets and customers.

Via its Standardized Joining Technology (SJT) – formerly DS – which consists of the two strategic business areas Water Management and Industry Applications, NORMA Group markets a broad range of high-quality, standardized brand products. This also includes various products for stormwater management, irrigation and water infrastructure solutions. In addition to its own global distribution network, the company also relies on multipliers such as sales representatives, retailers and importers. The brands ABA®, Breeze®, Clamp-All®, CONNECTORS®, FISH®, Gemi®, Kimplas® NDS®, NORMA®, Raindrip®, R.G.RAY®, Serflex®, TRUSTLENE® and TORCA® all represent technological expertise, high quality and reliability and meet the technical standards of the countries in which they are sold.

2. Basis of preparation

The principal accounting policies applied in the preparation of these Consolidated Financial Statements for the fiscal year from January 1, 2020, to December 31, 2020, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Consolidated Financial Statements have been prepared in euros. Unless otherwise indicated, all amounts are stated in thousands of euros (EUR thousands). All amounts have been rounded. Therefore, in individual cases, differences in the order of one thousand euros may arise when adding individual values to the total value.

The Consolidated Financial Statements of NORMA Group have been prepared in accordance with International Financial Reporting Standards and the relevant interpretations as adopted by the EU (IFRS) as well as with the regulations under commercial law as set forth in Section 315e of the German Commercial Code (HGB) for the year ended December 31, 2020.

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

The Consolidated Financial Statements of NORMA Group SE were prepared by the Management Board on March 11, 2021, and are scheduled to be released for publication after approval by the Supervisory Board on March 18, 2021.

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

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

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

The Group has applied the following standards and amendments for the first time:

- Amendments to IAS 1 and IAS 8: Definition of "material"
- Amendments to IFRS 3: Definition of a Business Operation
- Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"
- Revised IFRS Framework

COVID-19 related rent concessions

In May 2020, the IASB issued COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications and accounts for them in accordance with other applicable guidance. The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

The amendments are effective for periods beginning on or after June 1, 2020, with earlier application permitted.

NORMA Group has not made use of the option in the fiscal year and treats lease concessions as a modification under IFRS 16 if necessary.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been applied early by the Group.

The IASB has issued a number of other pronouncements. These recently implemented accounting pronouncements as well as the pronouncements that have not yet been implemented have no material impact on NORMA Group's Consolidated Financial Statements.

3. Summary of significant accounting policies

Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Non-controlling interests

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

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

(c) Disposal of subsidiaries

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

Valuation methods

The following table shows the most important valuation methods:

Valuation methods T046

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

Fair value estimation

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

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

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

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

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

On December 31, 2020 and 2019, the Group's derivative financial instruments carried in the Statement of Financial Position at fair value (e.g. derivatives used for hedging) are categorized in total within Level 2 of the fair value hierarchy. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

Exchange rates T047

	Spot rate		Average rate	
per EUR	**Dec 31, 2020**	Dec 31, 2019	**2020**	2019
Australian dollar	1.5896	1.5995	1.6552	1.6103
Brazilian real	6.3735	4.5157	5.8874	4.4147
Chinese renminbi yuan	8.0225	7.8205	7.8701	7.7329
Swiss franc	1.0802	1.0854	1.0704	1.1126
Czech koruna	26.2420	25.4080	26.4527	25.6680
British pound sterling	0.8990	0.8508	0.8892	0.8774
Indian rupee	89.6605	80.1870	84.5867	78.8145
Japanese yen	126.4900	121.9400	121.7705	122.0522
South Korean won	1,336.0000	1,296.2800	1,334.9643	1,304.6216
Malaysian ringgit	4.9340	4.5953	4.7929	4.6370
Mexican peso	24.4160	21.2202	24.5142	21.5534
Polish złoty	4.5597	4.2568	4.4438	4.2968
Serbian dinar	10.0343	117.5700	10.4882	117.8292
Russian ruble	91.4671	69.9563	82.6337	72.4412
Swedish krona	10.0343	10.4468	10.4882	10.5853
Singapore dollar	1.6218	1.5111	1.5734	1.5271
Thai baht	36.7270	33.4150	35.6900	34.7642
Turkish lira	9.1131	6.6843	8.0413	6.3606
US dollar	1.2271	1.1234	1.1414	1.1195

Intangible assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Development costs

Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if

- development costs can be measured reliably,
- the product or process is technically and commercially feasible and
- future economic benefits are probable.

Furthermore, NORMA Group intends, and has sufficient resources, to complete development and use or sell the asset. The costs capitalized include the cost of materials, direct labor and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in profit or loss in line "own work capitalized". Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to five years. Development costs which did not meet the requirements are expensed as incurred.

(c) Other intangible assets

Separately acquired other intangible assets are shown at historical cost less accumulated amortization. Intangible assets acquired in a business combination are recognized at fair value on the acquisition date. Other intangible assets which have a finite useful life will be amortized over their estimated useful life. Amortization is calculated using the straight-line method to allocate their cost. Other intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized but instead tested for impairment at least annually. Furthermore, other intangible assets which are determined to have indefinite useful lives and therefore are not amortized will be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for these assets.

In general, the Group's other intangibles are not qualifying assets in accordance with IAS 23 and borrowing costs eligible for capitalization therefore do not exist.

The useful lives of other intangible assets acquired in a business combination are estimates based on the economics of each specific asset which were determined in the process of the purchase price allocation. The major part of these assets are brand names and customer lists.

The estimated useful lives for other intangible assets are as follows:

- Patents: 5 to 10 years
- Customer lists: 4 to 20 years
- Technology: 10 to 20 years
- Licenses, rights: 3 to 5 years
- Trademarks: indefinite or 20 years
- Software: 3 to 5 years
- Development costs: 3 to 5 years

Other intangible assets with indefinite useful lives are essentially brand names, for which the end of usability is not foreseeable and therefore indeterminable. These brand names result from acquisitions. For these brand names, an indefinite useful life is assumed. Based on a market perspective, there are no clear indications for a definite useful life of these brand names as they have been well-established in the market for many years.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment loss, if substantial. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, if any, the present value of estimated costs for dismantling and removing the assets, restoring the site on which it is allocated. Borrowing costs eligible for capitalization in the sense of IAS 23 were not available.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is foreseeable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, on each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other operating income / expenses".

The estimated useful lives for property, plant and equipment (excluding rights of use under IFRS 16) are as follows:

- Buildings: 8 to 40 years
- Machinery and technical equipment: 3 to 18 years
- Tools: 3 to 10 years
- Other equipment: 2 to 20 years

Leasing activities of the Group and their accounting treatment

NORMA Group has significant leases for the rental of land and buildings. In addition, the Group maintains leases for various company cars and technical equipment under non-cancellable lease agreements. Besides the usual extension options, the leases include, to a minor extent, purchase and termination options that are not taken into account. The lease terms per asset class are as follows:

- Right of use assets – land and buildings: 1 month to 78 years
- Right of use assets – machinery and tools : 2 to 6 years
- Right of use assets – forklifts and warehouse: > 1 to 7 years
- Right of use assets – office and IT equipment: > 1 to 6 years
- Right of use assets – company cars: > 1 to 9 years

The Group's leases generally do not contain credit terms, however, leased assets may not be used as collateral for borrowings.

As of January 1, 2019, leases are recognized as rights of use and corresponding lease liabilities at the time when the leased asset is available for use by the Group. Each lease payment is divided into repayment and financing expenses. Finance expenses are charged to the income statement over the lease term. The right of use asset is amortized on a straight-line basis over the shorter of the useful life and the lease term.

Right of use asset and lease liabilities are initially recognized at present value. The lease liabilities generally include the present value of the following lease payments:

- fixed payments (including de facto fixed payments, less any leasing incentives to be received)
- variable lease payments linked to an index or interest rate
- expected residual value payments from residual value guarantees of the lessee
- the exercise price of a purchase option, if it is sufficiently certain that the lessee will exercise it
- penalties for terminating the lease, if the lease term takes into account that the lessee will exercise a termination option

Lease payments are discounted at the interest rate underlying the lease if this can be determined. Otherwise, they are discounted at the lessee's incremental borrowing rate. Rights of use assets are measured at cost, which is comprised as follows:

- amount of the initial measurement of the lease liability
- all leasing payments made at or before the commencement date, less any lease incentives received
- all initial direct costs incurred by the lessee, and
- the estimated costs incurred by the lessee in dismantling or removing the underlying asset, restoring the site on which it is located, or returning the underlying asset to the condition required by the lease agreement.

Exceptions in the form of accounting options exist for short-term leases (minimum term of a maximum of twelve months if no purchase option has been agreed) and for low-value assets. The lease payments resulting from these leases are therefore to continue to be included in operating expenses in the future. NORMA Group has made use of these simplified application options as a lessee, with the exception of leased assets that are allocated to the asset class "Right of use assets – land and buildings". Furthermore, lessees are granted an accounting option not to separate leasing and non-leasing components, which NORMA Group has made use of, except for the asset classes "Right of use assets – land and buildings" and "Right of use assets – company cars".

i. Extension and termination options

Some of NORMA Group's real estate leases contain extension options. Termination options are included to a very limited extent in the area of real estate leasing. Such contractual terms and conditions are used to provide the Group with operational flexibility with respect to the contract portfolio. The majority of the current extension and termination options can only be exercised by the Group and not by the respective lessor.

In determining the term of leases, all facts and circumstances that provide an economic incentive to exercise extension options or not to exercise termination options are taken into account. Changes to the term of the lease resulting from the exercise of extension and termination options are only included in the term of the lease if an extension or non-exercise of a termination option is reasonably certain.

The following considerations are taken into account when determining the term of the leases or the inclusion or non-inclusion of extension and termination options:

Contract-related

- existence of renewal or purchase options and their conditions,
- an obligation to dismantle installations or restore them to their original condition,
- amount of lease payments (including all variable payments) for an optional period compared to customary market payments.

Asset-based / Company-based

- the existence of significant leasehold improvements that would be lost in the event of (premature) termination or non-extension of the contract,
- costs in connection with a loss of production upon termination of the lease,
- costs associated with the acquisition of an alternative asset,
- dependence of the business activity (core business) on the continued use of the asset,
- financial consequences of the extension or termination of the lease,
- nature of the leased asset (specific vs. generic / general leased asset; extent to which the leased asset is critical to the lessee's operations).

Market-related

- legal and local regulations to be observed for the (permanent) obligation,
- alternative lease payments for comparable assets.

The assessment will be reviewed if a significant event or significant change in circumstances occurs that could influence the previous assessment, provided this is within the lessee's control.

As of December 31, 2020, potential additional cash outflows from extension options in the amount of EUR 3,390 thousand (Dec 31, 2019: EUR 1,516 thousand) is not included in the lease liability as it is not reasonably certain that the leases will be renewed. As of December 31, 2020, there were no potential reduced cash outflows from termination options (Dec 31, 2019: EUR 626 thousand).

Due to changes in estimates of the term or amount of the expected lease payments (index-based payments), there were increases in the right of use assets and lease liabilities in the amount of EUR 1,721 thousand. In addition, there were reductions due to changes in estimates in the right of use assets in the amount of EUR 1,725 thousand and in the amount of EUR 1,863 thousand in the lease liabilities.

Impairment of non-financial assets

(a) Assets with finite useful lives

An impairment test must be carried out for assets with a determinable useful life if there are indications of a possible impairment. If there are any such indications, the amortized carrying amount of the asset is compared with the recoverable amount, which represents the higher of fair value less costs to sell and value in use. The value in use is equivalent to the present value of the future cash flows expected from the continuing use of the asset. In the event of impairment, the difference between the amortized carrying amount and the lower recoverable amount is recognized as an expense. The impairment loss is reversed as soon as there are indications that the reasons for impairment no longer exist. These may not exceed the amortized cost of acquisition.

(b) Goodwill and other assets with an indefinite useful life

Moreover, other intangible assets with an indefinite useful life, other intangible assets not yet ready for use or advance payments on such assets as well as goodwill must be tested for impairment annually. A test is also performed whenever there is any indication that an asset might be impaired. Where the reasons for an impairment no longer exist, the impairment loss is reversed, except in the case of goodwill.

The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of those from other assets or other groups of assets or cash-generating units. In these cases, the impairment test is performed at the relevant level of cash-generating units to which the asset is attributable.

Goodwill acquired in a business combination is allocated at the acquisition date to the cash-generating unit or group of cash-generating units that are expected to profit from the synergies deriving from the business combination. This also represents the lowest level at which goodwill is monitored for internal management purposes. These are the operating and reportable segments EMEA, Americas and Asia-Pacific.

There is currently no goodwill in the Group that can be directly allocated to an individual entity because this reflects the enterprise value of the acquired entity regardless of the transaction.

The Company normally determines the recoverable amount using measurement methods based on discounted cash flows.

Brand names with indefinite useful lives acquired in business combinations are tested for impairment at the level at which a recoverable amount, which is based on the fair value less costs to sell, can be determined.

For cash-generating units, NORMA Group first determines the relevant recoverable amount as fair value less costs to sell, which it compares with the respective carrying amounts, including allocated goodwill in the case of impairment tests on goodwill. For further details regarding the determination of the fair value less costs to sell and the underlying assumptions, we refer to → NOTE 18 'GOODWILL AND OTHER INTANGIBLE ASSETS'.

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable selling costs. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Inventories of the Group are not qualifying assets in accordance with IAS 23, so that the acquisition or production costs do not include capitalized borrowing costs.

Financial instruments

(a) Financial assets

Classification

Since January 1, 2018, the Group has classified its financial assets in the following measurement categories:

- Debt instruments measured at amortized cost (AC);
- Debt instruments measured at fair value through equity (FVOCI), with cumulative gains and losses reclassified to the income statement when the financial asset is derecognized;
- Debt, derivative and equity instruments at fair value through profit or loss (FVTPL);
- Equity instruments classified as FVOCI, with gains and losses remaining in other comprehensive income (OCI) (without reclassification).

The classification depends on the business model according to which NORMA Group manages its financial assets and the characteristics of the contractual cash flows of these financial assets.

NORMA Group reclassifies debt instruments only when the business model for managing such financial assets changes.

Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Debt instruments

The subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset in order to collect the contractual cash flows, and the contractual cash flows from the financial asset represent only principal and interest payments, and the fair value option is not exercised at inception. Interest income from these financial assets is reported under financial income using the effective interest method. Gains and losses from derecognition, impairment and currency translation are recognized directly in the Consolidated Statement of Comprehensive Income and reported in other operating income / expenses.

A debt instrument that is held in a business model in which both the contractual cash flows of financial assets are received and financial assets are sold, and in which the contractual cash flows include only principal and interest payments, is measured at fair value with no effect on income, unless the fair value option is exercised upon initial recognition. Changes in the carrying amount are recognized in other comprehensive income, except for impairment gains or losses, interest income and gains and losses on currency translation, which are recognized directly in the Consolidated Statement of Comprehensive Income. When the financial asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to the Consolidated Statement of Comprehensive Income. Interest income from these financial assets is recognized in financial income using the effective interest method. Gains and losses from currency translation are recognized directly in the Consolidated Statement of Comprehensive Income and reported in other operating income / expenses.

The impairment losses recognized in the Consolidated Statement of Comprehensive Income are disclosed separately in the section "Notes to the Statement of Comprehensive Income."

All other debt instruments that do not meet these two conditions must be measured at fair value through profit or loss (FVTPL).

Equity instruments
All equity instruments are subsequently measured at fair value. If an equity instrument is not held for trading purposes, NORMA Group may, at the time of initial recognition, make the irrevocable decision to measure it at fair value with recognition of changes in value in other comprehensive income (FVTOCI), whereby only income from dividends is recognized in profit or loss for the period unless it represents a capital repayment.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the Consolidated Statement of Comprehensive Income under other operating income / expenses.

Impairments
Since January 1, 2018, NORMA Group has assessed on a forward-looking basis the expected credit losses associated with its debt instruments that are measured at amortized cost or at fair value with no effect on income.

The Group has three types of financial assets subject to this new model:

- Trade receivables from the sale of goods and the rendering of services;
- Contract assets from research and development activities; and
- Other debt instruments measured at amortized cost.

In the case of trade receivables, NORMA Group applies the simplified approach provided for in IFRS 9, which requires the recognition of expected credit losses over the term of the receivables from their initial recognition; further details can be found in → NOTE 21 (A) "TRADE AND OTHER RECEIVABLES".

Receivables that are significantly overdue, which can be more than 180 days due to the customer structure, or those whose debtors were subject to insolvency or similar proceedings, are individually tested for impairment.

The criteria that the Group uses to determine if there is objective evidence of an impairment loss include:

- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

Receivables that are not reasonably expected to be realizable in full or in part are written down accordingly, thus directly reducing the gross carrying amount. For cash and cash equivalents, receivables from the ABS program and factoring (both from purchase price retentions), and other receivables, mainly from banker's acceptance bills for trade receivables, NORMA Group applies the general impairment approach. As it is our policy to only invest in high-quality assets of issuers with a minimum rating of at least investment grade so as to minimize the risk of credit losses, we use the low credit risk exception. Thus, these assets are always allocated to stage 1 of the three-stage credit loss model and, if material, a loss allowance for an amount equal to 12-month expected credit losses will be recorded. This loss allowance is calculated based on our exposure as of the respective reporting date, the loss given default for this exposure, and the credit default swap spread as a measure of the probability of default. To ensure that our investments always fulfill the requirement of being investment-grade during their lifetime, we monitor changes in credit risk by tracking published external credit ratings.

(b) Financial liabilities

Financial liabilities primarily include trade payables, liabilities to banks, derivative financial liabilities and other liabilities.

Financial liabilities that are measured at amortized cost
After initial recognition, financial liabilities are carried at amortized cost using the effective interest method. Trade payables, liabilities to banks and other financial liabilities, in particular, are classified to this category.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative financial instruments and contingent purchase price liabilities. Gains or losses on financial liabilities that are measured at fair value through profit or loss are included in profit or loss.

(c) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative financial instruments not designated as hedges
Gains and losses from derivatives that are not designated as hedges (trading derivatives) are recognized in profit or loss. Trading derivatives are classified as non-current assets or liabilities in accordance with IAS 1.68 and IAS 1.71 if they have a remaining term of more than one year; otherwise they are classified as current.

Derivative financial instruments designated as hedges
Derivatives included in hedge accounting are generally designated as either:

- Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the transaction, NORMA Group documents the relationship between the hedging instruments and the hedged item, including whether changes in the cash flows of the hedging instruments offset changes in the cash flows of the hedged item. The Group documents the risk management objectives and strategies for undertaking the hedging transaction.

Further information on the instruments used by the Group and the hedging can be found in → NOTE 5 'FINANCIAL RISK MANAGEMENT' and → 21 (F) 'DERIVATIVE FINANCIAL INSTRUMENTS.'

The development of the hedging reserve in equity can be found in → NOTE 21 (F) 'DERIVATIVE FINANCIAL INSTRUMENTS'.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or realize the asset and settle the liability simultaneously. At NORMA Group, arrangements exist which do not meet the criteria for netting in the Consolidated Statement of Financial Position according to IAS 32.42, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

The following tables present the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as of December 31, 2020 and 2019:

Offsetting of financial instruments T048

in EUR thousands	Gross amounts of financial assets / financial liabilities	Gross amounts of financial assets / financial liabilities offset in the statement of financial position	**Net amounts recognized in the statement of financial position**	Amounts that are not offset in the statement of financial position	
				Financial instruments	**Net amount**
Dec 31, 2020					
Financial assets					
Derivative financial instruments (b)	429		429		429
Trade and other receivables (a)	157,534	222	157,312		157,312
Other financial assets	2,470		2,470		2,470
Cash and cash equivalents	185,109		185,109		185,109
Total	**345,542**	**222**	**345,320**	**0**	**345,320**
Financial liabilities					
Borrowings	477,991		477,991		477,991
Derivative financial instruments (b)	1,419		1,419		1,419
Trade and other payables (a)	148,948	222	148,726		148,726
Other financial liabilities	10,212		10,212		10,212
Total	**638,570**	**222**	**638,348**	**0**	**638,348**
Dec 31, 2019					
Financial assets					
Derivative financial instruments (b)	450		450	100	350
Trade and other receivables (a)	162,888	502	162,386		162,386
Other financial assets	4,792		4,792		4,792
Cash and cash equivalents	179,721		179,721		179,721
Total	**347,851**	**502**	**347,349**	**100**	**347,249**
Financial liabilities					
Borrowings	541,898		541,898		541,898
Derivative financial instruments (b)	913		913	100	813
Trade and other payables (a)	143,621	502	143,119		143,119
Other financial liabilities	19,126		19,126		19,126
Total	**705,558**	**502**	**705,056**	**100**	**704,956**

(a) Offsetting arrangements

NORMA Group gives volume-based discounts to selected customers. Under the terms of the supply agreements, the amounts payable by NORMA Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

(b) Master netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement and other corresponding national master agreements, such as the corresponding German Framework Agreement. These arrangements do not meet the offsetting criteria because they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty. The table above shows the impact on the Group's balance sheet if all set-off rights were exercised. → TABLE T048 'OFFSETTING OF FINANCIAL INSTRUMENTS'

Current and deferred income tax

The tax expenses for the period are comprised of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted on the balance sheet date in the countries where the Group's subsidiaries operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements and on tax losses carried forward and tax credits not yet used. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

A surplus of deferred income tax assets is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

For taxable temporary differences arising on investments in subsidiaries and associates, deferred tax liabilities are recognized, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

(a) Pension obligations

Group companies operate different pension schemes. NORMA Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The major defined benefit plan is the German benefit plan, which defines the amount of pension benefit that an employee will receive on retirement to depend on years of service and compensation.

The liability recognized in the Consolidated Statement of Financial Position with respect to defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, as well as returns on plan assets, that are not included within the net interest on the defined benefit liability are recognized within retained earnings in other comprehensive income (OCI).

Past service costs are recognized fully in the period of the related plan amendment.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefits expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date or whenever an employee accepts voluntary dismissal in exchange for these benefits. The Group recognizes termination benefits as a liability and expense on the earlier date of: (a) when the entity can no longer withdraw the offer of those benefits or (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Short-term employee benefits

Employee benefits with short-term payment dates include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognized as liabilities at the repayment amount as soon as the associated job has been performed.

(d) Provisions for other long-term employee benefits

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are comprised of the present value of future payment obligations to the employee less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Gains and losses from the remeasurement are recognized in profit or loss in the period in which they are incurred.

Share-based payment

Share-based payment plans issued at NORMA Group are accounted for in accordance with IFRS 2 “Share-based Payment”. In accordance with IFRS 2, NORMA Group in principle distinguishes between equity-settled and cash-settled plans. The financial interest from equity-settled plans granted on the grant date is generally allocated over the expected vesting period against equity until the exit event occurs. Expenses from cash-settled plans are generally also allocated over the expected vesting period until the exit event occurs but against accruals. A description of the plans existing within NORMA Group can be found in → NOTE 25 "SHARE-BASED PAYMENTS".

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation to third parties as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation taking into account all identifiable risks. Provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In addition to the expected amount of cash outflows, uncertainties also exist regarding the time of outflows. If it is expected that the outflows will take place within one year, the relevant amounts are reported in the short-term provisions.

When the Group expects a refund for a provision, this refund is recognized in accordance with IAS 37.53 as a separate asset. If the refund is in a close economic relationship with the recognized provision, the expenses from the provision are netted with the income from the corresponding refund in profit or loss.

Income from the release of non-utilized provisions from prior years is recorded within other operating income.

Revenues from contracts with customers (revenue recognition)

NORMA Group recognizes revenue when or as control over distinct goods or services is transferred to the customer; i. e. when the customer is able to direct the use of the transferred goods or services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and, among other things, collectability of consideration is probable taking into account our customer's creditworthiness. Revenue is the transaction price NORMA Group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which is expected to better predict the amount of variable consideration. Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or NORMA Group. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. If stand-alone selling prices are not observable, the Company reasonably estimates them. Revenue is recognized for each performance obligation either at a point in time or over time.

(a) Sale of goods

Revenues are recognized at a point in time when control of the goods passes to the buyer, usually upon delivery of the goods. Invoices are issued at that point in time and are usually payable within 30 to 90 days. For the sale of goods, retrospective volume discounts, which usually apply to a calendar year, are often agreed to. Revenues from these sales are recognized at the amount of the consideration set in the contract less the estimated volume discounts. The estimate of the refund liabilities recognized for these volume discounts is based on experience and revenue recognized in the fiscal year.

(b) Engineering services

Revenues are recognized over time under the percentage-of-completion method, based on the percentage of costs incurred to date compared to total estimated costs. An expected loss on the contract is recognized as an expense immediately. Payment terms are usually 30 to 90 days from the date of invoice issued according to the contractual terms.

The percentage-of-completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total contract costs, total contract revenues, contract risks, including technical risks and other judgments. Under the percentage-of-completion method, changes in estimates may lead to an increase or decrease in revenue. The creditworthiness of our customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company.

Contract assets, contract liabilities, refund liabilities and considerations payable to a customer

When either party to a contract with customers has performed, NORMA Group presents a contract asset, a contract liability or a trade receivable depending on the relationship between NORMA's performance and the customer's payment.

A contract asset represents NORMA Group's right to consideration in exchange for goods or services that have been transferred to the customer. The impairment of contract assets is measured, presented and reported on the same basis as for financial assets within the scope of IFRS 9.

Trade receivables are recognized if NORMA Group's right to consideration are unconditional.

Considerations received that are expected to be reimbursed to the customer are shown as refund liabilities. These liabilities are included in the balance sheet in the item "Trade and other payables". These amounts typically relate to expected volume discounts and annual customer bonuses.

Considerations payable to a customer that cannot be directly allocated to a service or good received by NORMA Group are recognized as a reduction of the transaction price. If this reduction relates to future revenue, this part is recognized in other nonfinancial assets as consideration payable to a customer.

Government grants

Government grants are not recognized until there is reasonable assurance that the conditions attached to them are complied with and that the grants will be received.

Government grants for the compensation of expenses incurred are recognized in profit or loss as part of the other operating income on a systematic basis over the periods in which the related costs are expensed that the grants are intended to compensate for.

Grants related to non-depreciable assets are recognized in profit or loss as part of the other operating income over the periods that bear the cost of meeting the obligations.

Grants related to depreciable assets are recognized in profit or loss over the periods that bear the expense related to the depreciation of the underlying assets and are recognized as deferred income in the Statement of Financial Position. The deferred income is recognized in profit or loss on a straight-line basis over the expected useful life of the underlying asset and reported as part of other operating income.

4. Scope of consolidation

With NORMA Group SE, the Consolidated Financial Statements contain all domestic and foreign companies that NORMA Group SE controls directly or indirectly.

The Consolidated Financial Statements for 2020 include 7 domestic (Dec 31, 2019: 8) and 44 foreign (Dec 31, 2019: 44) companies.

The composition of the Group changed as follows:

Change in scope of consolidation T049

	2020			2019		
	Total	Domestic	Foreign	Total	Domestic	Foreign
as of January 1	52	8	44	**52**	**8**	**44**
Additions	0	0	0	**0**	**0**	**0**
Disposals	1	1	0	**0**	**0**	**0**
of which mergers		1				
as of December 31	51	7	44	**52**	**8**	**44**

The merger in 2020 relates to the merger of STATEK Stanzereitechnik GmbH with NORMA Germany GmbH as of January 1, 2020.

There were no additional acquisitions or establishments during 2020.

The list of NORMA Group companies is shown in detail in the following table:

List of Group companies of NORMA group as of December 31, 2020 T050

No.	Company	Registered address	held by	Share in % Direct parent company	Share in % of NORMA Group SE	Currency	Equity [1]	Result [1]
Central Functions								
01	NORMA Group SE	Maintal, Germany						
02	NORMA Group APAC Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	20	– 4
03	NORMA Group Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	106,814	0 [2]
Segment EMEA								
04	NORMA Distribution Center GmbH	Marsberg, Germany	03	94.80	100.00	kEUR	2,175	0 [2]
05	DNL GmbH & Co KG	Maintal, Germany	03	100.00	100.00	kEUR	6,148	– 79
06	NORMA Germany GmbH	Maintal, Germany	03	94.90	100.00	kEUR	60,773 [4]	0 [2]
07	NORMA Verwaltungs GmbH	Maintal, Germany	03	100.00	100.00	kEUR	20	0 [2]
08	DNL France SAS	Briey, France	03	100.00	100.00	kEUR	29,845	44
09	NORMA Autoline France SAS	Guichen, France	08	100.00	100.00	kEUR	24,840	– 1,184
10	NORMA Distribution France SAS	Croissy Beaubourg, France	08	100.00	100.00	kEUR	2,883	412
11	NORMA France SAS	Briey, France	08	100.00	100.00	kEUR	5,479	– 621
12	DNL UK Ltd.	Newbury, Great Britain	03	100.00	100.00	kGBP	15,958	6,000
13	NORMA UK Ltd.	Newbury, Great Britain	12	100.00	100.00	kGBP	18,104	5,474
14	NORMA Italia SpA	Gavardo, Italy	03	100.00	100.00	kEUR	7,784	1,574
15	Groen Bevestigingsmaterialen B.V.	Purmerend, Netherlands	03	70.00	100.00	kEUR	5,235	179
16	NORMA Netherlands B.V.	Purmerend, Netherlands	21	100.00	100.00	kEUR	516	8
17	NORMA Polska Sp. z o.o.	Slawniów, Poland	03	100.00	100.00	kPLN	159,020	20,428
18	NORMA Group Distribution Polska Sp. z.o.o.	Slawniów, Poland	17	100.00	100.00	kPLN	15,564	7,874
19	Lifial – Indústria Metalúrgica de Águeda, Lda.	Águeda, Portugal	03	99.99	100.00	kEUR	5,161	– 184
20	NORMA Group CIS LLC	Togliatti, Russian Federation	03	99.96	100.00	kRUB	10,293	33,144
21	DNL Sweden AB	Stockholm, Sweden	03	100.00	100.00	kSEK	86,462	41
22	NORMA Sweden AB	Stockholm, Sweden	21	100.00	100.00	kSEK	252,851	45,438
23	Connectors Verbindungstechnik AG	Tagelswangen, Switzerland	03	100.00	100.00	kCHF	3,392	246
24	NORMA Grupa Jugoistocna Evropa d.o.o.	Subotica, Serbia	03	100.00	100.00	kRSD	3,930,710	– 704,701
25	Fijaciones NORMA S.A.U.	L'Hospitalet de Llobregat, Spain	03	100.00	100.00	kEUR	4,433	– 591
26	NORMA Czech, s.r.o.	Hustopece, Czech Republic	03	100.00	100.00	kCZK	312,158	– 7,789
27	NORMA Turkey Bağlantı ve Birleştirme Teknolojileri Sanayi ve Ticaret Limited Şirketi	Kadıköy / İstanbul, Turkey	07	100.00	100.00	kTRL	14,297	6,534

CONTINUED ON NEXT PAGE ↓

List of Group companies of NORMA group as of December 31, 2020 (continued)

T050

				Share in %				
No.	Company	Registered address	held by	Direct parent company	of NORMA Group SE	Currency	Equity [1]	Result [1]
Segment Americas								
28	NORMA do Brasil Sistemas De Conexão Ltda.	Atibaia, Brazil	36	100.00	100.00	kBRL	– 7,605	– 12,225
29	NORMA Group México S. de R.L. de C.V. [3]	Monterrey, Mexico	35	99.40	100.00	kUSD	– 2,953	– 6,125
30	NORMA Distribution and Services S. de R.L. de C.V.	Juarez, Mexico	35	99.00	100.00	kMXN	5,139	8,328
31	Craig Assembly Inc.	Auburn Hills, MI, USA	36	100.00	100.00	kUSD	77,807	4,810
32	National Diversified Sales, Inc.	Woodland Hills, CA, USA	36	100.00	100.00	kUSD	357,561	43,386
33	NG AM FINSRV I, LLC	Auburn Hills, MI, USA	35	70.00	100.00	kUSD	– 162	40
34	NORMA MANUFACTURING NA SW, LLC (Tijuana)	Auburn Hills, MI, USA	35	100.00	100.00	kUSD	– 16,180	– 10,044
35	NORMA Michigan, Inc.	Auburn Hills, MI, USA	36	100.00	100.00	kUSD	93,170	– 2,500
36	NORMA Pennsylvania, Inc.	Auburn Hills, MI, USA	01	100.00	100.00	kUSD	69,321	– 5,458
37	NORMA U.S. Holding LLC	Auburn Hills, MI, USA	36	100.00	100.00	kUSD	20,712	– 1,092
38	R.G. RAY Corporation (Juarez)	Auburn Hills, MI, USA	36	100.00	100.00	kUSD	122,492	– 437
Segment Asia-Pacific								
39	NORMA Pacific Pty. Ltd.	Dandenong South, Victoria, Australia	50	100.00	100.00	kAUD	17,981	2,798
40	Fengfan Fastener (Shaoxing) Co., Ltd.	Shaoxing City, China	50	100.00	100.00	kCNY	25,473	– 4,735
41	NORMA China Co., Ltd.	Qingdao, China	03	100.00	100.00	kCNY	260,911	23,491
42	NORMA EJT (Changzhou) Co., Ltd.	Changzhou, China	50	100.00	100.00	kCNY	186,557	59,768
43	NORMA EJT (Wuxi) Co., Ltd.	Wuxi, China	50	100.00	100.00	kCNY	218,259	6,520
44	NORMA Group Products India Pvt. Ltd.	Pune, India	50	99.99	100.00	kINR	588,603	31,072
45	KIMPLAS PIPING SYSTEMS PRIVATE LTD	Nashik, Maharashtra, India	50	100.00	100.00	kINR	1,731,504	– 41,615
46	Kimplas Limited	Essex, Great Britain	45	100.00	100.00	kGBP	737	34
47	NORMA Japan Inc.	Tokyo, Japan	50	60.00	60.00	kJPY	63,392	– 55,297
48	NORMA Products Malaysia Sdn. Bhd.	Ipoh, Malaysia	50	100.00	100.00	kMYR	32,861	1,536
49	NORMA Korea Inc.	Seoul, Republic of Korea	50	100.00	100.00	kKRW	545,540	– 29,506
50	NORMA Group Asia Pacific Holding Pte. Ltd.	Singapore, Singapore	01	100.00	100.00	kSGD	194,815	3,722
51	NORMA Pacific (Thailand) Ltd.	Chonburi, Thailand	50	99.99	100.00	kTHB	115,951	15,768

1_Reported values according to IFRS as of December 31, 2020; except for NORMA Group Holding GmbH, NORMA Germany GmbH and NORMA Distribution Center GmbH; these values are prepared according to German GAAP as of December 31, 2020, but not yet finally audited. The values are translated with the exchange rates according to → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – IMPAIRMENT OF NON-FINANCIAL ASSETS'.
2_A profit pooling contract exists.
3_Maquiladora operation of company No. 35.
4_Merger of STATEK Stanzereitechnik GmbH with NORMA Germany GmbH as of January 1, 2020.

5. Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial risks, including market, credit and liquidity risks. The Group's financial risk management focuses on the unpredictability of the financial markets and is designed to mitigate potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain exposures.

(a) Market risk

Foreign exchange risk
NORMA Group operates as an internationally active Company in 100 different countries and is exposed to the currency risk resulting from various foreign currency positions in respect of the most important currencies: the US dollar, British pound, Chinese renminbi, Indian rupee, Polish złoty, Swedish krona, Swiss franc, Czech koruna, Serbian dinar and Singapore dollar.

Overview of financial risks T051

Risk	Risk from	Assessment	Management
Market risk – Foreign exchange risk	Future transactions and recognized financial assets and liabilities	Cash flow projections and sensitivity analysis	Forward exchange contracts and natural hedges
Market risk – Interest rate risk	Long-term borrowings at variable interest rates	Sensitivity analysis	Interest rate swaps
Default risk	Cash and cash equivalents, derivative financial instruments, trade receivables and contractual assets	Age structure analysis and credit rating	Diversification of bank balances, credit limits and letters of credit
Liquidity risk	Payment obligations arising from borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and facilities and trade working capital management as well as cash items

Financial risk management is performed by the Group Treasury & Insurance department (Group Treasury). The responsibilities and necessary controls related to risk management are defined by the Group's management. The Group Treasury is responsible for identifying and assessing financial risks in close consultation with the Group's operating units. In a close dialogue, Group Treasury informs and trains the companies and technically handles the internal and external hedging process. The use of derivative and non-derivative financial instruments and the investment of liquidity surpluses are governed by policies established by Group management.

Taking into account the respective risk-bearing capacity of the subsidiaries, Treasury Risk Management strives to achieve a reasonable degree of hedging of net foreign currency risks (as a result of taking into account incoming and outgoing foreign currency transactions). Highly fluctuating net foreign currency risks are thus hedged with increased hedging ratios.

The Group uses forward exchange contracts to hedge the foreign exchange risk arising from its operating activities. The risk arises from a possible change in future cash flows from a highly probable forecasted transaction in a non-functional currency, which is due to a change or fluctuation in the exchange rate. The hedging relationship is designated as a cash flow hedge. The Group only designates the spot component as a hedging element. Gains or losses on the effective portion of the change in the spot component of the forward contract are recognized in the hedging reserve as a component of equity. Changes in the forward component of the hedging instrument relating to the hedged item ("aligned forward element") are recognized in other comprehensive income in the hedging reserve as a component of equity.

In addition, the Group uses forward exchange contracts to hedge intercompany financing transactions that involve foreign exchange risk arising from intercompany loans denominated in non-functional currencies. The Group designates such loans and hedging instruments as fair value hedges in order to achieve the offsetting effects of hedged items and hedges in the same income statement line item. The Group designates only the spot component as a hedging element. Gains or losses from the effective portion of the change in the spot component of the forward transaction are recognized in the financial result, analogous to those of the underlying item. The changes in the forward component of the hedging instrument that relate to the hedged underlying transaction ("aligned forward element") are also included in this item.

For more information on the foreign currency risk hedging instruments used by the Group, please refer to → NOTE 21 (F) 'DERIVATIVE FINANCIAL INSTRUMENTS.'

In accordance with the Group guideline, the essential contractual conditions of the forward transactions for all hedging relationships must correspond to the hedged underlying transactions.

The effects of changes in the exchange rates of financial assets and financial liabilities denominated in foreign currencies are presented below.

Foreign exchange risk T052

	Dec 31, 2020		Dec 31, 2019	
in EUR thousands	+ 10%	– 10%	+10%	– 10%
Currency relation				
EUR / USD				
Profit before tax	– 64	78	– 607	743
EUR / GBP				
Profit before tax	30	– 36	121	– 148
EUR / CNY				
Profit before tax	– 139	169	– 634	776
EUR / INR				
Profit before tax	– 89	108	– 62	76
EUR / PLN				
Profit before tax	647	– 791	890	– 1,088
EUR / SEK				
Profit before tax	255	– 312	339	– 415
EUR / CHF				
Profit before tax	74	– 90	63	– 77
EUR / CZK				
Profit before tax	115	– 141	273	– 334
EUR / RSD				
Profit before tax	– 230	281	– 63	77
EUR / SGD				
Profit before tax	– 1	1	– 136	167

Interest rate risk

NORMA Group's interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by hedges (interest rate swaps). As there are currently no signs of a more restrictive monetary policy in the eurozone, NORMA Group considers the risk of interest rate increases for the euro to be unlikely in the short term. In the longer term, however, the risk of interest rate increases is considered possible. On the other hand, in view of the current low interest rate level in the eurozone, the opportunities that could result from a further decline in interest rates are considered unlikely.

In the USD area, on the other hand, further interest rate reductions are considered more likely, which would lead to corresponding opportunities for NORMA Group. Against the backdrop of the measures already implemented to optimize financing, the financial impact of these opportunities is considered to be insignificant.

Currently existing swaps cover around 26% (2019: 34%) of the outstanding variable-rate loans. On the one hand, this reflects the expectations of a continuously low interest rate level and is also due to the fact that rising (currently negative) interest rates in the euro area would initially not have any negative impact at all on the floated financial instruments. In the floating-rate USD loans, the comparable hedge ratio is 63%. For further information on the instruments used by the Group to hedge the interest rate risk, please refer to → NOTE 21 (F) 'DERIVATIVE FINANCIAL INSTRUMENTS.'

Below, the effects of changes in interest rates are analyzed for bank borrowings which bear variable interest rates and for interest rate swaps included in hedge accounting. Borrowings that bear fixed interest rates are excluded from this analysis.

Due to the current low level of interest rates in those markets that are relevant for NORMA Group's funding, the likelihood of rising interest rates is higher than that of declining interest rates – this has been addressed in the sensitivity analysis.

In fiscal year 2020, if interest rates on euro- and US-dollar-denominated borrowings had been 100 basis points (BPS) (2019: 100 BPS) higher with all other variables held constant, profit before tax for fiscal year 2020 would have been EUR 1,564 thousand lower (2019: EUR 1,183 thousand lower) and other comprehensive income would have been EUR 568 thousand higher (2019: EUR 1,531 thousand higher with a 100 basis points shift).

In fiscal year 2020, if interest rates on euro- and US-dollar-denominated borrowings had been 50 basis points (2019: 50 BPS) lower with all other variables held constant, profit before tax for fiscal year 2020 would have been EUR 207 thousand higher (2019: EUR 84 thousand higher). Other comprehensive income would have been EUR 270 thousand lower (2019: EUR 786 thousand lower).

Other price risks

As NORMA Group is not exposed to any other material economic price risks, such as stock exchange prices or commodity prices, an increase or decrease in the relevant market prices within reasonable margins would not have an impact on the Group's profit or equity. The raw material risk is mainly based on alloy surcharges, which can be passed on to customers to a certain extent via price passing clauses. Therefore, the Group's exposure to other price risks is considered probable but with low financial impact → RISK AND OPPORTUNITY REPORT.

(b) Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk is monitored on a Group basis. To minimize credit risk from operating activities and financial transactions, each counterparty is assigned a credit limit, the use of which is monitored regularly.

In order to reduce the credit risk arising from our investing activities and derivative financial assets, in accordance with our internal treasury policy, we have entered into all transactions only with recognized, large financial institutions and issuers, each with high external credit ratings.

In operational business, default risks are continuously monitored.

The aggregate carrying amounts of financial assets represent the maximum default risk. Given the Group's heterogeneous customer structure, there is no risk concentration.

As of December 31, 2020, the credit exposure for the gross carrying amounts of cash and cash equivalents and other financial assets was as follows:

Credit risk exposure from cash and cash equivalents and other financial assets T053

as of December 31, 2020			
in EUR thousands	Equivalent to external rating	Gross carrying amount not credit-impaired	Gross carrying amount credit-impaired
Risk class 1 – low risk	AAA – BBB –	193,983	0

as of December 31, 2019			
in EUR thousands	Equivalent to external rating	Gross carrying amount not credit-impaired	Gross carrying amount credit-impaired
Risk class 1 – low risk	AAA – BBB –	193,378	0

Further details on the credit risk positions for trade receivables can be found under → NOTES 21 (A) "TRADE AND OTHER RECEIVABLES".

(c) Liquidity risk

Prudent liquidity risk management requires that sufficient cash and marketable securities be held, that funding be available at appropriate levels through committed credit lines, and that the Group be able to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury strives to maintain flexibility in funding by maintaining the availability of committed credit lines.

The remaining promissory note loans from 2013, 2014 and 2016 (outstanding volume on December 31, 2020: EUR 219 million) were each issued in 5-, 7- and 10-year tranches, as well as partly in EUR and USD tranches. Scheduled repayments from the promissory note loan from 2013 in the amount of EUR 29 million were made in 2020. An unscheduled repayment of EUR 25.1 million for the promissory note loan from 2014 was made in December 2020.

In the course of the contractual adjustments to the promissory note documentations, NORMA Group was also able to extend some promissory note portions by another year and thus further optimize the maturity profile for the Group.

In December 2019, the current syndicated bank loan from 2014 with a total volume of approximately EUR 183 million, consisting of euro and dollar tranches, and an accordion facility of EUR 102 million included in the total volume, was refinanced before maturity in 2022. Due to the current favorable market environment, this refinancing was carried out by taking out a new syndicated bank loan consisting of euro and dollar tranches (as of December 31, 2020: EUR 238.6 million) and a Commercial Paper program (as of December 31, 2020: EUR 20 million). In addition, a revolving facility in the amount of EUR 50 million and a flexible accordion facility based on leverage were included. Both lines were unused as of December 31, 2020. The loan agreement has been concluded for a term of five years and includes two options to extend it by another year each. The first extension option was exercised in 2020. The revolving credit facility was drawn in 2020 for an amount related to COVID-19 of approximately EUR 39 million over a period of approximately 2 months and repaid in June 2020.

In addition, the new syndicated bank loan also includes a sustainability component. This links the financing conditions to NORMA Group's commitment in the area of corporate responsibility. This commitment is measured by a rating from an external service provider. By improving its sustainability rating, the company will be able to further reduce the interest burden of financing. This improvement was already achieved in 2020. It was therefore already possible to reduce the agreed interest margin accordingly last year.

The Commercial Paper program launched in 2019 with a total volume of up to EUR 300 million consists of short-term (2 – 12 weeks) bearer bonds. The revolving issuance of such short-term debt securities enables the Group to manage and optimize its short-term financing requirements even more flexibly via the money and capital markets in addition to its current credit lines with various banks.

Due to the uncertain COVID-19 pandemic situation, NORMA Group agreed on a flexible liquidity line of EUR 80 million in the second quarter of 2020, however, which did not have to be utilized as of December 31, 2020.

The liquidity situation is continuously monitored with regard to how business is developing, investments planned and the repayment of loans.

The following table contains the contractually agreed, undiscounted future payments. Financial liabilities denominated in foreign currencies are translated in the consolidated balance sheet at the closing rate. Interest payments on financial instruments with a variable interest rate are determined on the basis of the interest rates on the reporting date.

Maturity structure of non-derivative financial liabilities T054

as of December 31, 2020

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	97,683	10,244	360,466	42,330
Trade and other payables	148,726	0	0	0
Other financial liabilities	10,212	0	0	0
	256,621	**10,244**	**360,466**	**42,330**

as of December 31, 2019

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	57,594	110,813	379,415	43,160
Trade and other payables	143,119	0	0	0
Other financial liabilities	17,496	0	1,631	0
	218,209	**110,813**	**381,046**	**43,160**

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure of derivative financial instruments T055

as of December 31, 2020

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Derivative receivables – gross settlement				
Cash outflows	– 24,259			
Cash inflows	24,688			
Derivative liabilities – gross settlement				
Cash outflows	– 65			
Derivative receivables – net settlement				
Cash outflows	– 1,354			
	– 990	**0**	**0**	**0**

as of December 31, 2019

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Derivative receivables – gross settlement				
Cash outflows	– 940			
Cash inflows	955			
Derivative liabilities – gross settlement				
Cash outflows	– 578			
Cash inflows	576			
Derivative receivables – net settlement				
Cash inflows	406	30		
Derivative liabilities – net settlement				
Cash outflows	– 268	– 644		
	151	**– 614**	**0**	**0**

Capital risk management

NORMA Group's objectives when managing capital are to ensure that it will continue to be able to repay its debt and remain financially sound.

The Group is subject to the financial covenant total net debt cover (net debt in relation to adjusted Group EBITDA), which is monitored on an ongoing basis. This financial covenant is based on the Group's Consolidated Financial Statements as well as on special definitions of the bank facility agreements. In the case of a covenant breach, the facility agreement includes several ways to remedy a potential breach by rules of exemption or shareholder actions. If a covenant breach occurs and is not remedied, the syndicated loans may be, but are not required to be, withdrawn.

There were no covenant breaches in 2020.

6. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience, and expectations regarding future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the respective actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

Estimates and discretionary decisions due to the COVID-19 pandemic

Estimates and discretionary decisions can affect the amounts of the assets and liabilities reported, the disclosure of contingent assets and liabilities as of the reporting date and the reported amounts of revenues and expenses during the reporting period.

In the past fiscal year, NORMA Group's business and economic environment was adversely affected by the coronavirus pandemic (COVID-19), whereby certain mitigating effects resulted from the various measures taken by the company or by governments and countries worldwide, including financial support.

NORMA Group's order intake, sales revenues and earnings figures were adversely affected by COVID-19 in the past fiscal year. The effects of COVID-19 differed considerably depending on the region and customer industry. Due to the ongoing spread of the virus and the resulting restrictions on public life, it is difficult to predict the duration and extent of the resulting impact on NORMA Group's assets, liabilities, earnings and cash flows. The estimates and assumptions made in preparing the Consolidated Financial Statements as of December 31, 2020, that are relevant to the financial statements were based on the knowledge available at the time and the best information available. NORMA Group applied a scenario in which it assumed that the current COVID-19 situation would not be of a long-term nature. Accordingly, NORMA Group assumes that the impact from this on the Consolidated Financial Statements will not be of a serious material nature. COVID-19-related effects on the Consolidated Financial Statements could still result from the following effects:

- declining and more volatile share prices
- interest rate adjustments in various countries
- the increasing volatility of foreign currency exchange rates
- deteriorating creditworthiness, payment defaults or delayed payments
- delays in order intake and also in order execution or contract performance, contract cancellations, adjusted or modified revenue and cost structures, volatility in commodity markets, limited or difficulty in making forecasts and projections due to uncertainties regarding the amount and timing of cash flows
- volatility on commodity markets

These factors may affect fair values and the carrying amounts of assets and liabilities as well as cash flows. The actual amounts may differ from the estimates and discretionary judgments made. The company believes that the assumptions made reasonably reflect the situation at the time the Consolidated Financial Statements were prepared.

In the past fiscal year, this information, among other items, was included in the calculation of expected credit losses on trade receivables. Furthermore, the assessment of the loss-free valuation of inventories was updated to take into account the expected effects of the COVID-19 pandemic, which did not have any significant impact. In addition, impairment tests were performed for the cash-generating units (EMEA, Americas and APAC) based on different scenarios that confirmed the recoverability of the respective underlying carrying amounts.

Estimated impairment of goodwill

NORMA Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – IMPAIRMENT OF NON-FINANCIAL ASSETS'. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations are based on discounted cash flow models, which require the use of estimates. → NOTE 18 'GOODWILL AND OTHER INTANGIBLE ASSETS'

In 2020 and 2019, no impairment of goodwill, which amounted to EUR 377,610 thousand on December 31, 2020 (Dec 31, 2019: EUR 393,087 thousand), was necessary.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgments are required in determining the worldwide liabilities for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. On December 31, 2020, income tax liabilities were EUR 5,032 thousand (Dec 31, 2019: EUR 3,712 thousand) and deferred tax liabilities were EUR 56,151 thousand (Dec 31, 2019: EUR 69,562 thousand).

Pension benefits

The present value of the pension obligations depends on a number of factors determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds.

The Group determines the appropriate discount rate on the balance sheet date. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – EMPLOYEE BENEFITS.'

Pension liabilities amounted to EUR 16,542 thousand on December 31, 2020 (Dec 31, 2019: EUR 15,890 thousand).

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation / amortization charges for its property, plant and equipment and intangible assets. This estimate is based on projected lifecycles. These could change as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Accounting for leases

In connection with the accounting for leases, estimation uncertainties and discretionary decisions arise, which are described in → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – LEASING ACTIVITIES OF THE GROUP AND THEIR ACCOUNTING TREATMENT (FROM JANUARY 1, 2019).'

Business combinations

In our accounting for business combinations, judgment is required in determining whether an intangible asset is identifiable and should be recorded separately from goodwill. Additionally, estimating the acquisition-date fair values of the identifiable assets acquired and liabilities assumed involves considerable judgment. The necessary measurements are based on information available on the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. These judgments, estimates, and assumptions can materially affect our financial position and profit for several reasons, including the following:

- Fair values assigned to assets subject to depreciation and amortization affect the amounts of depreciation and amortization to be recorded in operating profit in the periods following the acquisition.
- Subsequent negative changes in the estimated fair values of assets may result in additional expense from impairment charges.
- Subsequent changes in the estimated fair values of liabilities and provisions may result in additional expense (if increasing the estimated fair value) or additional income (if decreasing the estimated value).

7. Adjustments

The management adjusts certain expenses and incomes for operational management purposes. Hence, the following results which are adjusted by these expenses, reflect the Management Board's perspective. In contrast to the prior years, from the 2020 fiscal year onwards only those expenses and income are adjusted within operating profit (EBIT) that are related to a business combination.

Accordingly, the expenses from the transformation program "Get on track", which were recognized in the amount of EUR 25,222 thousand within employee benefit expenses and in the amount of EUR 3,856 thousand within other operating expenses, were not adjusted in fiscal year 2020 and are included in EBIT.

In fiscal year 2020 no adjustments were made within EBITDA (earnings before interest, taxes, depreciation of property, plant and equipment and amortization of intangible assets).

As in prior years, depreciation of property, plant and equipment from purchase price allocations in the amount of EUR 3,485 thousand within EBITA (earnings before interest, taxes and amortization of intangible assets) and amortization of intangible assets in the amount of EUR 21,660 thousand from purchase price allocations within EBIT were adjusted.

The adjustments in the previous year mainly relate to other operating expenses (EUR 2,920 thousand), employee benefit expenses (EUR 9,935 thousand) and cost of materials (EUR 213 thousand) in connection with the rightsizing program initiated in the fourth quarter of 2018 to optimize Group structures. The adjustments within employee benefit expenses relate to costs for project hours of internal employees of the core workforce, costs for temporarily hired project employees as well as costs for severance payments made.

In addition, expenses for integration costs of Kimplas and STATEK (EUR 363 thousand), which were acquired in fiscal year 2018, were adjusted within other operating expenses (EUR 310 thousand) and employee benefit expenses (EUR 53 thousand) in fiscal year 2019.

Besides the adjustments mentioned, depreciation of property, plant and equipment from purchase price allocations in the amount of EUR 3,398 thousand within EBITA (earnings before interest, taxes and amortization of intangible assets) and amortization of intangible assets in the amount of EUR 22,484 thousand from purchase price allocations within EBIT were adjusted in 2019 as in past years.

The theoretical taxes resulting from the adjustments are calculated using the respective tax rate of each Group entity and are taken into consideration in adjusted earnings after taxes.

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

Profit and loss net of adjustments

T056

in EUR thousands	2020 unadjusted	Step-up effects from purchase price allocations	Total adjustments	2020 adjusted
Revenue	952,167		0	952,167
Changes in inventories of finished goods and work in progress	– 1,797		0	– 1,797
Other own work capitalized	3,767		0	3,767
Raw materials and consumables used	– 417,467		0	– 417,467
Gross profit	**536,670**	**0**	**0**	**536,670**
Other operating income and expenses	– 139,169		0	– 139,169
Employee benefits expense	– 298,189		0	– 298,189
EBITDA	**99,312**	**0**	**0**	**99,312**
Depreciation	– 48,174	3,485	3,485	– 44,689
EBITA	**51,138**	**3,485**	**3,485**	**54,623**
Amortization	– 30,993	21,660	21,660	– 9,333
Operating profit (EBIT)	**20,145**	**25,145**	**25,145**	**45,290**
Financial costs – net	– 14,765		0	– 14,765
Profit before income tax	**5,380**	**25,145**	**25,145**	**30,525**
Income taxes	97	– 6,300	– 6,300	– 6,203
Profit for the period	**5,477**	**18,845**	**18,845**	**24,322**
Non-controlling interests	– 193		0	– 193
Profit attributable to shareholders of the parent	**5,670**	**18,845**	**18,845**	**24,515**
Earnings per share (in EUR)	**0.18**			**0.77**

CONTINUED ON NEXT PAGE

Profit and loss net of adjustments (continued)

T056

in EUR thousands	2019 unadjusted	Integration costs	Step-up effects from purchase price allocations	“Rightsizing / Footprint”	Total adjustments	2019 adjusted
Revenue	1,100,096				0	1,100,096
Changes in inventories of finished goods and work in progress	3,045				0	3,045
Other own work capitalized	4,910				0	4,910
Raw materials and consumables used	– 477,628			213	213	– 477,415
Gross profit	**630,423**	**0**	**0**	**213**	**213**	**630,636**
Other operating income and expenses	– 144,249	310		2,920	3,230	– 141,019
Employee benefits expense	– 312,376	53		9,935	9,988	– 302,388
EBITDA	**173,798**	**363**	**0**	**13,068**	**13,431**	**187,229**
Depreciation	– 45,891		3,398	63	3,461	– 42,430
EBITA	**127,907**	**363**	**3,398**	**13,131**	**16,892**	**144,799**
Amortization	– 31,225		22,484		22,484	– 8,741
Operating profit (EBIT)	**96,682**	**363**	**25,882**	**13,131**	**39,376**	**136,058**
Financial costs – net	– 15,490				0	– 15,490
Profit before income tax	**81,192**	**363**	**25,882**	**13,131**	**39,376**	**120,568**
Income taxes	– 22,743	– 80	– 6,379	– 3,525	– 9,984	– 32,727
Profit for the period	**58,449**	**283**	**19,503**	**9,606**	**29,392**	**87,841**
Non-controlling interests	27				0	27
Profit attributable to shareholders of the parent	**58,422**	**283**	**19,503**	**9,606**	**29,392**	**87,814**
Earnings per share (in EUR)	**1.83**					**2.76**

Notes to the Consolidated Statement of Comprehensive Income

8. Revenue from contracts with customers

Revenue recognized during the period related to the following:

Revenue by distribution channel T057

	EMEA		Americas		Asia-Pacific		Consolidated Group	
in EUR thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Engineered Joining Technology (EJT)	303,102	359,776	145,955	205,001	103,540	100,681	552,597	665,458
Standardized Joining Technology (SJT) (2019: DS)	103,862	123,052	238,801	244,679	52,852	62,439	395,515	430,170
Other revenues	2,552	3,142	743	1,088	759	238	4,055	4,468
	409,516	**485,970**	**385,499**	**450,768**	**157,151**	**163,358**	**952,167**	**1,100,096**

Revenues in 2020 decreased by EUR 147,929 thousand compared to 2019. This development resulted from negative organic growth. This was mainly due to the COVID-19-related standstill of the global economy in the second quarter. Negative currency effects also contributed to negative development.

Revenue by category T058

in EUR thousands	2020	2019
Revenues from the sale of goods	947,017	1,093,903
Revenues from other services	1,498	1,750
Other revenue	3,652	4,443
	952,167	**1,100,096**

Other revenue mainly consists of revenue from the sale of production residues in metal production.

Revenues in 2020 include income of EUR 791 thousand from the reversal of reimbursement liabilities recognized in the previous period. The reversals represent the difference between the expected volume discounts and annual bonuses recognized for customers in the previous period and the actual payment in the fiscal year. In 2019, EUR 1,758 thousand in revenues from construction contracts are included.

For the analysis of sales by region, please refer to → NOTE 30 'SEGMENT REPORTING.'

Contract assets and liabilities

Contract assets represent revenues from development services rendered that were realized based on the ratio of costs already incurred to the estimated total costs. The contract liabilities represent advance payments received for goods to be supplied by NORMA Group. Contract assets and contract liabilities in the amounts of EUR 270 thousand and EUR 998 thousand respectively (2019: EUR 525 thousand and EUR 420 thousand respectively) are expected to be realized or settled within the next twelve months. The contract liabilities from advance payments received in the amount of EUR 420 thousand recognized as of January 1, 2020, were recognized as sales revenues, net of any sales taxes, in the fiscal year.

Transaction price of unsatisfied performance obligations

NORMA Group applies the practical expedient of IFRS 15 and does not disclose the transaction price allocated to unsatisfied performance obligations as of the balance sheet date, as the outstanding obligations are part of a contract with an initial term of up to twelve months.

9. Materials and consumables used

Raw materials and consumables used comprised the following:

Raw materials and consumables used T059

in EUR thousands	2020	2019
Cost of raw materials, consumables and supplies	– 380,999	– 444,876
Cost of purchased services	– 36,468	– 32,752
	– 417,467	**– 477,628**

The raw materials and consumables used lead to an increased ratio of 43.8% (2019: 43.4%). In relation to the total value, raw materials and consumables used also increased with a ratio of 43.8% compared to prior year's ratio (2019: 43.1%).

10. Other operating income

Other operating income comprised the following:

Other operating income T060

in EUR thousands	2020	2019
Currency gains operational	8,727	6,092
Reversal of provisions	1,614	1,516
Reversal of accruals	5,195	2,491
Grants related to employee benefits expense	310	27
Reimbursement of vehicle costs	799	874
Other income from disposal of fixed assets	85	246
Foreign exchange derivatives	98	412
Government grants	1,491	606
Refund other taxes	101	147
Others	761	1,219
	19,181	**13,630**

The other operating income in fiscal year 2020 was EUR 5,551 thousand higher than in fiscal year 2019. The other operating income mainly included foreign exchange gains from operating activities in the European area as well as income from the reversal of liabilities and of unused provisions.

The increase in income from the reversal of provisions is attributable to the valuation of the tranches of the Long Term Incentive Plan (LTI) of NORMA Group. The LTI is a share-based payment plan with cash settlement in the form of virtual shares and takes into account both, the performance of the Company and the share price development.

The income from the reversal of liabilities is mainly related to the reversal of personnel-related obligations.

NORMA Group has applied short-time work for its employees at various locations, which explains the increase of income from government grants in 2020 compared to the prior fiscal year. The payments made by NORMA Group to the employee for the statutory short-time working allowance via the payroll represents a transitory item and is offset against the inflows from the reimbursements. In contrast, reimbursements for social security expenses to be borne by the employer are classified as government grants and reported as other operating income.

11. Other operating expenses

Other operating expenses comprised the following:

Other operating expenses T061

in EUR thousands	2020	2019
Consulting and marketing	– 19,234	– 18,129
Expenses for temporary workforce and other personnel-related costs	– 24,508	– 32,554
Freights	– 32,011	– 31,363
IT and telecommunications	– 18,042	– 17,326
Rentals and other building costs	– 6,333	– 5,364
Travel and entertainment	– 3,185	– 10,907
Currency losses operational	– 10,038	– 6,330
Research & development	– 2,952	– 3,099
Vehicle costs	– 2,075	– 2,856
Maintenance	– 3,198	– 3,652
Commission payable	– 4,735	– 6,150
Non-income-related taxes	– 3,348	– 3,052
Insurances	– 3,058	– 3,161
Office supplies and services	– 2,044	– 2,734
Write-offs and impairment losses on trade accounts receivable	– 4,568	– 946
Guaranties	– 6,587	– 1,670
Other administrative expenses	– 7,867	– 6,949
Others	– 4,567	– 1,637
	– 158,350	**– 157,879**

Other operating expenses for 2020 were 0.3% higher than other operating expenses for 2019.

The development of other operating expenses compared to the previous year is also influenced by the COVID-19 pandemic in fiscal year 2020.

The increased risk of customer defaults due to the COVID-19 crisis and higher write-offs on trade accounts receivable had a negative impact on other operating expenses. In addition, foreign exchange losses increased compared to the previous year due to strong exchange rate fluctuations in the fiscal year.

Consulting costs increased slightly due to the ongoing “Get on track” program in 2020. Consulting costs incurred as part of the “Get on track” program amounted to EUR 3,488 thousand in 2020.

The increase in expenses for guaranties, which also include penalties in connection with delivery delays, is attributable to the effects of the COVID-19 pandemic and the consequences of production relocations. In the area of freight costs, additional expenses in connection with delivery delays also led to an increase compared with to the previous year.

The lower demand for temporary workers due to temporary interruptions in production and the resulting lower expenses for temporary workers had the opposite effect. Furthermore, there were lower expenses for travel costs and entertainment due to the COVID-19 restrictions and the associated reduction in travel.

In relation to sales, other operating expenses in the current reporting period was 16.6% and thus increased compared to the previous year (2019: 14.4%) also due to the drop in sales.

12. Employee benefits expense

Employee benefits expense comprised the following:

Employee benefits expense T062

in EUR thousands	2020	2019
Wages and salaries and other termination benefits	– 246,800	– 256,715
Social security costs	– 38,559	– 42,339
Pension costs – defined contribution plans	– 10,645	– 11,692
Pension costs – defined benefit plans	– 2,185	– 1,630
	– 298,189	**– 312,376**

Employee benefit expenses in 2020 decreased by 4.5% in comparison to the previous fiscal year. Expenses from restructuring provisions for the “Get on track” program initiated in November 2019 in the amount of EUR 25,223 thousand increased the expenses. Excluding these costs, employee benefit expenses decreased by EUR 39,410 thousand compared to the prior year. In the prior year, employee benefit expenses were additionally impacted by expenses from the rightsizing project initiated in Q4 2018 to optimize the Group structure totaling EUR 9,935 thousand. Based on comparable employee benefit expenses (2020: EUR 272,966 thousand; 2019: EUR 302,441 thousand), employee benefit expenses as a percentage of total value increased from 27.5% to 28.7%. This increase is mainly due to the lower business activity triggered by the already described effects of the COVID-19 pandemic. Although NORMA Group counteracted this development by reducing overtime, using government-sponsored short-time work and other government support measures and by temporarily releasing employees, NORMA Group was unable to fully compensate for the effects of the COVID-19 pandemic.

In 2020, the average headcount was 6,521 (2019: 6,798).

13. Financial income and costs

Financial income and costs comprised the following:

Financial income and costs T063

in EUR thousands	2020	2019
Financial costs		
Interest expenses		
Bank borrowings	– 9,941	– 14,067
Hedging instruments	– 756	727
Leases	– 1,059	– 1,260
Expenses for interest accrued on provisions	– 2	– 82
Expenses for interest accrued on pensions	– 106	– 162
Foreign exchange result on financing activities	– 911	– 212
Result on valuation of derivatives	304	– 74
Other financial cost	– 2,750	– 1,820
	– 15,221	**– 16,950**
Financial income		
Interest income on short-term bank deposits	443	1,007
Other financial income	13	453
	456	**1,460**
Net financial cost	**– 14,765**	**– 15,490**

The reduction in interest expense compared to the prior year was on the one hand due to the effects of interest rate cuts in the US dollar region, which had a positive impact on the US dollar tranches of the financing. On the other hand, the scheduled repayments, from the promissory note loan from 2013 of EUR 29 million, had a positive effect on interest expense.

The increase in other financial expenses is mainly related to the restructuring of the financing. → NOTES 5 ‘FINANCIAL RISK MANAGEMENT’

The development of losses on valuation of derivatives as well as of foreign exchange result on financing activities results from the hedging of the US dollar financial liabilities and from the development of the US dollar compared to the prior year. The hedging relationship is classified as a fair value hedge, hence the valuation effects of the derivatives and of the financial liabilities are both reflected in the financial result. The net effect is disclosed in → NOTE 14 'NET FOREIGN EXCHANGE GAINS / LOSSES.'

Other financial income mainly includes income from the adjustment of the liability from the option to acquire the outstanding non-controlling interests of a subsidiary. → NOTE 21 (E) 'FINANCIAL LIABILITIES AND NET DEBT'

Transaction costs in connection with financing are netted with the bank borrowings. They are amortized over the financing period of the respective debt using the effective interest method. As of December 31, 2020, the value of transaction costs recognized in the balance sheet and amortized over the maturities of the bank borrowings amounted to EUR 848 thousand (2019: EUR 1,129 thousand).

14. Net foreign exchange gains/losses

The exchange differences recognized in profit or loss are as follows:

Net foreign exchange gains / losses T064

in EUR thousands	Note	2020	2019
Currency gains operational	(10)	8,727	6,092
Currency losses operational	(11)	– 10,038	– 6,330
Foreign exchange result on financing activities	(13)	– 911	– 212
Result from foreign exchange rate derivatives	(10, 13, 21)	401	– 72
		– 1,821	**– 522**

15. Earnings per share

Earnings per share are calculated by dividing net income for the period attributable to NORMA Group's shareholders by the weighted average number of shares issued during the period under review. NORMA Group has only issued common shares. In 2020, as in the previous year, the average weighted number of shares was 31,862,400 (2019: 31,862,400).

As of December 31, 2020 and 2019, there were no dilutive effects on earnings per share.

Earnings per share in 2020 and 2019 were as follows:

Earnings per share T065

	2020	2019
Profit attributable to shareholders of the parent (in EUR thousands)	5,670	58,422
Number of weighted shares	31,862,400	31,862,400
Earnings per share (un)diluted (in EUR)	**0.18**	**1.83**

16. Income taxes

The breakdown of income taxes is as follows:

Income taxes T066

in EUR thousands	2020	2019
Current tax expenses	– 18,083	– 27,936
Deferred tax income	18,180	5,193
Total income taxes	**97**	**– 22,743**

The combined income tax rate for the German companies for 2020 amounted to 30.1% (2019: 30.1%), comprising corporate income tax at a rate of 15%, the solidarity surcharge of 5.5% on corporate income tax, and trade income tax at an average rate of 14.2%. The taxation of the foreign subsidiaries is calculated on the basis of the tax rate applicable in the respective country of domicile. Deferred taxes, calculated using the tax rates which apply respectively, are expected to apply in the various countries at the time of realization.

The income tax expense of the Group actually reported differs from the theoretical income tax expense based on the German combined income tax rate for 2020 as follows:

Tax reconciliation — T067

in EUR thousands	2020	2019
Profit before tax	**5,380**	**81,192**
Group tax rate	30.1%	30.1%
Expected income taxes	– 1,619	– 24,439
Tax effects of:		
Tax losses and tax credits from the actual year for which no deferred income tax is recognized	– 840	– 674
Effects from the deviation of the Group tax rate resulting mainly from different foreign tax rates	2,163	5,658
Non-deductible expenses for tax purposes	– 2,206	– 2,773
Other tax-free income	4,458	432
Tax effect of changes in tax rates regarding deferred taxes	666	– 150
Income taxes related to prior years	– 960	557
Impairment of tax assets	– 16	– 21
Other	– 1,549	– 1,333
Income taxes	**97**	**– 22,743**

The item "Other" consists mainly of other income-based taxes (e. g. non-creditable foreign withholding tax expense) in 2020 and 2019.

The position "Other tax-free income" mainly includes a one-off tax effect realized in the USA. In fiscal year 2020, NORMA Group decided to treat its Brazilian subsidiary as a "disregarded entity" for US income tax purposes. Considering various requirements, one-off tax write-offs were performed on the carrying amount of the investment and on an existing shareholder loan of the company, resulting in a tax benefit of EUR 5.0 million. The conditions of deductibility of the write-off is subject to review by the US tax authorities.

The income tax charged / credited directly to other comprehensive income during the year is as follows:

Income tax charged / credited to other comprehensive income — T068

2020

in EUR thousands	Before tax amount	Tax charge / credit	Net of tax amount
Cash flow hedges gains / losses	– 877	255	– 622
Remeasurements of post-employment benefit obligations	802	– 207	595
Other comprehensive income	**– 75**	**48**	**– 27**

2019

in EUR thousands	Before tax amount	Tax charge / credit	Net of tax amount
Cash flow hedges gains / losses	– 2,363	680	– 1,683
Remeasurements of post-employment benefit obligations	– 2,066	547	– 1,519
Other comprehensive income	**– 4,429**	**1,227**	**– 3,202**

Notes to the Consolidated Statement of Financial Position

17. Deferred income tax

The movement in deferred income tax assets and liabilities during the year is as follows:

Movement in deferred tax assets and liabilities T069

in EUR thousands	2020	2019
Deferred tax liabilities (net) – as of January 1	**60,187**	**66,528**
Deferred tax income	– 18,180	– 5,193
Tax charged to other comprehensive income	– 48	– 1,227
Foreign exchange rate differences	– 4,442	705
First time adoption of IFRS 16	0	– 626
Deferred tax liabilities (net) – as of December 31	**37,517**	**60,187**

The analysis of deferred income tax assets and deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets T070

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Intangible assets	4,314	4,146
Property, plant and equipment	517	585
Other assets	5,616	1,005
Inventories	3,057	2,560
Trade receivables	1,502	909
Retirement benefit obligations / pension liabilities	3,053	2,937
Provisions	6,988	490
Borrowings	60	176
Other liabilities, incl. derivatives	4,385	2,656
Trade and other payables	976	651
Tax loss carry forward and tax credits	7,511	3,430
Deferred tax assets (before valuation allowances)	**37,979**	**19,546**
Valuation allowance	– 2,377	– 2,245
Deferred tax assets (before offsetting)	**35,602**	**17,301**
Offsetting effects	– 16,968	– 7,926
Deferred tax assets	**18,634**	**9,375**

Deferred income tax liabilities T071

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Intangible assets	50,885	57,406
Property, plant and equipment	12,808	15,171
Other assets	2,127	1,603
Inventories	128	162
Trade receivables	97	198
Retirement benefit obligations/pension liabilities	6	6
Borrowings	4,258	200
Provisions	45	90
Other liabilities, incl. derivatives	112	394
Trade and other payables	128	3
Untaxed reserves	2,525	2,254
Deferred tax liabilities (before offsetting)	**73,119**	**77,488**
Offsetting effects	– 16,968	– 7,926
Deferred tax liabilities	**56,151**	**69,562**
Deferred tax liabilities (net)	**37,517**	**60,187**

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. As of December 31, 2020, and also in the previous year, deferred tax assets were recognized for all deductible temporary differences because sufficient taxable income will most likely be available to utilize these deductible temporary differences.

In 2020 and prior years, the Group had tax losses at several subsidiaries in several countries. In total, the recognized deferred income tax assets on temporary differences for subsidiaries that have suffered tax losses in the current or previous fiscal year amount to EUR 2,203 thousand.

The increase in deferred tax assets by EUR 9,259 thousand compared to December 31, 2019, is mainly due to recognized deferred taxes on provisions and tax loss carry forwards in 2020. Compared to the previous year, the increase in deferred income tax assets in the line item “provisions” results from the recognition of a provision for severance payments at the level of NORMA Germany GmbH as part of the “Get on track” program. Deferred income tax assets are recognized for tax loss carry forwards as far as it is expected that the deferred tax assets will be utilized in the foreseeable future. Deferred income tax assets for unused tax losses and unused tax credits developed as follows:

Expiry of recognized tax losses T072

in EUR thousands	Dec 31, 2020	Dec 31, 2019
up to 1 year	0	35
> 1 year up to 5 years	6,587	1,623
> 5 years	2,529	1,698
Unlimited carry forward	20,545	7,828
Total	**29,661**	**11,184**

The Group did not recognize deferred income tax assets in respect of tax loss carry forwards amounting to EUR 7,168 thousand on December 31, 2020 (Dec 31, 2019: EUR 6,516 thousand).

The expiration of tax loss carry forwards not recognized for tax purposes is as follows:

Expiry of unrecognized tax losses T073

in EUR thousands	Dec 31, 2020	Dec 31, 2019
up to 1 year	0	0
> 1 year up to 5 years	0	0
> 5 years	0	0
Unlimited carry forward	7,168	6,516
Total	**7,168**	**6,516**

Regarding to the taxable temporary differences, amounting to EUR 414,177 thousand (Dec 31, 2019: EUR 419,395 thousand), associated with investments in subsidiaries, no deferred tax liabilities are recognized as of December 31, 2020, as the temporary differences are unlikely to reverse in the foreseeable future.

18. Goodwill and other intangible assets

The acquisition costs as well as accumulated amortization and impairment of intangible assets consist of the following:

Development of goodwill and other intangible assets T074

in EUR thousands	As of Jan 1, 2020	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2020
Acquisition costs							
Goodwill	427,996					– 17,699	410,297
Customer lists	277,163					– 19,787	257,376
Licenses, rights	1,918					– 38	1,880
Software acquired externally	44,639	667	– 421	321		– 993	44,213
Trademarks	56,859					– 4,597	52,262
Patents & technology	71,801	686		132		– 4,063	68,556
Internally generated intangible assets	30,160	4,081	– 771			– 1,564	31,906
Intangible assets, other	8,716	325		– 453		149	8,737
Total	**919,252**	**5,759**	**– 1,192**	**0**	**0**	**– 48,592**	**875,227**
Amortization and impairment							
Goodwill	34,909					– 2,222	32,687
Customer lists	106,189	16,226				– 7,550	114,865
Licenses, rights	1,747	25				– 35	1,737
Software acquired externally	39,391	2,783	– 420			– 884	40,870
Trademarks	14,677	1,524				– 1,194	15,007
Patents & technology	41,294	4,551				– 2,714	43,131
Internally generated intangible assets	16,128	5,486	– 770			– 1,006	19,838
Intangible assets, other	6,423	398				12	6,833
Total	**260,758**	**30,993**	**– 1,190**	**0**	**0**	**– 15,593**	**274,968**

Development of goodwill and other intangible assets (continued) T074

in EUR thousands	As of Jan 1, 2019	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2019
Acquisition costs							
Goodwill	423,918					4,078	427,996
Customer lists	272,509					4,654	277,163
Licenses, rights	1,920	40	– 24	– 26		8	1,918
Software acquired externally	43,281	822	– 146	400		282	44,639
Trademarks	55,859					1,000	56,859
Patents & technology	70,395	816				590	71,801
Internally generated intangible assets	23,113	6,692	– 188	247		296	30,160
Intangible assets, other	8,551	853	– 26	– 621		– 41	8,716
Total	**899,546**	**9,223**	**– 384**	**0**	**0**	**10,867**	**919,252**
Amortization and impairment							
Goodwill	34,413					496	34,909
Customer lists	87,645	16,768				1,776	106,189
Licenses, rights	1,771	26	– 24	– 33		7	1,747
Software acquired externally	35,539	3,650	– 144	182		164	39,391
Trademarks	12,889	1,552				236	14,677
Patents & technology	35,899	4,895				500	41,294
Internally generated intangible assets	11,528	4,334	– 188	247		207	16,128
Intangible assets, other	6,963	0	– 26	– 396		– 118	6,423
Total	**226,647**	**31,225**	**– 382**	**0**	**0**	**3,268**	**260,758**

The carrying amounts for intangible assets as of December 31, 2020 and 2019, were as follows:

Goodwill and other intangible assets – carrying amounts T075

	Carrying amounts	
in EUR thousands	Dec 31, 2020	Dec 31, 2019
Goodwill	377,610	393,087
Customer lists	142,511	170,974
Licenses, rights	143	171
Software acquired externally	3,343	5,248
Trademarks	37,255	42,182
Patents & technology	25,425	30,507
Internally generated intangible assets	12,068	14,032
Intangible assets, other	1,904	2,293
Total	**600,259**	**658,494**

The item “Patents and technology” on December 31, 2020, consists of patents worth EUR 6,911 thousand (Dec 31, 2019: EUR 8,494 thousand) and technology worth EUR 18,514 thousand (Dec 31, 2019: EUR 22,013 thousand).

Internally generated intangible assets include development costs for technologies in the amount of EUR 7,862 thousand (Dec 31, 2019: EUR 9,071 thousand) as well as internally generated software in the amount of EUR 4,206 thousand (Dec 31, 2019: EUR 4,960 thousand).

The item “Intangible assets, other” consists mainly of prepayments.

Significant individual intangible assets T076

	Carrying amounts		
in EUR thousands	Dec 31, 2020	Dec 31, 2019	Remaining useful life (in years)
NDS – Customer lists	93,743	109,801	14

The change in goodwill, customer lists and patents & technology results from positive foreign exchange differences, mainly from the US dollar area.

The change in goodwill is summarized as follows:

Change in goodwill T077

in EUR thousands	
Balance as of December 31, 2019	**393,087**
Currency effect	– 15,477
Balance as of December 31, 2020	**377,610**

Besides the goodwill, there are intangible assets within trademarks with an indefinite useful life in the amount of EUR 25,996 thousand (2019: EUR 28,396 thousand) resulting from the acquisition of NDS in 2014. From a market perspective, NORMA Group assumed an indefinite useful life for these acquired trademarks, which mainly include the corporate brand NDS®, because these brands have been established in the market for a number of years and there is no foreseeable end to their useful life, therefore useful lives are indefinite. Trademarks with indefinite useful lives are fully allocated to the cash-generating unit (CGU) Americas.

Trademarks with an unknown term of use are subjected to an annual impairment test pursuant to IAS 36 on the basis of the recoverable amount pursuant to the procedure described in → NOTE 3 ‘SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – IMPAIRMENT OF NON-FINANCIAL ASSETS.’

On December 31, 2020 and 2019, the intangible assets were unsecured.

Impairment tests for goodwill

Goodwill is allocated to the Group’s cash-generating units (CGUs) identified according to geographical areas. A summary of the goodwill allocation is presented below:

Goodwill allocation per segment T078

in EUR thousands	Dec 31, 2020	Dec 31, 2019
CGU EMEA	178,504	178,484
CGU Americas	164,816	180,030
CGU Asia-Pacific	34,290	34,573
Consolidated Group	**377,610**	**393,087**

Goodwill for the CGU Americas decreased in 2020 mainly due to currency effects.

The recoverable amount of a CGU is determined based on fair value less costs to sell, which is calculated by discounting projected cash flows. Based on the inputs used for this valuation technique, fair values are classified as level 3 fair values. → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – FAIR VALUE ESTIMATION' These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed our expectations for the long-term average growth rate for the geographical area of the respective CGU.

The discount rates used are after tax rates and reflect the specific risk of each CGU. The respective before tax rates are 12.1% (2019: 11.71%) for the CGU EMEA, 8.41% (2019: 9.82%) for the CGU Americas and 12.46% (2019: 11.88%) for the CGU Asia-Pacific.

The key assumptions used for fair value less costs to sell calculations are as follows:

Goodwill per segment – key assumptions T079

December 31, 2020	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.00%	1.00%	1.00%
Discount rate	9.57%	6.94%	9.69%
Costs to sell	1.00%	1.00%	1.00%
December 31, 2019	**CGU EMEA**	**CGU Americas**	**CGU Asia-Pacific**
Terminal value growth rate	1.00%	1.00%	1.00%
Discount rate	9.19%	8.14%	9.28%
Costs to sell	1.00%	1.00%	1.00%

The assumptions are based on management's expectations regarding future developments.

A sensitivity analysis for the individual CGUs takes into account any changes in the key assumptions that are considered possible. The sensitivity analysis was performed in isolation for all significant influencing factors, i.e. a change in the fair value of a cash-generating unit is only caused by a reduction or increase in the respective influencing factor.

Impact of the COVID-19 pandemic on the recoverability of goodwill

In updating the estimates and judgments, available information about the expected economic development and country-specific government measures were considered and included in the impairment test of goodwill.

Considering the uncertainties for the global economy caused by the COVID-19 pandemic and the changing framework conditions of the economic environment, impairment tests were performed for the cash-generating units (EMEA, Americas and Asia-Pacific) taking into account various sensitivities, which confirmed the recoverability of the respective underlying carrying amounts.

Impairment losses on other intangible assets

No significant impairment losses or reversals of impairment losses were recognized for intangible assets in fiscal year 2020.

19. Property, plant and equipment

The acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consist of the following:

Development of property, plant and equipment T080

in EUR thousands	As of Jan 1, 2020	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2020
Acquisition costs							
Land and buildings	117,955	1,050	– 841	1,804		– 2,895	117,073
Machinery & tools	380,542	7,649	– 10,641	22,066		– 15,123	384,493
Other equipment	71,884	1,944	– 1,368	1,443		– 1,729	72,174
Assets under construction	38,302	24,845	– 6	– 25,313		– 2,858	34,970
Right of Use Assets							
Land and buildings	69,860	8,258	– 4,562			– 5,131	68,425
Machinery & tools	339	48	0			– 1	386
Forklifts and warehouse	3,069	321	– 364			– 69	2,957
Office and IT equipment	520	8	– 115			– 24	389
Company cars	4,424	1,211	– 1,569			– 72	3,994
Total	**686,895**	**45,334**	**– 19,466**	**0**	**0**	**– 27,902**	**684,861**
Depreciation and impairment							
Land and buildings	57,373	3,741	– 805			– 898	59,411
Machinery & tools	244,728	29,069	– 9,658			– 8,395	255,744
Other equipment	56,633	4,918	– 1,186			– 1,070	59,295
Assets under construction	19	76	0			– 3	92
Right of Use Assets							
Land and buildings	33,026	8,188	– 2,797			– 2,514	35,903
Machinery & tools	92	86	0			0	178
Forklifts and warehouse	1,640	629	– 353			– 44	1,872
Office and IT equipment	287	110	– 114			– 13	270
Company cars	2,254	1,357	– 1,485			– 35	2,091
Total	**396,052**	**48,174**	**– 16,398**	**0**	**0**	**– 12,972**	**414,856**

CONTINUED ON NEXT PAGE ↓

Development of property, plant and equipment (continued)

T080

in EUR thousands	As of Dec 31, 2018	adjustments from changes in accounting policies	As of Jan 1, 2019	Additions	Deduc-tions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2019
Acquisition costs									
Land and buildings	120,700	– 5,452	115,248	1,391	– 29	776		569	117,955
Machinery & tools	343,606		343,606	16,346	– 3,342	21,138		2,794	380,542
Other equipment	69,628		69,628	2,945	– 2,693	1,683		321	71,884
Assets under construction	36,716		36,716	24,938	– 72	– 23,597		317	38,302
Right of Use Assets									
Land and buildings	0	61,497	61,497	11,907	– 3,956			412	69,860
Machinery & tools	0	206	206	133	0				339
Forklifts and warehouse	0	2,949	2,949	408	– 299			11	3,069
Office and IT equipment	0	458	458	57	0			5	520
Company cars	0	3,321	3,321	1,465	– 388			26	4,424
Total	**570,650**	**62,979**	**633,629**	**59,590**	**– 10,779**	**0**	**0**	**4,455**	**686,895**
Depreciation and impairment									
Land and buildings	54,132	– 182	53,950	3,290	– 28			161	57,373
Machinery & tools	219,781		219,781	26,522	– 2,887			1,312	244,728
Other equipment	53,378		53,378	5,643	– 2,602			214	56,633
Assets under construction	33		33	0	– 7			– 7	19
Right of Use Assets									
Land and buildings	0	28,449	28,449	8,297	– 3,639			– 81	33,026
Machinery & tools	0	24	24	68	0			0	92
Forklifts and warehouse	0	1,258	1,258	656	– 274			0	1,640
Office and IT equipment	0	167	167	121	0			– 1	287
Company cars	0	1,283	1,283	1,294	– 333			10	2,254
Total	**327,324**	**30,999**	**358,323**	**45,891**	**– 9,770**	**0**	**0**	**1,680**	**396,052**

The carrying amounts for property, plant and equipment as of December 31, 2020 and 2019, were as follows:

Property, plant and equipment – carrying amounts T081

	Carrying amounts	
in EUR thousands	Dec 31, 2020	Dec 31, 2019
Land and buildings	57,662	60,582
Machinery & tools	128,749	135,814
Other equipment	12,879	15,251
Assets under construction	34,878	38,283
Total	**234,168**	**249,930**

On December 31, 2020, the item "Machinery & tools" included tools valued at EUR 25,861 thousand (Dec 31, 2019: EUR 30,688 thousand).

No material impairment and no material write-ups were recognized on property, plant and equipment in 2020 and 2019.

On December 31, 2020 and 2019, property, plant and equipment were unsecured.

20. Leasing

The following disclosures contain information about NORMA Group's leases in fiscal year 2020 and 2019.

(i) Amounts recognized in the Consolidated Statement of Financial Position

The following items related to leases are shown in the Consolidated Statement of Financial Position:

Right of Use Assets – carrying amounts T082

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Land and buildings	32,522	36,834
Machinery & tools	208	247
Forklifts and warehouse	1,085	1,429
Office and IT equipment	119	233
Company cars	1,903	2,170
Total	**35,837**	**40,913**

The maturities of the nominal values and the carrying amounts of the lease liabilities are as follows:

Maturity of lease liabilities Dec 31, 2020 T083

in EUR thousand	up to 1 year	> 1 year up to 5 years	> 5 years
Lease liabilities – Nominal value	8,960	18,920	9,525
Lease liabilities – Carrying amount	8,118	16,957	8,770

Maturity of lease liabilities Dec 31, 2019 T084

in EUR thousand	up to 1 year	> 1 year up to 5 years	> 5 years
Lease liabilities – Nominal value	9,466	20,328	13,555
Lease liabilities – Carrying amount	8,427	17,790	12,378

(ii) Amounts recognized in the income statement

The following amounts relating to leases are recognized in the income statement:

Leases in the statement of profit or loss T085

in EUR thousands	2020	2019
Depreciation charge of right-of-use assets	**10,370**	**10,436**
Land and buildings	8,188	8,297
Machineries and technical equipment	86	68
Forklifts and warehouse equipment	629	656
Office and IT equipment	110	121
Company cars	1,357	1,294
Finance costs	**– 1,093**	**– 1,256**
Interest expenses	– 1,059	– 1,260
Currency gains / losses	– 34	4
Other operating expenses	**864**	**861**
Expenses relating to short-term leases for which no RoU asset was recorded	479	684
Expenses relating to leases of low-value assets that are not shown above as short-term leases	385	177
Expenses relating to variable lease payments that were not included in the measurement of the lease liability	0	0

(iii) Amounts recognized in the cash flow statement

EUR 11,935 thousand in total is recognized as cash outflows in the cash flow statement because of right-of-use assets (2019: EUR 12,179 thousand). Of this, EUR 11,071 thousand was recognized under cash flows from financing activities (2019: EUR 11,318 thousand) and EUR 864 thousand was recognized under cash flows from operating activities (2019: EUR 861 thousand).

21. Financial instruments

The following disclosures provide an overview of the financial instruments held by the Group, detailed information about each type of financial instrument held and information about the accounting policies used.

Financial instruments according to classes and categories were as follows:

Financial instruments – classes and categories

T086

in EUR thousands	Note	Category IFRS 7.8 according to IFRS 9	**Carrying amount Dec 31, 2020**	Measurement basis IFRS 9: Amortized cost	Measurement basis IFRS 9: Fair value through profit or loss	Measurement basis IFRS 9: Derivatives used for hedging	Measurement basis IFRS 16	**Fair value Dec 31, 2019**
Financial assets								
Derivative financial instruments – hedge accounting	21 (f)							
Foreign exchange derivatives – cash flow hedges		n/a	33			33		33
Foreign exchange derivatives – fair value hedges		n/a	396			396		396
Trade and other receivables	21 (a)	Amortized Cost	135,183	135,183				135,183
Trade receivable – ABS/Factoring program (mandatorily measured at FVTPL)	21 (b)	FVTPL	22,129		22,129			22,129
Other financial assets	21 (d)	Amortized Cost	2,470	2,470				2,470
Cash and cash equivalents	21 (c)	Amortized Cost	185,109	185,109				185,109
Financial liabilities								
Borrowings	21 (e)	FLAC	**477,991**	477,991				490,254
Derivative financial instruments – hedge accounting	21 (f)							
Interest rate swaps – cash flow hedges		n/a	1,354			1,354		1,354
Foreign exchange derivatives – fair value hedges		n/a	65			65		65
Trade and other payables	21 (e)	FLAC	148,726	148,726				148,726
Lease liabilities	20	n/a	33,845				33,845	n/a
Other financial liabilities	21 (e)	FLAC	10,212	10,212				10,212
Totals per category								
Financial assets at amortized cost			322,762	322,762				322,762
Financial assets at fair value through profit or loss (FVTPL)			22,129		22,129			22,129
Financial liabilities at amortized cost (FLAC)			636,929	636,929				649,192

CONTINUED ON NEXT PAGE

Financial instruments – classes and categories (continued)

T086

in EUR thousands	Note	Category IFRS 7.8 according to IFRS 9	Carrying amount Dec 31, 2019	Measurement basis IFRS 9: Amortized cost	Measurement basis IFRS 9: Fair value through profit or loss	Measurement basis IFRS 9: Derivatives used for hedging	Measure-ment basis IFRS 16	Fair value Dec 31, 2019
Financial assets								
Derivative financial instruments – hedge accounting	21 (f)							
Interest rate swaps – cash flow hedges		n/a	435			435		435
Foreign exchange derivatives – fair value hedges		n/a	15			15		15
Trade and other receivables	21 (a)	Amortized Cost	140,258	140,258				140,258
Trade receivable – ABS / Factoring program (mandatorily measured at FVTPL)	21 (b)	FVTPL	22,128		22,128			22,128
Other financial assets	21 (d)	Amortized Cost	4,792	4,792				4,792
Cash and cash equivalents	21 (c)	Amortized Cost	179,721	179,721				179,721
Financial liabilities								
Borrowings	21 (e)	FLAC	541,898	541,898				556,309
Derivative financial instruments – hedge accounting	21 (f)							
Interest rate swaps – cash flow hedges		n/a	911			911		911
Foreign exchange derivatives – fair value hedges		n/a	2			2		2
Trade and other payables	21 (e)	FLAC	143,119	143,119				143,119
Lease liabilities	20	n/a	38,595				38,595	n/a
Other financial liabilities	21 (e)	FLAC	19,126	19,126				19,126
Totals per category								
Financial assets at amortized cost			324,771	324,771				324,771
Financial assets at fair value through profit or loss (FVTPL)			22,128		22,128			22,128
Financial liabilities at amortized cost (FLAC)			704,143	704,143				718,554

21. (a) Trade and other receivables

Trade and other receivables were as follows:

Trade and other receivables T087

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Trade receivables	150,908	153,521
Other receivables	6,404	8,865
	157,312	**162,386**

Other receivables mainly include banker's acceptance bills for trade receivables for customers in China. These financial assets are generally required to collect contractual cash flows and are allocated to the "hold" business model accordingly and are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less any impairment losses.

On the balance sheet date, trade receivables were as follows:

Trade receivables T088

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Trade receivables	152,907	155,158
Less: allowances for doubtful accounts	– 1,999	– 1,637
	150,908	**153,521**

i. Classification as trade receivables

Trade receivables are amounts payable by customers for goods sold or services rendered in the ordinary course of business. If the receivables are expected to be settled within twelve months, they are classified as current assets. If this is exceptionally not the case, they are reported as non-current assets. Trade receivables are classified in accordance with IFRS 9. They are generally required to collect the contractual cash flows and are allocated to the "hold" business model accordingly. They are recognized initially at the amount of the unconditional consideration and are subsequently carried at amortized cost using the effective interest method less any impairment losses. If trade receivables contain a significant financing component, they are initially recognized at fair value.

ii. Impairment and write-offs of trade receivables

For trade receivables, the simplified approach, which is based on the expected credit losses over the respective terms, is used. Loss rates calculated on the basis of historical and forecast data are used, taking into account the business model, the respective customer and the economic environment of the geographical region. For this purpose, NORMA Group considers in particular the credit default swaps of the respective client's home countries as well as industry-specific default probabilities derived from external sources. In addition, loss rates from customer-specific credit default swaps (CDS) are used, if available.

On this basis, the allowance for trade receivables and contract assets as of December 31, 2020, was determined as follows:

Credit risk exposure trade receivables T089

as of December 31, 2020

in EUR thousands	Credit loss rate < 1%	Credit loss rate > 1% < 2.5%	Credit loss rate > 2.5%	**Total**
Trade receivables – before allowances	37,395	88,781	4,602	130,778
ECL allowance	502	1,351	146	1,999
Trade receivables – after allowances	36,893	87,430	4,456	128,779

as of December 31, 2019

in EUR thousands	Credit loss rate < 1%	Credit loss rate > 1% < 2.5%	Credit loss rate > 2.5%	**Total**
Trade receivables – before allowances	78,072	48,907	6,051	133,030
ECL allowance	704	723	210	1,637
Trade receivables – after allowances	77,368	48,184	5,841	131,393

The impairment losses on trade receivables developed as follows from the opening balance sheet value as of January 1, 2020, to the closing balance sheet value as of December 31, 2020:

Impairment reconciliation T090

in EUR thousands	Impairments on trade receivables
Impairment allowance as of Jan 1, 2020 – based on IFRS 9	**1,637**
Additions	2,214
Reversals	– 1,637
Consumption	– 117
Translation effect	– 98
Impairment allowance as of Dec 31, 2020	**1,999**

Impairment losses on trade receivables, together with those on contract assets, are recognized in operating profit as net impairment losses. Unused amounts reversed are included in the same line item. The net expenses recognized in fiscal year 2020 from these impairment losses amounted to EUR 577 thousand (2019: EUR 53 thousand).

The gross carrying amount of trade receivable that are not reasonably expected to be realizable are written off. In the fiscal year, the following losses resulted from the write-off of trade receivables:

Gains / losses arising from derecognition IFRS 7.20A T091

in EUR thousands	**2020**	2019	Reasons for derecognition
Losses arising from derecognition	3,991	893	Write-off (IFRS 9.5.4.4)

Losses on the disposal of trade receivables through write-offs are recognized in operating profit as impairment losses, net. Unused amounts reversed are included in the same line item.

The increase in expenses for allowances for expected credit losses and for losses on disposal relates to the impact of the COVID-19 pandemic and the associated financial difficulties of some customers and the general development of risk premiums for measuring the default risks of loans.

iii. Fair value of trade receivables

Trade receivables have short-term maturities, therefore the carrying amounts on the balance sheet date correspond to their fair values, as the effects of discounting are not material.

21. (b) Trade receivables transferred or available for transfer

i. Transferred trade receivables

Subsidiaries of NORMA Group in the EMEA and Americas segments transfer trade receivables to external purchasers as part of factoring and ABS transactions. The details and effects of the respective programs are presented below.

a) Factoring transactions

In the factoring agreement concluded in 2017, that has a maximum volume of receivables of EUR 18 million, NORMA Group subsidiaries in Germany, France and Poland sell trade receivables directly to external purchasers. As part of this factoring program, receivables of EUR 7.0 million were sold as of December 31, 2020, (Dec 31, 2019: EUR 6.4 million) whereof EUR 0.7 million (Dec 31, 2019: EUR 0.6 million) are purchase price retention that are maintained as a contingency reserve and not paid out, but recognized as other financial asset. The requirements for a receivables transfer were met in accordance with IFRS 9.3.2.1 since the receivables were transferred in accordance with IFRS 9.3.2.4 a). Verification in accordance with IFRS 9.3.2.6 shows that nearly all opportunities and risks were neither transferred nor retained. It follows in accordance with IFRS 9.3.2.16 that NORMA Group recognizes remaining continuing involvement. NORMA Group is continuing to perform receivables management (servicing) for the receivables sold. Although NORMA Group is only entitled to act as a servicer, the Company retains the right to dispose of the sold receivables, as purchasers do not have the right to resell the receivables acquired. NORMA Group is continuing to recognize the sold trade receivable to the extent of its continuing involvement, i. e., at the maximum amount to which it continues to be liable for the late payment risk inherent in the receivables sold. Hence, NORMA Group is recognizing a corresponding financial liability. The remaining continuing involvement in the amount of EUR 64 thousand (Dec 31, 2019: EUR 59 thousand) was recognized as a financial liability and considers the maximum potential loss for NORMA Group resulting from the late payment risk of receivables sold as of the reporting date. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 5 thousand (Dec 31, 2019: EUR 5 thousand), taken through profit or loss and recognized under other liabilities.

In 2018, NORMA established a further factoring program. Under the factoring agreement concluded in December 2018 with a maximum receivables volume of USD 16 million, a subsidiary of NORMA Group in the US sells trade receivables directly to external purchasers. As part of this factoring program, receivables amounting to EUR 7.9 million were sold as of December 31, 2020 (Dec 31, 2019: EUR 11.8 million). Due to a temporary agreement, the payments under these disposals were made in full as of December 31, 2020. As of December 31, 2019 EUR 2.4 million) were treated as purchase price retentions and not paid out but rather held as security reserves and recognized as other financial assets. The requirements for the derecognition of receivables in accordance with IFRS 9.3.2.1 are met, as the receivables are transferred in accordance with IFRS 9.3.2.4 a). The examination of IFRS 9.3.2.6 shows that essentially all opportunities and risks have been transferred. NORMA Group continues to service the receivables sold. Although NORMA Group is not entitled to dispose of the receivables sold in any other way than within the framework of receivables management, the Company retains control over the receivables sold as the buyers do not have the actual ability to resell the acquired receivables.

b) ABS transactions

In 2014, NORMA Group entered into a revolving asset purchase agreement (Receivables Purchase Agreement) with Weinberg Capital Ltd. (special purpose entity). Within the agreed structure, NORMA Group sold trade receivables in the context of an ABS transaction which was successfully initiated in December 2014. Receivables are sold by NORMA Group to a special purpose entity. As of December 31, 2020, domestic NORMA Group entities had sold receivables in an amount of EUR 12.2 million (Dec 31, 2019: EUR 14.0 million) under this asset-backed securities (ABS) program with a maximum volume of EUR 20 million (2019: EUR 25 million). From the receivables sold, EUR 0.5 million (2019: EUR 0.6 million) were retained as loss reserves and not paid out. These assets were recognized as other financial assets. The basis for this transaction is the transfer of trade receivables of individual NORMA Group subsidiaries to a special purpose entity with a framework of undisclosed assignment. This special purpose entity (SPE) is not consolidated under IFRS 10 because neither the power over the SPE is attributable to NORMA Group nor does NORMA Group have an essential self-interest and no connection between power and variability of the returns of the special purpose entity exists. The requirements for a receivables transfer according to IFRS 9.3.2.1 are met, since the receivables are transferred according to IFRS 9.3.2.4 a). Verification in accordance with IFRS 9.3.2.6 shows that a substantial share of all risks and rewards were neither transferred nor retained. Therefore, according to IFRS 9.3.2.16, NORMA Group's continuing involvement must be recognized.

This continuing involvement in the amount of EUR 219 thousand (Dec 31, 2019: EUR 251 thousand) includes the maximum amount that NORMA Group could conceivably have to pay back under the default guarantee and the expected interest payments until the payment is received for the carrying amount of the receivables transferred. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 183 thousand (Dec 31, 2019: EUR 205 thousand), taken through profit or loss and recognized under other liabilities.

NORMA Group entered into another agreement with Weinberg Capital Ltd. (program special purpose entity) in fiscal year 2018 by concluding a further revolving receivables purchase agreement on the sale of trade receivables. The agreed structure provides for the sale of trade receivables of NORMA Group as part of an ABS transaction and was successfully initiated in December 2018. The receivables are sold to a special purpose entity by NORMA Group.

As part of this ABS program with a volume of up to USD 20 million (2019: USD 30 million), US American Group companies of NORMA Group sold receivables amounting to EUR 11.3 million as of December 31, 2020 (Dec 31, 2019: EUR 19.5 million), of which EUR 0.5 million (Dec 31, 2019: EUR 0.8 million) were not paid out as purchase price retentions but rather held as security reserves and recognized as other financial assets. The basis for the transaction is the assignment of trade receivables of individual NORMA Group companies to a program special purpose entity as part of a silent assignment. According to IFRS 10, this program special purpose entity is not to be consolidated, as NORMA Group is not assigned any decision-making power, nor is there any material self-interest or link between decision-making power and the variability of returns from the program special purpose entity.

The requirements for derecognition of receivables in accordance with IFRS 9.3.2.1 are met, as the receivables are transferred in accordance with IFRS 9.3.2.4 a). The audit of IFRS 9.3.2.6 shows that almost all opportunities and risks have neither been transferred nor retained. In accordance with IFRS 9.3.2.16, NORMA Group must therefore recognize the remaining continuing involvement.

A continuing involvement of EUR 253 thousand (Dec 31, 2019: EUR 619 thousand) was recognized as other financial liability and comprises the maximum amount that NORMA Group might have to repay under the assumed default guarantee and the expected interest payments until receipt of payment in respect of the carrying amount of the receivables transferred. The fair value of the guarantee or of the interest payments to be assumed was included in the carrying amount and recognized as other liabilities in the amount of EUR 175 thousand (Dec 31, 2019: EUR 227 thousand).

ii. Trade receivables available for transfer

In the opinion of the Group, trade receivables included in these programs but not yet disposed of at the end of the reporting period cannot be allocated to either the "hold" or the "hold and sell" business models. They are therefore included in the fair value through profit and loss (FVTPL) category.

21. (c) Cash and cash equivalents

Cash and cash equivalents are measured at their nominal value and include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and which are subject only to insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

21. (d) Other financial assets

Other financial assets were as follows:

Other financial assets T092

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Receivables from ABS program	1,010	1,426
Receivables from factoring	704	3,010
Other assets	756	356
	2,470	**4,792**

Receivables from the ABS program and from factoring include reserves for the trade receivables sold. → NOTE 21 (B) 'TRADE RECEIVABLES TRANSFERRED OR AVAILABLE FOR TRANSFER' Other financial assets are generally required to collect the contractual cash flows and are accordingly allocated to the "hold" business model. They are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method less impairment.

21. (e) Financial liabilities and net debt

i. Trade and other liabilities

Trade and other payables are as follows:

Trade and other payables T093

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Trade payables and other payables	118,525	109,385
Reverse factoring liabilities	15,713	21,335
Refund liabilities	14,488	12,399
	148,726	**143,119**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. NORMA Group participates in a reverse factoring program. The liabilities included in this program are reported under trade payables and similar liabilities, as this corresponds to the economic content of the transactions. All trade payables and liabilities from reverse factoring programs are due to third parties within one year. As a result, these have short-term maturities, therefore the carrying amounts on the balance sheet date correspond to their fair values, as the effects of discounting are not material.

Refund liabilities

Reimbursement liabilities are recognized for volume discounts and similar bonus agreements payable to customers. These arise from retrospective volume discounts or similar agreements that are based on total sales or on a specific product sale of a 12-month or shorter period. Refund liabilities are recognized for discounts expected to be payable to the customer for sales completed by the end of the reporting period. For further details, please refer to → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES.

All reimbursement liabilities are due to third parties within one year. The carrying amounts on the balance sheet date therefore correspond to their fair values, as the effects of discounting are not material.

ii. Bank borrowings

The borrowings were as follows:

Borrowings T094

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Non-current		
Bank borrowings	387,814	495,927
	387,814	**495,927**
Current		
Bank borrowings	90,177	45,971
	90,177	**45,971**
Total borrowings	477,991	**541,898**

Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The maturity of the syndicated bank facilities and the promissory note on December 31, 2020 and 2019, is as follows:

Maturity of bank borrowings 2020 T095

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Syndicated bank facilities, net			238,563	
Promissory note, net	68,949	3,500	105,094	41,500
Commercial paper	20,000			
Total	**88,949**	**3,500**	**343,657**	**41,500**

Maturity of bank borrowings 2019 T096

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Syndicated bank facilities, net			247,740	
Promissory note, net	29,000	99,739	108,072	41,500
Commercial paper	15,000			
Total	**44,000**	**99,739**	**355,812**	**41,500**

a) Fair value of bank borrowings
The fair value calculation of the fixed-interest promissory note, which is recognized at amortized cost and for which the fair value is stated in the notes, was based on the market yield curve according to the zero coupon method considering credit spreads (level 2). Interest accrued on the reporting date is included.

b) Financial covenant
The Group is subject to the financial covenant total net debt cover (net debt in relation to adjusted Group EBITDA), which is monitored on an ongoing basis. This financial covenant is based on the Group's Consolidated Financial Statements as well as on special definitions of the bank facility agreements. In the event of non-compliance with a financial ratio, the credit agreement provides for several possibilities of cure in the form of exemption provisions of the shareholder measures. If there is a breach of a condition which is not remedied, the syndicated loan may possibly be called in.

There were no covenant breaches in 2020 and 2019.

iii. Other financial liabilities
Other financial liabilities were as follows:

Other financial liabilities T097

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Non-current		
Other liabilities	0	1,630
	0	**1,630**
Current		
Liabilities from ABS and factoring	7,930	16,043
Other liabilities	2,282	1,453
	10,212	**17,496**
Total other financial liabilities	**10,212**	**19,126**

a) Liabilities from the ABS and factoring
The liabilities from the ABS and factoring include liabilities from continuing involvement in the amount of EUR 536 thousand (Dec 31, 2019: EUR 929 thousand), liabilities from fair values of default and interest guarantees in the amount of EUR 366 thousand (Dec 31, 2019: EUR 438 thousand) recorded under the ABS and factoring programs and liabilities from customer payments for receivables already sold under the ABS and factoring programs in the amount of EUR 7,029 thousand (Dec 31, 2019: EUR 14,676 thousand) as part of the debtor / receivables management performed by NORMA Group.

b) Other liabilities
The liabilities recognized in other non-current liabilities as of December 31, 2019 for the option to acquire the remaining minority shares in Fengfan Fastener (Shaoxing) Co., Ltd. (Fengfan) were derecognized in the 3rd quarter of the past fiscal year by cancelling the option right against retained earnings. → NOTE 24 'EQUITY'

iv. Maturity of financial liabilities

The financial liabilities of NORMA Group have the following maturity:

Maturity of financial liabilities T098

December 31, 2020 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	90,177	3,056	343,268	41,490
Trade and other payables	148,726			
Other financial liabilities	10,212			
	249,115	**3,056**	**343,268**	**41,490**

December 31, 2019 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	45,971	99,208	355,247	41,472
Trade and other payables	143,119			
Other financial liabilities	17,496		1,630	
	206,586	**99,208**	**356,877**	**41,472**

v. Net debt

Net debt of NORMA Group is as follows:

Net debt T099

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Bank borrowings, net	477,991	541,898
Derivative financial liabilities – hedge accounting	1,419	913
Lease liabilities	33,845	38,595
Other financial liabilities	10,212	19,126
Financial debt	**523,467**	**600,532**
Cash and cash equivalents	185,109	179,721
Net debt	**338,358**	**420,811**

NORMA Group's financial liabilities are by 12.8% below the level of December 31, 2019. The decrease in loans payable was mainly due to the net repayment of loans in FY 2020. Furthermore, effects from exchange rate changes on the US dollar tranche reduced loans payable.

Lease liabilities decreased significantly compared to year-end 2019, changes due to repayments, additions due to recognition of right-of-use assets and interest effects almost offset each other in the current fiscal year, however, exchange rate effects mainly on the liabilities in US dollar and the reduction of lease liabilities due to reassessments of renewal options led to a decrease at year-end 2020.

The decrease in other financial liabilities was mainly due to the repayment of ABS and factoring liabilities and the derecognition of liabilities from the option to acquire Fengfan.

As of December 31, 2020, net debt decreased by EUR 82,453 (19.6%). The main reason for this was an increase in cash and cash equivalents due to net cash inflows from cash provided by operating activities of EUR 133,542 thousand and net cash outflows from the procurement and sale of non-current assets of EUR 39,088 thousand. This positive development was offset by current interest expenses in the fiscal year and the valuation-related increase in liabilities from derivatives.

Cash-neutral positive net currency effects from foreign currency loans, cash and cash equivalents, lease liabilities and other financial liabilities had a positive impact on net debt.

21. (f) Derivative financial instruments

Derivative financial instruments held for hedging purposes are carried at fair value. They are fully classified in level 2 of the fair value hierarchy.

The derivative financial instruments are as follows:

Derivative financial instruments T100

	Dec 31, 2020		Dec 31, 2019	
in EUR thousands	Assets	Liabilities	Assets	Liabilities
Interest rate swap – cash flow hedges		1,354	435	911
Foreign exchange derivatives – cash flow hedges	33			
Foreign exchange derivatives – fair value hedges	396	65	15	2
Total	**429**	**1,419**	**450**	**913**
Less non-current portion				
Interest rate swaps – cash flow hedges			120	684
Non-current portion	**0**	**0**	**120**	**684**
Current portion	**429**	**1,419**	**330**	**229**

Further details on the use of hedging instruments can be found in → NOTE 5 'FINANCIAL RISK MANAGEMENT'.

i. Effects of accounting for cash flow hedges on the net assets, financial position and results of operations

The effects of foreign currency and interest rate-related hedging instruments on the net assets, financial position and results of operations are as follows:

The effects of cash flow hedge accounting on financial position and performance T101

in EUR thousands	Net book value as of Dec 31, 2020 (Derivative financial assets [+] / Derivative financial liabilities [–])	Nominal amount	Average hedging rate	Hedging ratio [1]	Maturity	Change in fair value of the hedging item since Jan 1	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Book value of hedged item as of Dec 31, 2020
Hedging interest rate risk – interest rate swap		**81,444**				**– 1,633**	**1,633**	**81,444**
Interest rate swap USD	– 1,354	81,444	2.11	1:1	2021	– 1,633	1,633	

1_The forward foreign exchange contracts are denominated in the same currency as the highly probable future transactions, therefore the hedge ratio is 1:1.

in EUR thousands	Net book value as of Dec 31, 2019 (Derivative financial assets [+] / Derivative financial liabilities [–])	Nominal amount	Average hedging rate	Hedging ratio [1]	Maturity	Change in fair value of the hedging item since Jan 1	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period	Book value of hedged item as of Dec 31, 2019
Hedging interest rate risk – interest rate swap		**160,353**				**– 1,646**	**1,646**	**160,353**
Interest rate swap USD	435	60,600	1.25	1:1	2020 – 2021			
Interest rate swap USD	– 684	76,753	2.01	1:1	2021			
Interest rate swaps EUR	– 227	23,000	1.54	1:1	2020			

1_The forward foreign exchange contracts are denominated in the same currency as the highly probable future transactions, therefore the hedge ratio is 1:1.

The effective part, as well as the accrued and recognized costs of hedging recognized in other comprehensive income excluding taxes developed as follows:

Change in hedging reserve before tax T102

in EUR thousands	Reserve for costs of hedging	Spot component of foreign exchange derivatives	Interest rate swaps	Cross-currency swaps	Total
Balance as of January 1, 2019	**–67**	**57**	**1,897**	**0**	**1,887**
Reclassification to profit or loss		11	–727		–716
Net fair value changes		–68	–1,646		–1,714
Accrued and recognized costs of hedging	67				67
Balance as of December 31, 2019	**0**	**0**	**–476**	**0**	**–476**
Reclassification to profit or loss			756		756
Net fair value changes			–1,633		–1,633
Balance as of December 31, 2020	**0**	**0**	**–1,353**	**0**	**–1,353**

Amounts due to interest rate swaps recognized in the hedging reserve in equity will be released in profit or loss before the repayment of the loans. In fiscal year 2020 and 2019, no ineffective portion of cash flow hedges relating to foreign exchange derivatives and interest rate swaps was recognized in profit or loss.

ii. Effects of accounting for fair value hedges on the net assets, financial position and results of operations

The effects of foreign currency-related hedging instruments on the net assets, financial position and results of operations are as follows:

The effects of fair value hedge accounting on financial position and performance T103

in EUR thousands	Net book value as of Dec 31, 2020 (Derivative financial assets [+] / Derivative financial liabilities [–])	Nominal amount (+ Buy / – Sell)	Average hedging rate	Hedging ratio	Maturity	Change in fair value of the hedging item since Jan 1st	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period
Currency risk hedging FVH							
Currency forwards USD – EUR	311			1:1 [1]	≤ 1 year	311	– 311
Currency forwards AUD – EUR	37			1:1 [2]	≤ 1 year	37	– 37
Currency forwards JPY – SGD	1			1:1 [2]	≤ 1 year	1	– 1
Currency forwards PLN – EUR	– 18			1:1 [2]	≤ 1 year	– 18	18

1_The foreign exchange forward contracts for USD-EUR hedging are denominated in the same currency and have the same volume as the hedged net foreign exchange risk from external USD loans and intragroup monetary items in USD, therefore the hedge ratio is 1:1.
2_The forward exchange contracts are denominated in the same currency and volume as the hedged risk from intra-group monetary items, therefore the hedge ratio is 1:1.

in EUR thousands	Net book value as of Dec 31, 2019 (Derivative financial assets [+] / Derivative financial liabilities [–])	Nominal amount (+ Buy / – Sell)	Average hedging rate	Hedging ratio	Maturity	Change in fair value of the hedging item since Jan 1st	Change in fair value of the hedged item used as the basis for recognizing hedge ineffectiveness for the period
Currency risk hedging FVH							
Currency forwards PLN – EUR	15	940	4.36	1:1 [1]	≤ 1 year	15	– 15
Currency forwards JPY – SGD	– 2	574	80.28	1:1 [1]	≤ 1 year	– 2	2

1_The forward exchange contracts are denominated in the same currency and volume as the hedged risk from intra-group monetary items, therefore the hedge ratio is 1:1.

An overview of the gains and losses arising from the hedging of fair value changes that were recognized in the financial result is shown below:

Gains and losses fair value hedges T104

in EUR thousands	2020	2019
Losses (–) / Gains (+) on hedged items	– 316	– 39
Losses (–) / Gains (+) on hedging instruments	318	– 44
	2	**– 83**

21. (g) Financial instruments at fair value

The tables below provide an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy under IFRS 13 as of December 31, 2020, as well as December 31, 2019:

Financial instruments – fair value hierarchy T105

in EUR thousands	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total as of Dec 31, 2020
Recurring fair value measurements				
Assets				
Foreign exchange derivatives – cash flow hedges		33		33
Foreign exchange derivatives – fair value hedges		396		396
Trade receivable – ABS- / Factoring program (mandatorily measured at FVTPL)		22,129		22,129
Total	**0**	**22,558**	**0**	**22,558**
Liabilities				
Interest rate swaps – cash flow hedges		1,354		1,354
Foreign exchange derivatives – fair value hedges		65		65
Total	**0**	**1,419**	**0**	**1,419**

1_Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2_Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as priced) or indirectly (i.e. derived from prices).
3_Fair value measurement for the asset or liability based on inputs that are not observable market data.

Financial instruments – fair value hierarchy T106

in EUR thousands	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total as of Dec 31, 2019
Recurring fair value measurements				
Assets				
Interest rate swaps – cash flow hedges		435		435
Foreign exchange derivatives – fair value hedges		15		15
Trade receivable – ABS- / Factoring program (mandatorily measured at FVTPL)		22,128		22,128
Total	**0**	**22,578**	**0**	**22,578**
Liabilities				
Interest rate swaps – cash flow hedges		911		911
Foreign exchange derivatives – fair value hedges		2		2
Total	**0**	**913**	**0**	**913**

1_Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2_Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as priced) or indirectly (i.e. derived from prices).
3_Fair value measurement for the asset or liability based on inputs that are not observable market data.

No transfers between the different levels occurred in 2020 and 2019. The fair value of interest swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

Trade receivables held for sale as part of the factoring and ABS transaction and measured at fair value through profit or loss have short-term maturities. In addition, the calculated credit risk of the counterparty is not material, therefore the carrying amounts at the balance sheet date correspond to their fair values.

21. (h) Net gains and losses on financial instruments

The net gains or losses on financial instruments (by measurement category) in accordance with IFRS 7.20 (a) are as follows:

Financial instruments – net gains and losses T107

in EUR thousands	2020	2019
Net gains or net losses on financial assets measured at amortized costs	– 4,125	61
Net gains or net losses on financial liabilities measured at amortized costs	– 10,230	– 13,968
	– 14,355	**– 13,907**

Net gains and losses on financial assets measured at amortized cost include impairment losses on trade receivables and interest income from short-term deposits with banks. Net gains and losses on financial liabilities measured at cost include interest expense and fees from loans and borrowings.

Currency effects from the translation of financial assets and liabilities according to IAS 21 are shown within → NOTE 14 'NET FOREIGN EXCHANGE GAINS/LOSSES'.

21. (i) Total interest income and expense from financial instruments

Interest expenses / income from financial assets and liabilities (IFRS 7.20(b)) T108

in EUR thousands	2020	2019
Interest income		
financial assets at costs	443	1,007
Interest expenses		
financial liabilities at costs	– 10,136	– 14,280

22. Inventories

Inventories were as follows:

Inventories T109

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Raw materials, consumables and supplies	40,484	49,795
Work in progress	17,102	17,659
Finished goods and goods for resale	94,603	105,795
	152,189	**173,249**

On December 31, 2020, impairments were made on inventories amounting to EUR 10,331 thousand (Dec 31, 2019: EUR 7,672 thousand).

On December 31, 2020 and 2019, the inventories were not collateralized with the exception of the customary business reservations of title.

23. Other non-financial assets

Other non-financial assets were as follows:

Other non-financial assets T110

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Deferred costs	3,682	3,450
VAT assets	9,578	10,550
Prepayments	3,375	5,024
Consideration payable to a customer	2,227	3,388
Other assets	1,901	2,313
	20,763	**24,725**

24. Equity

Subscribed capital

The subscribed capital of the Company on December 31, 2020 and 2019, amounted to EUR 31,862 thousand and was fully paid in. It is divided into 31,862,400 shares with no par value and a notional value of EUR 1. The liability of the shareholders for the obligations of the company to its creditors is limited to this capital. The amount of the subscribed capital is not permitted to be distributed by the Company to its shareholders.

Authorized and conditional capital

The Management Board is entitled to increase the share capital by up to EUR 3,186,240 until June 29, 2025, by issuing up to 3,186,240 new no-par value registered shares in exchange for cash and / or contributions in kind either once or several times by resolution of the Annual General Meeting held on June 30, 2020, with the approval of the Supervisory Board, whereby the subscription rights of shareholders may be restricted (Authorized Capital 2020).

The resolution of the Annual General Meeting of 20 May 2015, 'Authorized Capital 2015', has expired. §5 of the Articles of Association of NORMA Group SE was amended accordingly.

By resolution of the Annual General Meeting on June 30, 2020, the share capital of the Company is conditionally increased by up to EUR 3,186,240 by issuing up to 3,186,240 new no-par value registered shares for the purpose of granting convertible bonds and / or bonds with warrants (Conditional Capital 2020).

§6 of the Articles of Association of NORMA Group SE was amended accordingly.

Capital reserve

The capital reserve contains:

- amounts (premiums) received for the issuance of shares,
- premiums paid by shareholders in exchange for the granting of a preference for their shares,
- amounts resulting from other capital contributions of the owners.

Retained earnings

Retained earnings consisted of the following:

Development of retained earnings T111

in EUR thousands	Retained earnings	Remeasurements of post- employment benefit obligations	IPO costs directly netted with equity	Reimburse-ment of IPO costs by shareholders	Acquisition of non-controlling interest	Effects from the application of IAS 19R	Effects of FRS 9	Effects of IFRS 16	Total
Balance as of December 31, 2018 (as reported)	**365,040**	**– 2,710**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**0**	356,022
Balance as of Jan 1, 2019	**365,040**	**– 2,710**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**– 2,033**	353,989
Profit for the year	58,422								58,422
Dividends paid	– 35,049								– 35,049
Acquisition of non-controlling interests									0
Effect before taxes		– 2,066							– 2,066
Tax effect		547							547
Balance as of December 31, 2019 (as reported)	**388,413**	**– 4,229**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**– 2,033**	375,843
Balance as of Jan 1, 2020	**388,413**	**– 4,229**	**– 4,640**	**4,681**	**– 6,588**	**839**	**– 600**	**– 2,033**	375,843
Profit for the year	5,670								5,670
Dividends paid	– 1,274								– 1,274
Acquisition of non-controlling interests					229				229
Effect before taxes		802							802
Tax effect		– 207							– 207
Balance as of December 31, 2020	**392,809**	**– 3,634**	**– 4,640**	**4,681**	**– 6,359**	**839**	**– 600**	**– 2,033**	381,063

A dividend of EUR 1,274 thousand (EUR 0.04 per share) was paid to the shareholders of NORMA Group after the Annual General Meeting in June 2020.

Other reserves

In fiscal year 2020, the outstanding option to acquire the existing minority interest of 20% in FengFan Fastener (Shaoxing) Co., Ltd. expired and the minority interest was acquired early in the fiscal year. The liability recognized from the option in the amount of EUR 1,656 thousand was derecognized against retained earnings with no effect on profit or loss. The purchase price liability of EUR 2,800 thousand associated with the acquisition was recognized against retained earnings. The minority interests of EUR 1,492 thousand existing at the acquisition date were reclassified within equity from 'Non-controlling interests' to retained earnings (EUR 1,373 thousand) and to other reserves (EUR 119 thousand).

Other reserves consisted of the following:

Development of other reserves T112

in EUR thousands	Cash flow hedges	Foreign exchange rate differences on translating foreign operations	Total
Balance as of January 1, 2019	**1,338**	**1,179**	**2,517**
Effect before taxes	– 2,363	9,016	6,653
Tax effect	680		680
Balance as of December 31, 2019	**– 345**	**10,195**	**9,850**
Effect before taxes	– 877	– 43,166	– 44,043
Tax effect	255		255
Balance as of December 31, 2020	**– 967**	**– 32,971**	**– 33,938**

25. Share-based payments

Management incentive schemes

The Matching Stock Program

The Matching Stock Program (MSP) for the Management Board provides a long-term incentive to commit to the success of the Group. The MSP is a share-based option. To this end, the Supervisory Board specifies a number of share options to be granted each fiscal year with the proviso that the Management Board member make a corresponding personal investment in the Group. In line with the new Management Board contracts, the MSP was closed. The last allotment of options was in fiscal year 2017.

The shares involved in the share options are those shares allocated or acquired and qualified as part of the MSP defined in the Management Board contract. The number of share options is calculated by multiplying the qualified shares held at the time of allotment by the option factor specified by the Supervisory Board. A new option factor is set for every tranche. The first tranche was allocated on the day of the IPO.

The other tranches were allocated on March 31 of each of the following years. The holding period is four years and ends for the 2017 tranche on March 31, 2021. The holding periods for the 2015 and 2016 tranches have already expired.

Non-forfeitable claims out of the options are earned pro rata over the respective performance period. The exercise price for the outstanding tranches will be the weighted average of the respective closing price of the Group's share on the 60 trading days directly preceding the allocation of each tranche. Dividend payments by the Group during the vesting period are deducted from the exercise price of each tranche.

The options of a tranche can only be exercised within a period of two years following the expiration of the holding period. In order for an option to be exercised, the weighted average of the last ten trading days must be at least 1.2 times that of the exercise price. The pay-out is limited to 2% of the average (adjusted) EBITA (tranches 2015, 2016 and 2017) during the holding period (cap). When the option is exercised, the Group can decide whether to settle the option in shares or cash. NORMA Group classified the stock options as a cash settlement analogues to the previous year.

The determination of fair value, which is the basis for determining the pro rata provision on the balance sheet date, was carried out using a Monte Carlo method. The expected volatilities are set to be the historical volatility of the three-year period before the valuation date. Due to the cash settlement, the options are valued on each balance sheet date and the resulting changes in fair value are recognized through profit or loss, whereby the prorated expenses were ratably recognized over the performance period.

The option rights granted under the MSP changed as follows in the 2020 and 2019 fiscal years:

Development of the MSP option rights T113

	Tranche MSP 2015	Tranche MSP 2016	Tranche MSP 2017
Expected duration until exercise in years	0.25	1.25	2.25
Proportional fair value per outstanding “share units” in EUR as of December 31, 2020	325,605.00	415,264.00	317,947.00
Fair value per 'share unit' in EUR as of December 31, 2020	3.35	5.58	7.53
Exercise price in EUR	40.05	42.62	38.50
Balance as of December 31, 2018	**97,322**	**74,465**	**51,607**
Tentatively granted “share units”			
Exercised			
Lapsed			9,375
Balance as of December 31, 2019	**97,322**	**74,465**	**42,232**
Tentatively granted “share units”			
Exercised			
Lapsed			
Balance as of December 31, 2020	**97,322**	**74,465**	**42,232**

In fiscal year 2020, expenses in the amount of EUR 226 thousand (2019: income of EUR 115 thousand) resulting from the MSP were recognized in employee benefits expense against a corresponding net additions within the provisions (2019: net reversals). Furthermore, no payment was made for the exercised option rights (2019: no payment). The total provision for the MSP amounts to EUR 1,059 thousand as of December 31, 2020 (Dec 31, 2019: EUR 833 thousand).

Long-term incentive plan

In fiscal year 2013, NORMA Group installed a share-based, long-term, variable compensation component for executives and certain other groups of employees (Long-Term Incentive Plan).

The Long-Term Incentive Plan (LTI) is a share-based payment, cash settled plan that takes into account both the performance of the Company and the share price development.

The participants receive a preliminary number of share units (virtual shares) at the start of the performance period based on a percentage of the respective base salary multiplied by a conversion rate. The conversion rate is determined based on the average share price of the previous 60 trading days of the calendar year prior to the grant date. Once four years have elapsed, the number of share units granted at the start of the performance period is adjusted based on the performance the Company has achieved, incorporating both the targets defined during the performance period and the Company / regional factor.

The goal achievement factor, measured by adjusted EBITA, as well as the Company / regional factor are applied as performance targets. The goal achievement factor is based on the adjusted EBITA of NORMA Group. The absolute adjusted EBITA target is determined for every year of the performance period based on the budgeted value. After conclusion of the four-year period, the yearly recorded adjusted EBITA values are defined as a percentage in relation to the target values and averaged out over the four years. Allocation occurs above a goal achievement ratio of 90%. Between 90% and 100% goal achievement, every percentage point amounts to 10 percentage points of goal achievement factor. Between 100% and 200% goal achievement, the goal achievement factor grows by 1.5 percentage points per percentage point of goal achievement.

The Company factor is determined by the Group Senior Management based on the Company's development, as well as the development in relation to comparable companies. In addition to this, the development of free cash flows is taken into account when determining the factor. At the discretion of the Group Senior Management, unanticipated developments can also be taken into account and the Company factor corrected either downward or upward accordingly. The factor can assume values between 0.5 and 1.5.

The factor takes into account the results of the region as well as the region-specific characteristics and is used as an adjustment factor for plan participants with regional responsibility.

The value of the share units is then determined at the end of the fourth calendar year based on the average share price of the last 60 days of trading in this fourth year. In case the calculated Long-term Incentive pay-out exceeds 250% of the initial grant value, the maximum pay-out is capped at 250%. The value determined is paid out to the participants in cash in May of the fifth year.

The LTI is a Group-wide and global compensation instrument with a long-term orientation. Due to the coupling to the development not only of the stock price, but also the Company's performance, the LTI provides an additional incentive to create value through value-based action, aligned with the goals of NORMA Group.

The determination of fair value, which is the basis for determining the pro rata provision on the balance sheet date, was performed using a Monte Carlo simulation. Due to the cash settlement of the virtual share units, the fair value is measured on each balance sheet date and the resulting changes in the fair value are recognized in income or loss. The allocation of the expenses is made on a pro-rated basis over the performance period.

The share units granted under the LTI changed as follows in the 2019 and 2020 fiscal years:

Development of LTI T114

	4th tranche LTI 2016	5th tranche LTI 2017	6th tranche LTI 2018	7th tranche LTI 2019	8th tranche LTI 2020
Expected duration until exercise in years	n/a	n/a	1.00	2.00	3.00
Fair value per "share unit" in EUR as of December 31, 2020	n/a	0	41.19	39.89	36.82
Share price when granted in EUR	48.57	39.77	56.27	48.25	35.62
Balance as of December 31, 2019	**25,524**	**35,049**	**26,240**	**38,352**	**0**
Tentatively granted "share units"	–	–	–	–	55,403
Exercised	25,201	–	–	–	–
Lapsed	323	247	1,346	4,061	–
Balance as of December 31, 2020	**0**	**34,802**	**24,894**	**34,291**	**55,403**

	3rd tranche LTI 2015	4th tranche LTI 2016	5th tranche LTI 2017	6th tranche LTI 2018	7th tranche LTI 2019
Expected duration until exercise in years	n/a	n/a	1.00	2.00	3.00
Fair value per "share unit" in EUR as of December 31, 2019	n/a	35.62	37.38	36.59	35.72
Share price when granted in EUR	36.89	48.57	39.77	56.27	48.25
Balance as of December 31, 2018	**30,930**	**26,464**	**37,631**	**28,808**	**0**
Tentatively granted "share units"	–	–	–	–	38,352
Exercised	30,930	–	–	–	–
Lapsed	–	940	2,582	2,568	–
Balance as of December 31, 2019	**0**	**25,524**	**35,049**	**26,240**	**38,352**

In fiscal year 2020, expenses resulting from the LTI in the amount of EUR 480 thousand (2019: EUR 334 thousand) were recorded under personnel expense and within a corresponding provision, as well as income from the valuation-related reversal amounting to EUR 961 thousand recognized as other income. Furthermore, a payment amounting to EUR 90 thousand (2019: tranche 2015: EUR 1,045 thousand) was made for exercised options (tranche 2016).

In total, the provision for the LTI amounts to EUR 1,685 thousand as of December 31, 2020 (Dec 31, 2019: EUR 2,271 thousand).

26. Retirement benefit obligations

Retirement benefit obligations result mainly from two German pension plans and a Swiss post-employment benefit plan.

The German defined benefit pension plan for NORMA Group employees was closed for new entrants in 1990 and provides benefits in case of retirement, disability, and death as life-long pension payments. The benefit entitlements depend on years of service and salary. The portion of salary that is above the income threshold for social security contribution leads to higher benefit entitlements compared to the portion of the salary up to that threshold. Even if no further benefits can be earned from these old commitments, NORMA Group is still exposed to certain actuarial risks associated with defined benefit plans, such as longevity and compensation increases. Due to the amount of the obligation and the composition of the plan participants, approximately 96% being pensioners, a significant change in the actuarial assumptions would have no significant effects on NORMA Group.

Employees hired after 1990 are eligible under a defined contribution scheme. The contributions are paid into an insurance contract providing lump sum payments in case of retirements and deaths.

Furthermore, a plan for members of the Management Board was established in fiscal year 2015. This second German defined benefit plan is based on a direct commitment to an annual retirement payment for members of the Management Board of NORMA Group. The annual retirement payment is measured as a percentage of the pensionable income. The pension entitlement arises when the contract has expired, but not before reaching the age of 65, or if that individual is unable to work. The percentage depends on the number of years of service as a Management Board member. The percentage amounts to 4% of the last fixed annual salary prior to leaving for each completed year of service. The percentage can increase to a maximum of 55%. Furthermore, a survivor's pension will be provided as well.

The obligations arising from the plan are subject to certain actuarial risks associated with defined benefit plans, such as longevity and compensation increases. Please see the Remuneration Report for further details with regard to this plan → REMUNERATION REPORT.

Besides the German plans, there is a further benefit plan in Switzerland resulting from the Swiss 'Berufliches Vorsorgegesetz' law (BVG). According to the BVG, each employer has to grant post-employment benefits for qualifying employees. The plan is a capital-based plan under which the Company has to make contributions equivalent to at least the limits specified in the plan conditions for employee contributions. These plans are administered by foundations that are legally separated from the entity and subject to the BVG. The Group has outsourced the investment process to a foundation, which sets the strategic asset allocation in its group life portfolio. All regulatory granted obligations out of the plan are reinsured by an insurance company. This covers risks of disability, death and longevity. Furthermore, there is a 100% capital and interest guarantee for the retirement assets invested. In the case of a shortfall, the employer and plan participants' contribution may be increased based on the decisions of the relevant foundation board. Strategies of the foundation boards to make up for potential shortfalls are subject to approval by the regulator.

Besides the plans described in Germany and Switzerland, NORMA Group also participates in a multi-employer pension plan in the US for the benefit of employees of one of its US-based plants. NORMA Group's obligation to participate in the fund arises from the agreement with the employees' labor organization. The multi-employer pension plan is governed by US federal law under which the plan funds are held in trust and the plan administration and procedures substantially governed by federal regulation. The multi-employer pension plan is a defined benefit plan, and would normally be treated as such based on its associated actuarial estimates; however, the plan trustees do not provide the participating employers with sufficient information to individually account for the plan (or their portioned participation therein) as a defined benefit plan. For this reason, the plan is being treated in accordance with the rules for defined contribution pension plans (IAS 19.34). The share of contributions that NORMA Group paid to the pension schemes in the previous fiscal year amounts to EUR 1.3 million (2019: EUR 1.4 million). Contributions to the plan are recognized directly in personnel expenses for the period. Future changes to the contributions, if any, would be determined through negotiations with the workers' organization, as they may be slightly modified from time to time by regulation, and except for which NORMA Group has no other fixed commitment to the plan. Conditionally, in the unlikely event that NORMA Group withdraws from the fund or a significant employer in the fund experiences a major solvency event, additional future contribution payment obligations could arise. The funded status of the multi-employer plan is reported annually by the US Department of Labor, and is influenced by various factors, including investment performance, inflation, changes in demographics and changes in the participants' levels of performance. Based on the information provided by the plan administrator, the plan is undercapitalized. The value of the undercapitalization amounts to USD 1.186 million for all plan participants (over 150 companies). The portion of NORMA Group to this shortfall is 3.0% (based on information provided for 2019). The expected employer contributions to the pension schemes for the following year 2021 amount to EUR 1,391 thousand.

Reconciliation of defined benefit obligations (DBO) and plan assets

The amounts included in the Group's Consolidated Financial Statements arising from its post-employment defined benefit plans are as follows:

Components pension liability T115

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Present value of obligations	20,103	20,495
Fair value of plan assets	3,561	4,605
Liability in the balance sheet	**16,542**	**15,890**

The reconciliation of the net defined benefit liability (liability in the balance sheet) is as follows:

Reconciliation of the net defined benefit liability T116

in EUR thousands	2020	2019
as of January 1	**15,890**	**12,804**
Current service cost	2,250	1,630
Past service cost	–65	0
Administration costs	17	17
Interest expenses	106	162
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	–55	23
Actuarial (gains) losses from changes in demographic assumptions	–35	–17
Actuarial (gains) losses from changes in financial assumptions	197	1,592
Experience (gains) losses	–909	468
Employer contributions	–212	–229
Plan participants contribution	–95	0
Benefits paid	–544	–640
Business combinations, disposals and other	0	6
Foreign currency translation effects	–3	74
as of December 31	**16,542**	**15,890**

A detailed reconciliation of the changes in the DBO is provided in the following table:

Reconciliation of the changes in the DBO T117

in EUR thousands	2020	2019
as of January 1	**20,495**	**17,786**
Current service cost	2,250	1,630
Past service cost	– 65	
Administration costs	17	17
Interest expenses	115	210
Remeasurements:		
Actuarial (gains) losses from changes in demographic assumptions	– 35	– 17
Actuarial (gains) losses from changes in financial assumptions	197	1,592
Experience (gains) losses	– 909	468
Plan participants contribution	393	108
Benefits paid	– 544	– 709
Transfers	– 1,833	– 807
Business combinations, disposals and other	0	6
Foreign currency translation effects	22	211
as of December 31	**20,103**	**20,495**

The total defined benefit obligation at the end of fiscal year 2020 includes EUR 11,239 thousand for active employees, EUR 1,314 thousand for former employees with vested benefits and EUR 7,550 thousand for retirees and surviving dependents.

The transfer in the amount of EUR 1,833 thousand (2019: EUR 807 thousand) relates to the benefit plan in Switzerland and is a result of the legally required transfer of net defined benefit obligation to the new employer upon the departure of an employee.

Experience gains and losses recognized in fiscal year 2020 are also a result of the described transfers within the benefit plan in Switzerland and a result of changes in the number of participants of the Management Board within the plan in Germany.

A detailed reconciliation of the changes in the fair value of plan assets is provided in the following table:

Reconciliation of changes in the fair value of plan Assets T118

in EUR thousands	2020	2019
as of January 1	**4,605**	**4,982**
Interest income	9	48
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	55	– 23
Employer contributions	212	229
Plan participants contributions	488	108
Benefits paid	0	– 69
Transfers	– 1,833	– 807
Foreign currency translation effects	25	137
Fair value of plan assets at end of year	**3,561**	**4,605**

Disaggregation of plan assets

The allocation of the plan assets of the benefit plans is as follows:

Disaggregation of plan assets T119

in EUR thousands	2020	2019
Asset class		
Insurance contracts	3,462	4,543
Cash deposit	7	9
Equity securities	92	53
Total	**3,561**	**4,605**

Cash deposits and equity securities have quoted prices in active markets. The values for insurance contracts represent the redemption value. No quoted prices in an active market are available for these.

Actuarial assumptions

The principal actuarial assumptions are as follows:

Actuarial assumptions T120

in %	2020	2019
Discount rate	0.32	0.43
Inflation rate	1.43	1.52
Future salary increases	1.85	1.90
Future pension increases	1.52	1.60

The biometric assumptions are based on the 2018 G Heubeck life-expectancy tables for the German plan and on the life-expectancy tables of the BVG 2015 G for the Swiss plan. The tables are generation tables and hence differ according to gender, status and year of birth.

Sensitivity analysis

If the discount rate were to differ by + 0.25% / – 0.25% from the interest rate used on the balance sheet date, the defined benefit obligation for pension benefits would be an estimated EUR 693 thousand lower or EUR 787 thousand higher. If the future pension increase used were to differ by + 0.25% / – 0.25% from Management's estimates, the defined benefit obligation for pension benefits would be an estimated EUR 396 thousand higher or EUR 378 thousand lower. The reduction / increase in the mortality rates by 10% results in an increase / deduction in life expectancy depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a male NORMA Group employee age 55 years as of December 31, 2020, increases / decreases by approximately one year. In order to determine the longevity sensitivity, the mortality rates were reduced / increased by 10% for all beneficiaries. The effect on DBO as of December 31, 2020, due to a 10% reduction / increase in mortality rates would result in an increase of EUR 923 thousand or a decrease of EUR 897 thousand.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the Consolidated Statement of Financial Position. Increases and decreases in the discount rate or rate of pension progression which are used in determining the DBO do not have a symmetrical effect on the DBO due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions are changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Future cash flows

Employer contributions expected to be paid to the post-employment defined benefit plans in fiscal year 2021 are EUR 235 thousand (2019: EUR 240 thousand).

The expected payments from the plans for post-employment benefits are distributed as follows for the next 10 fiscal years, whereby the last 5 years are shown as a total:

Expected payments from post-employment benefit plans T121

in EUR thousands	2020
Expected benefit payments	
2021	770
2022	764
2023	757
2024	882
2025	848
2026 – 2029	5,608

in EUR thousands	2019
Expected benefit payments	
2020	850
2021	817
2022	826
2023	953
2024	867
2025 – 2029	5,208

The weighted average duration of the defined benefit obligation is 15.69 years (2019: 14.64 years).

27. Provisions

The development of provisions is as follows:

Development of provisions T122

in EUR thousands	As of Jan 1, 2020	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consolidation	Transfers	Foreign currency translation	As of Dec 31, 2020
Guarantees	1,670	3,237	– 329	– 187				– 50	4,341
Severance	24	22,691	– 588				47	2	22,176
Early retirement	1,780	735	– 766		2				1,751
Other personnel-related obligations	8,904	1,755	– 3,907	– 1,307			– 53	– 74	5,318
Outstanding invoices	969	1,407	– 968	– 15				– 94	1,299
Others	1,180	3,372	– 456	– 105				– 227	3,764
Total provisions	**14,527**	**33,197**	**– 7,014**	**– 1,614**	**2**	**0**	**– 6**	**– 443**	**38,649**

in EUR thousands	As of Jan 1, 2019	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consolidation	Transfers	Foreign currency translation	As of Dec 31, 2019
Guarantees	1,560	917	– 562	– 257				12	1,670
Severance	25	89	– 56	– 40			6		24
Early retirement	2,412	477	– 1,115		6				1,780
Other personnel-related obligations	9,703	4,681	– 4,476	– 1,105	76		– 2	27	8,904
Outstanding invoices	1,012	994	– 1,049	– 6				18	969
Others	1,298	859	– 881	– 108				12	1,180
Total provisions	**16,010**	**8,017**	**– 8,139**	**– 1,516**	**82**	**0**	**4**	**69**	**14,527**

Provisions – split current / non-current T123

	December 31, 2020			December 31, 2019		
in EUR thousands	Guarantees	Thereof current	Thereof non-current	Total	thereof current	thereof non-current
Severance	4,341	4,033	308	1,670	1,464	206
Early retirement	22,176	11,303	10,873	24	24	
Other personnel-related obligations	1,751	699	1,052	1,780	671	1,109
Outstanding invoices	5,318	3,135	2,183	8,904	4,709	4,195
Others	1,299	1,299		969	969	
Total provisions	3,764	3,379	385	1,180	706	474
Total provisions	**38,649**	**23,848**	**14,801**	**14,527**	**8,543**	**5,984**

Guarantees

Provisions for guarantees include provisions due to circumstances where a final agreement has not yet been reached and provisions based on experience (customer claim quota, amount of damage, etc.). Future price increases are considered if material.

Restructuring

Provisions for restructuring are recognized at the present value of future cash outflows. Provisions are recognized when a detailed restructuring plan, which has been approved by management and publicly announced or communicated to employees or their representatives, is available. Only expenses directly attributable to the restructuring measures are used to measure the amount of the provision. Expenses related to future operating business are not taken into account.

The additions to provisions for restructuring in the current fiscal year result from the measures under the “Get on track” program. The accruals include personnel restructuring measures for which provisions can be recognized, resulting in severance payments.

Severance payments

Provisions for severance payments include expected severance payments for NORMA Group employees due to circumstances where a final agreement has not yet been reached. The provisions will be paid out in the following fiscal year and are therefore reported under current provisions.

Early retirement contracts

Employees at NORMA Group in Germany can in general engage in an early retirement contract (‘Altersteilzeit’). In the first phase, the employee works 100% (‘Arbeitsphase’). In the second phase, he / she is exempt from work (‘Freistellungsphase’). The employees receive half of their pay for the total early retirement-phase as well as top-up payments (including social security costs paid by the employer). The duration of the early retirement is a maximum of six years.

Accounting for early retirement (‘Altersteilzeit’) is based on actuarial valuations taking into consideration assumptions such as a discount rate of – 0.28 % p.a. (2019: 0.24% p.a.) as well as the 2018 G life-expectancy tables by Dr. Klaus Heubeck. For signed early retirement contracts, a liability has been recognized. The liability includes top-up payments (‘Aufstockungsbeträge’) as well as deferred salary payments (‘Erfüllungsrückstände’). The expected payments out of the early retirement provisions amount to EUR 699 thousand for fiscal year 2021.

Other personnel-related provisions

Other personnel-related provisions are as follows:

Provisions – other personnel-related T124

		December 31, 2020			December 31, 2019		
in EUR thousands	Note	Total	Thereof current	Thereof non-current	Total	thereof current	thereof non-current
NORMA-VA-Bonus		188	188		913	913	
ESG-Bonus (2019: LTI - Board Members)		55		55	59	59	
STI – Board Members		950	950		2,198	2,198	
Matching Stock Program (MSP)	(25)	1,059	1,059		833	347	486
LTI – Management	(25)	1,685		1,685	2,271	348	1,923
Anniversary provisions		263		263	1,203		1,203
Other personnel-related		1,118	938	180	1,427	844	583
		5,318	**3,135**	**2,183**	**8,904**	**4,709**	**4,195**

With effect from January 1, 2020, the LTI for the members of the Management Board consists of two different long-term variable compensation components, the NORMA Value Added Bonus (NOVA-Bonus) and the Environmental, Social and Governance Bonus (ESG-Bonus).

The NOVA-Bonus corresponds to the percentage of the average increase in value from the current and the three previous fiscal years. The annual increase in value is calculated using the following formula:

NORMA Value Added = (adjusted EBIT × (1 – t))
– (WACC × invested capital)

The calculation of the first component is based on the consolidated earnings before interest and taxes (Group EBIT) for the fiscal year and the average corporate tax rate (t). The second component is calculated from the Group cost of capital (WACC) multiplied by the capital invested. The Group's weighted average cost of capital (WACC) is derived from the base interest rate, the market risk premium and the beta factor. The base interest rate is derived from the interest rate structure data of Deutsche Bundesbank (three-month average October 1 to December 31). The market risk premium represents the difference between the expected return of a risky market portfolio and the risk-free interest rate. NORMA uses the recommendation of the Institut der Wirtschaftsprüfer (IDW) to determine this risk premium. The beta factor represents the individual risk of a share compared to a market index. It is first determined as the average value of the unindebted beta factors of the peer group and then adjusted to NORMA's individual capital structure. The cost of equity is calculated by adding the risk-free interest rate and the weighted country risk of NORMA Group with the product of the market risk premium and the indebted beta factor of the peer group. The credit spread used to calculate the cost of debt was determined on the basis of the terms of the current external financing of NORMA Group. Invested capital is calculated from consolidated equity plus net financial liabilities as of January 1 of the fiscal year. The NOVA-Bonus is limited to a maximum of 200% of the annual salary. The company may pay the payout amount in cash or in shares of NORMA Group SE.

If paid out in cash, the Management Board obligates itself to purchase shares of NORMA Group SE of 75 % of the net payout amount. The Supervisory Board may, at its reasonable discretion, resolve to issue shares in whole or in part instead of a cash payment. Regardless of whether the company pays the amount due in cash or shares, 75 % of the NOVA-Bonus' net payout must be invested in shares of NORMA Group SE.

The Management Board member may not dispose of the shares for four years. Dividends and subscription rights will be made freely available to the Management Board member. If a Board member takes office in the current fiscal year or does not work for the company for a full twelve months in a fiscal year, the LTI will be reduced proportionally (pro rata). Upon termination of the employment contract, a Management Board member may dispose of his shares only after 12 months of leaving the company. With the termination of the executive position upon request of the Management Board or on the basis of an important reason, future claims for the variable part of the LTI lapse.

The ESG bonus was adopted in fiscal year 2020 for the first time. It is granted in annual tranches. Each tranche has a term of four years. A tranche begins on January 1 of the grant fiscal year and ends at the end of December 31 of the third year following the grant fiscal year (ESG performance period). The amount paid out under the ESG bonus depends on the achievement of environmental, social and governance targets. For the tranche of 2020, the reduction of CO2-emissions was defined as target. The target amount of the ESG bonus is 20% of the fixed annual salary. The payout amount is limited to a maximum of 100% of the target amount. The company can pay out the ESG bonus in cash or in company shares. In the case of cash payment, the members of the Management Board are obliged to purchase shares in the company for the entire net amount paid out and to hold these shares for a period of one year (share purchase and shareholding obligation). The company's Supervisory Board may decide at its reasonable discretion to issue shares in the company in whole or in lieu of a cash payment. In this case, too, the members of the Management Board are obliged to hold 100% of the shares issued for one year. If a member of the Management Board enters the company's service in the current fiscal year or does not work for the company for a full twelve months in a fiscal year, the LTI is to be reduced on a pro rata basis.

The STI for the members of the Management Board results from a short-term variable remuneration component for the members of the Management Board. The short-term variable remuneration takes on the one hand the absolute performance indicator adjusted EBIT (earnings before interest and taxes, adjusted for acquisitions) of NORMA Group into account and, on the other hand, the relative return on shares (total shareholder return or TSR) of NORMA Group SE in relation to a peer group. The payout amount of the STI is calculated from a starting value and an adjustment to the target achievement of the TSR in the fiscal year of the grant. Further information can be found in the → REMUNERATION REPORT.

In fiscal year 2020 there was no payment for exercised option rights for the Matching Stock Program (MSP) for the Management Board of NORMA Group (2019: no payment for exercised option rights) → NOTE 25 'SHARE-BASED PAYMENTS.

The LTI for Management (Long-Term Incentive Plan) is a variable remuneration component based on the share price of NORMA Group. A detailed description can be found in → NOTE 25 'SHARE-BASED PAYMENTS.'

The provisions for anniversaries were measured using an actuarial interest rate of 0.45% p.a. and on the basis of the 2018 G mortality tables of Prof. Dr. Klaus Heubeck in accordance with actuarial principles.

Other personnel-related provisions mainly include payable income tax and social security contributions in foreign countries.

Other non-personnel-related provisions

Provisions for outstanding invoices include expected obligations for the audit and advisory services. There are uncertainties regarding the amount and timing of the outflows. However, it is expected that this results in payments within a year.

Other provisions mainly include obligations for other taxes.

28. Other non-financial liabilities

Other non-financial liabilities are as follows:

Other non-financial liabilities T125

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Non-current		
Government grants	240	266
Other liabilities	255	90
	495	**356**
Current		
Government grants	990	1,230
Non-income tax liabilities	3,881	2,119
Social liabilities	5,123	4,484
Personnel-related liabilities (e.g. vacation, bonuses, premiums)	24,413	28,118
Other liabilities	560	714
	34,967	**36,665**
Total other non-financial liabilities	**35,462**	**37,021**

The decrease in personnel-related liabilities is mainly due to the decrease in liabilities from expected bonus payments for employee.

NORMA Group received government grants of which EUR 1,230 thousand were not recognized in profit or loss. They consist of grants in cash as well as land. The grants are bound to capital expenditures, employees and the supply of equity of the respective local entities. NORMA Group recognizes the government grants as income over the period in which related expenses occur. In 2020, EUR 569 thousand were recognized as income (2019: EUR 606 thousand).

The additional government grants received in the amount of EUR 922 thousand mainly related to government grants in connection with the COVID-19 pandemic.

Other notes

29. Information on the consolidated statement of cash flows

In the statement of cash flows, a distinction is made between cash flows from operating activities, investing activities and financing activities.

Net cash provided by operating activities is derived indirectly from profit for the period. The profit for the period is adjusted to eliminate non-cash expenses such as depreciation and amortization as well as expenses and payments for which the cash effects are investing or financing cash flows and to eliminate other non-cash expenses and income. Net cash provided by operating activities of EUR 133,542 thousand (2019: EUR 137,083 thousand) represents changes in current assets, provisions and liabilities (excluding liabilities in connection with financing activities).

As in the prior year, the Group participates in a reverse factoring program, a factoring program and an ABS program. Liabilities in the reverse factoring program are reported under trade and other payables. As of December 31, 2020, reverse factoring liabilities in the amount of EUR 15,713 thousand are recognized (Dec 31, 2019: EUR 21,335 thousand). → NOTE 21 (E) 'TRADE AND OTHER PAYABLES' The cash flows from the reverse factoring, the factoring and the ABS program are shown under the cash flow from operating activities as this corresponds to the economic substance of the transactions.

The total amount of trade receivables sold within the factoring and ABS program can be found in → NOTE 21 (B) 'TRADE RECEIVABLES AVAILABLE FOR TRANSFER'.

Net cash provided by operating activities includes in 2020 cash outflows from the payments of the cash-settled share-based payments in the amount of EUR 90 thousand (2019: EUR 1,045 thousand), which result from the Long-Term Incentive Plan (LTI) for NORMA Group employees (2019: LTI cash remuneration for NORMA Group employees).

The correction of income due to measurement of derivatives in the amount of EUR 303 thousand (2019: expense in the amount of EUR 73 thousand) relates to fair value gains and losses recognized within the income statement assigned to the cash flows from financing activities.

Other non-cash income (–) / expenses (+) in net cash provided by operating activities mainly include foreign exchange rate gains and losses on external debt and intragroup monetary items in the amount of EUR 149 thousand (2019: EUR – 341 thousand).

Furthermore, other non-cash income (–) / expenses (+) include non-cash interest expenses from the amortization of accrued costs, amounting to EUR 282 thousand (2019: EUR 356 thousand).

Cash flows resulting from interest paid are disclosed as cash flows from financing activities.

Cash flows from investing activities include net cash outflows from the acquisition and disposal of property, plant and equipment and intangible assets amounting to EUR 39,088 thousand (2019: EUR 57,033 thousand) including the change (increase (–) / decrease (+)) of liabilities from investments in property, plant and equipment and intangible assets amounting to EUR – 1,831 thousand (2019: EUR 2,942 thousand). From the investments in non-current assets of EUR 41,249 thousand (2019: EUR 54,842 thousand), expenditures in the amount of EUR 23,650 thousand (2019: EUR 33,009 thousand) relate to growth and expenditures amounting to EUR 17,599 thousand (2019: EUR 21,834 thousand) to maintenance and continuous improvements.

Cash flows from financing activities mainly comprise outflows resulting from the payment of the dividend to shareholders of NORMA Group, amounting to EUR 1,274 thousand (2019: EUR 35,049 thousand), cash outflows resulting from interest paid (2020: EUR 12,880 thousand; 2019: EUR 15,070 thousand) as well as repayments of derivatives in the amount of EUR 14 thousand (2019: proceeds of EUR 83 thousand).

Furthermore, net repayments for loans amounting to EUR 49,092 thousand (2019: net repayments of EUR 32,145 thousand) → NOTE 5 (C) 'LIQUIDITY RISKS' dividend payments to non-controlling interests in the amount of EUR 0 thousand (2019: EUR 43 thousand), repayments for liabilities of ABS and factoring in the amount of EUR 7,137 thousand (2019: proceeds of EUR 791 thousand)

and repayments for lease liabilities in the amount of EUR 10,012 thousand (2019: EUR 10,058 thousand), disclosed as cash flows from financing activities. → NOTE 20 'LEASES' AND 21 (E) 'FINANCIAL LIABILITIES AND NET DEBT'

The changes in balance sheet items that are presented in the Consolidated Statement of Cash Flows cannot be derived directly from the balance sheet, as the effects of currency translation are non-cash transactions and changes in the consolidated Group are shown directly in the net cash used in investing activities.

Cash is comprised of cash on hand and demand deposits of EUR 180,938 thousand on December 31, 2020 (Dec 31, 2019: EUR 174,918 thousand), as well as cash equivalents with a value of EUR 4,171 thousand (Dec 31, 2019: EUR 4,803 thousand).

Cash from China, India, Russia, Brazil and Malaysia (Dec 31, 2020: EUR 47,268 thousand, Dec 31, 2019: EUR 43,364 thousand) cannot currently be distributed due to restrictions on capital movements.

Reconciliation of debt movements to cash flows from financing activities

The following table represents the reconciliation from the opening balance sheet values of the financial statements of debt arising from financing activities for the relevant closing balance sheet items and which led to changes in equity.

Reconciliation of changes in assets and liabilities to cash flows from financing activities

T126

		Financial liabilities					Derivatives held to hedge financial liabilities (assets (–) / liabilities (+))		Equity			
in EUR thousands	Note	Short-term loans payable	Long-term loans payable	Borrowings from the ABS / factoring programs	Lease liabilities	Liabilities from put / call option for NCI	Interest rate swaps – cash flow hedge	Foreign currency derivatives – fair value hedge	Retained earnings	Other Reserves	Non-controlling interests	Total
Balance as of December 31, 2019		**45,971**	**495,927**	**14,676**	**38,595**	**1,631**	**476**	**– 13**	**375,843**	**9,850**	**1,576**	**975,180**
Changes in cash flow from financing activities												
Loan proceeds	(21. (e))	43,748										43,748
Loan repayments	(21. (e))	– 67,750	– 25,090	– 7,137								– 99,977
Inflow (+) / outflow (–) from hedging derivatives	(21. (f))							– 14				– 14
Interest paid		– 10,399			– 1,059		– 756					– 12,214
Repayment of debts from leases	(21. (e))				– 10,012							– 10,012
Payments for the acquisition of non-controlling interests	(24)					– 560						– 560
Dividends paid	(24)								– 1,274			– 1,274
Total change in cash flow from the financing activities	(29)	**– 34,401**	**– 25,090**	**– 7,137**	**– 11,071**	**– 560**	**– 756**	**– 14**	**– 1,274**	**0**	**0**	**– 80,303**

CONTINUED ON NEXT PAGE

Reconciliation of changes in assets and liabilities to cash flows from financing activities (continued)

T126

		Financial liabilities					Derivatives held to hedge financial liabilities (assets (–) / liabilities (+))		Equity			
in EUR thousands	Note	Short-term loans payable	Long-term loans payable	Borrowings from the ABS / factoring programs	Lease liabilities	Liabilities from put / call option for NCI	Interest rate swaps – cash flow hedge	Foreign currency derivatives – fair value hedge	Retained earnings	Other Reserves	Non-controlling interests	Total
Effects of changes in exchange rates		– 1,535	– 12,808	– 510	– 2,597	– 72					190	– 17,332
Changes in the fair value							1,634	– 304		– 1,633		– 303
Other changes												
Based on debt												
Interest expense		9,645	282		1,059				n/a	756	n/a	11,742
Derecognition of lease liabilities					– 1,987							– 1,987
New leases					9,846				n/a	n/a	n/a	9,846
Transfer		70,497	– 70,497						n/a	n/a	n/a	0
Other changes related to debt		80,142	– 70,215	0	8,918	0	0	0	n/a	756	n/a	19,601
Other changes related to equity	(24)	n/a	n/a	n/a	n/a		n/a	n/a	6,494	– 43,667	– 1,566	6,494
Balance as of December 31, 2020		90,177	387,814	7,029	33,845	999	1,354	– 331	381,063	– 33,938	200	903,337

30. Segment reporting

Segment reporting

T127

	EMEA		Americas		Asia-Pacific		Total segments		Central functions		Consolidation		Consolidated Group	
in EUR thousands	**Total revenue**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Total revenue	439,556	523,199	391,026	460,320	159,230	166,639	989,812	1,150,158	26,920	26,545	– 64,565	– 76,607	952,167	1,100,096
thereof inter-segment revenue	30,040	37,229	5,527	9,552	2,079	3,281	37,646	50,062	26,920	26,545	– 64,565	– 76,607		
Revenue from external customers	**409,516**	**485,970**	**385,499**	**450,768**	**157,151**	**163,358**	**952,166**	**1,100,096**	**0**	**0**	**0**	**0**	**952,167**	**1,100,096**
Contribution to consolidated Group sales	43%	44%	40%	41%	17%	15%	100%	100%						
Adjusted gross profit [1]	244,723	296,828	215,153	257,378	76,476	76,007	536,352	630,213	n/a	n/a	318	422	536,670	630,635
Adjusted EBITDA [1]	**30,965**	**90,815**	**50,474**	**79,606**	**29,761**	**28,012**	**111,200**	**198,433**	**– 12,169**	**– 11,116**	**281**	**– 89**	**99,312**	**187,228**
Adjusted EBITDA margin [1,2]	7.0%	17.4%	12.9%	17.3%	18.7%	16.8%							10.4%	17.0%
Depreciation without PPA depreciation [3]	– 18,981	– 17,201	– 16,129	– 15,585	– 8,505	– 7,909	– 43,615	– 40,695	– 1,074	– 1,734			– 44,689	– 42,429
Adjusted EBITA [1]	**11,984**	**73,614**	**34,345**	**64,021**	**21,255**	**20,103**	**67,584**	**157,738**	**– 13,243**	**– 12,850**	**282**	**– 89**	**54,623**	**144,799**
Adjusted EBITA margin [1,2]	2.7%	14.1%	8.8%	13.9%	13.3%	12.1%							5.7%	13.2%
Adjusted EBIT [1]	**9,336**	**70,782**	**30,981**	**60,798**	**19,985**	**19,666**	**60,302**	**151,246**	**– 15,293**	**– 15,100**	**281**	**– 88**	**45,290**	**136,058**
Adjusted EBIT margin [1,2]	2.1%	13.5%	7.9%	13.2%	12.6%	11.8%							4.8%	12.4%
Assets [4]	621,091	632,012	574,091	655,301	253,193	258,943	1,448,375	1,546,256	263,481	301,560	– 297,152	– 333,476	1,414,704	1,514,340
Liabilities [5]	204,830	204,606	245,259	271,858	50,441	53,732	500,530	530,196	584,564	631,795	– 259,900	– 277,105	825,194	884,886
CAPEX [6]	20,168	25,003	13,633	18,041	8,117	12,352	41,918	55,396	919	1,510	n/a	n/a	42,837	56,906
Number of employees [7]	3,613	3,612	1,413	1,735	1,378	1,340	6,404	6,687	117	111	n/a	n/a	6,521	6,798

1_For details regarding the adjustments, refer to → NOTE 7 'ADJUSTMENTS'.
2_Based on segment sales.
3_Depreciation from purchase price allocations.
4_Including allocated goodwill, taxes are shown in the column 'consolidation.'
5_Taxes are shown in the column 'consolidation.'
6_Including capitalization for Right of Use Assets related to movable assets
7_Number of employees (average headcount).

NORMA Group segments the Group at a regional level. The reportable segments of NORMA Group are EMEA, the Americas and Asia-Pacific. NORMA Group's vision includes regional growth targets. Distribution Services are focused regionally and locally. EMEA, the Americas and Asia-Pacific have linked regional intercompany organizations with different functions. As a result, the Group's management reporting and controlling system has a regional focus. The product portfolio does not vary significantly between these segments.

Revenues are generated across all segments from the sale of products in the three product categories metallic fastening clips and fasteners (Fasten), fluid systems and connectors (Fluid), and water management applications (Water).

NORMA Group measures the performance of its segments through profit or loss indicators which are referred to as 'adjusted EBITDA', 'adjusted EBITA' and 'adjusted EBIT'.

'Adjusted EBITDA' comprises revenue, changes in inventories of finished goods and work in progress, other own work capitalized, raw materials and consumables used, other operating income and expenses, and employee benefits expense, adjusted for material one-time effects. EBITDA is measured in a manner consistent with that used in the Consolidated Statement of Comprehensive Income.

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

'Adjusted EBIT' comprises adjusted EBITA less amortization of intangible assets.

In 2020 and 2019, expenses for special impacts were adjusted. An overview of those adjustments and a reconciliation from unadjusted to adjusted income statement is explained under → NOTE 7 'ADJUSTMENTS'.

Inter-segment revenue is generally recorded at values that approximate third-party selling prices.

Segment assets comprise all assets less (current and deferred) income tax assets. Taxes are shown in the reconciliation. Segment assets and liabilities are measured in a manner consistent with that used in the Consolidated Statement of Financial Position. Assets of the 'Central Functions' include mainly cash and intercompany receivables.

Segment liabilities comprise all liabilities less (current and deferred) income tax liabilities. Taxes are shown in the consolidation. Segment assets and liabilities are measured in a manner consistent with that used in the Consolidated Statement of Financial Position. Liabilities of the 'Central Functions' include mainly borrowings.

Capex equals additions to non-current assets (property, plant and equipment and other intangible assets including additions for leases for moveable assets).

Current and deferred tax assets and liabilities are shown in the consolidation. On December 31, 2020, EUR 25,898 thousand (Dec 31, 2019: EUR 19,155 thousand) in tax assets and EUR 61,183 thousand (Dec 31, 2019: EUR 73,274 thousand) in tax liabilities were shown in the consolidation.

External sales per country, measured according to the place of domicile of the company which manufactures the products, are as follows:

External sales per country T128

in EUR thousands	2020	2019
Germany	155,522	186,834
USA, Mexico, Brazil	385,499	450,768
China	104,103	100,264
Other countries	307,043	362,230
	952,167	**1,100,096**

Non-current assets per country include non-current assets less deferred tax assets, derivative financial instruments, and shares in consolidated related parties and are as follows:

Non-current assets per country T129

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Germany	127,624	134,946
USA, Mexico, Brazil	415,315	470,872
Sweden	48,068	48,303
Other countries	294,929	313,776
Consolidation	– 12,834	– 14,595
	873,102	**953,302**

31. Commitments

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business (e.g. warranty obligations).

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

32. Other financial obligations

Capital commitments

Capital expenditure (nominal value) contracted for on the balance sheet date but not yet incurred is as follows:

Commitments T130

in EUR thousands	Dec 31, 2020	Dec 31, 2019
Property, plant and equipment	4,583	5,386
	4,583	**5,386**

There are no material commitments concerning intangible assets.

33. Related party transactions

Sales and purchases of goods and services

In 2020 and 2019, no management services were bought from related parties.

There were no material sales or purchases of goods and services from non-consolidated companies, from the shareholders of NORMA Group, from key management or from other related parties in 2020 and 2019.

Compensation of members of the Management Board

Compensation of the members of the Management Board according to IFRS is as follows:

Compensation of members of the Management Board (IFRS) T131

in EUR thousands	2020	2019
Short-term benefits	2,071	3,458
Other long-term benefits	55	0
Post-employment benefits	970	902
Share-based payment	0	– 31
Total compensation according to IFRS	**3,096**	**4,329**

In the 2019 fiscal year, additional termination benefits amounting to EUR 1,480 thousand were recognized. The total compensation for the fiscal year 2019 summed up to EUR 5,809 thousand.

Provisions for the compensation of the members of the Management Board are as follows:

Provisions for compensation of the Management Board members T132

in EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
LTI – Management Board	(27)	188	59
STI – Management Board	(27)	950	2,198
Matching Stock Program (MSP)	(25)	1,059	833
NORMA-VA-Bonus	(27)	188	913
Total		**2,385**	**4,003**

Details regarding the individual provisions can be found in the respective notes.

Besides the provisions shown above, a defined benefit obligation exists for the Management Board. The present value of the obligation amounts to EUR 4,518 thousand as of December 31, 2020 (Dec 31, 2019: EUR 4,114 thousand). → NOTE 26 'RETIREMENT BENEFIT OBLIGATIONS'

Details regarding the compensation of the Management Board can be found in the → REMUNERATION REPORT.

34. Additional disclosures pursuant to section 315e (1) of the German Commercial Code (HGB)

Compensation of Board Members

The amounts presented below for the remuneration of the Management Board and the Supervisory Board of NORMA Group SE result from the valuation principles defined in the German GAAP (HGB) and may differ from the amounts recognized in the IFRS Consolidated Financial Statements.

The remuneration of the Management Board and Supervisory Board was as follows:

Compensation of Board members T133

in EUR thousands	2020	2019
Total Management Board	2,126	3,458
Total Supervisory Board	485	488
	2,611	**3,946**

In the 2019 fiscal year, additional termination benefits amounting to EUR 1,480 thousand were recognized.

The remuneration of the members of the Management Board was as follows:

Compensation of members of the Management Board T134

	Dr. Michael Schneider		Dr. Friedrich Klein		Annette Stieve (since Oct 1, 2020)		Bernd Kleinhens (until Jul 31, 2019)		Total	
in EUR thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Fixed compensation	614	423	397	334	102	n/a	n/a	310	1,113	1,067
Variable compensation	420	572	280	409	70	n/a	n/a	572	770	1,553
Long-term incentives	130	438	90	219	23	n/a	n/a	181	243	838
Total compensation	**1,164**	**1,433**	**767**	**962**	**195**	**n/a**	**n/a**	**1,063**	**2,126**	**3,458**

In the fiscal year 2019, expenses for the termination of Mr. Kleinhen's activities, in total EUR 1,480 thousand, were recognized.

Besides these expenses, expenses for a defined benefit obligation were recognized in 2020 as follows → NOTES 26 'RETIREMENT BENEFIT OBLIGATIONS':

Section 314 PARA 1 NO 6a HGB: Retirment Benefit Obligations T135

	Dr. Michael Schneider		Dr. Friedrich Klein		Annette Stieve (since Oct 1, 2020)		Bernd Kleinhens (until Jul 31, 2019)		Total	
in EUR thousands	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Present value of the obligation	2,875	1,843	703	367	n/a	n/a	n/a	n/a	3,578	2,210
Amount spent	1,032	838	336	314	38	279	n/a	279	1,406	1,431

The defined benefit obligation of pension commitments to prior members of the Management Board and their dependents was EUR 817 thousand as of December 31, 2020 (2019: EUR 847 thousand).

Fees for the auditor

Fees for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt / Main were expensed as follows:

Fees for the auditor T136

in EUR thousands	2020	2019
Auditing services	590	603
Other confirmation services	23	35
Other services	71	37
	684	**675**

In addition to auditing services, the auditor provided confirmation services for financial covenants audit. Other services include audit of the Nonfinancial Statement.

Headcount

The average headcount breaks down as follows:

Average headcount T137

Number	2020	2019
Direct labor	3,197	3,291
Indirect labor	1,191	1,294
Salaried	2,133	2,213
	6,521	**6,798**

The category 'direct labor' consists of employees who are directly engaged in the production process. The numbers fluctuate according to the level of output. The category 'indirect labor' consists of personnel that does not directly produce products, but rather supports production. Salaried employees are employees in administrative / sales / central functions.

Consolidation

Name, place of domicile and share in capital pursuant to section 313 (2) No. 1 HGB of the consolidated group of companies is presented in → NOTE 4 'SCOPE OF CONSOLIDATION'.

Proposal for the distribution of the earnings

The Management Board of NORMA Group SE proposes to Annual General Meeting to pay a dividend of EUR 0.70 per share to the shareholders. The total dividend payment thus amounts to EUR 22,303,680.

Corporate Governance (section 161 AktG)

The Management Board and Supervisory Board have issued a Corporate Governance Declaration pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz) and made it available to shareholders on the website of NORMA Group.

35. Exceptions under section 264, paragraph 3 of the German commercial code (HGB)

In 2020, the following German subsidiaries made use of disclosure exemptions pursuant to section 264, paragraph 3 of the German Commercial Code (HGB):

- NORMA Group Holding GmbH, Maintal
- NORMA Distribution Center GmbH, Marsberg
- NORMA Germany GmbH, Maintal
- NORMA Verwaltungs GmbH, Maintal

36. Events after the balance sheet date

Up to March 11, 2021, there were no events or developments that would have resulted in a material change in the recognition or measurement of the individual assets and liabilities as of December 31, 2020.

APPENDIX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Voting rights notifications

According to section 160 (1) No. 8 AktG, information regarding voting rights that have been notified to the Company pursuant to section 33 (1) or (2) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) must be disclosed.

The following table gives an overview of all voting rights notifications that have been sent to the Company as of March 11, 2021. It contains the information of the last notification of each shareholder. The percentage and shares may have changed in the meantime.

All notifications of shareholder voting rights in the year under review and beyond are available on the website of NORMA Group.

Voting rights notification

T138

Notifying party	Achievement of voting rights	Touched or exceeded reporting threshold	Share in %	Shares	Pursuant to WpHG
Impax Asset Management Group plc, London, UK	Mar 1, 2021	Less than 5%	4.88	1,555,378	§§ 33, 34 WpHG
Ministry of Finance on behalf of the State of Norway, Oslo, Norway [1]	Jan 14, 2021	More than 3%	3.03	956,049	§§ 33, 34 WpHG
T. Rowe Price International Funds, Inc., Baltimore, Maryland, USA [2]	Dec 8, 2020	More than 3%	3.92	1,249,133	§§ 33, 34 WpHG
Ameriprise Financial, Inc., Wilmington, Delaware, USA [3]	Nov 3, 2020	More than 3%	4.13	1,314,721	§§ 33, 34 WpHG
AVGP Limited, St Helier, Jersey, USA	Jun 17, 2020	Less than 3%	2.99	954,128	§§ 33, 34 WpHG
Allianz SE, Munich, Germany	May 14, 2020	More than 5%	5.28	1,683,253	§§ 33, 34 WpHG
BNP Paribas Asset Management France S.A.S., Paris, France	Apr 8, 2020	Less than 3%	2.97	947,576	§§ 33, 34 WpHG
Threadneedle (Lux), Bertrange, Luxembourg [3]	Mar 30, 2020	Less than 5%	4.90	1,561,850	§§ 33, 34 WpHG
The Goldman Sachs Group, Inc., Wilmington, Delaware, USA	Mar 24, 2020	Less than 5%	4.44	1,414,358	§§ 33, 34 WpHG as well as § 38 Abs. 1 Nr. 1 WpHG and § 38 Abs. 1 Nr. 2 WpHG
Allianz Global Investors GmbH, Frankfurt am Main, Germany [4]	Feb 18, 2020	More than 15%	15.20	4,843,141	§§ 33, 34 WpHG
T. Rowe Price Group, Inc., Baltimore, Maryland, USA [2]	Feb 11, 2020	More than 5%	5.01	1,596,572	§§ 33, 34 WpHG

1_The Ministry of Finance on behalf of the State of Norway holds 3.000555513709% direct voting rights and 0.03% indirect voting rights through instruments, for a total of 3.03%
2_Looking at the entire corporate chain, T. Rowe Price Group Inc. (Baltimore, USA) through its subsidiaries T. Rowe Price International Ltd (London, United Kingdom) and T. Rowe Price International Funds and T. Rowe Price International Discovery Funds (both Baltimore, USA) holds 5.01%.
3_Looking at the entire corporate chain, Ameriprise Financial Inc. (Wilmington, USA) holds a total of 4.13%. The two subsidiaries Threadneedle Asset Management Limited (London, Great Britain) and Threadneedle Management Luxembourg SA (Bertrange, Luxembourg) hold 4.13% and 3.38%, respectively.
4_The 15.20% of Allianz Global Investors GmbH (Frankfurt / Main, Germany) contain the 3.30% of the self -reportable Allianz Global Investors Fund SICAV (Sennigerberg, Luxembourg).

Corporate bodies of NORMA Group SE

Management Board Member

Dr. Michael Schneider
Diploma in Business Administration Chief Executive Officer (CEO) since November 14, 2019
Member of the Management Board since July 1, 2015

- Member of the Supervisory Board of Novellus Holding AG (former Leitwerk AG), Appenweier, Germany (not listed on the stock exchange)
- Member of the Supervisory Board of accuris AG, Munich, Germany (not listed on the stock exchange)

Dr. Friedrich Klein
Master's degree in Mechanical Engineering
Chief Operating Officer (COO) since October 1, 2018

- No seats on other boards or comparable committees

Annette Stieve
Diploma in Business Administration
Chief Financial Officer (CFO) since October 1, 2020

- No seats on other boards or comparable committees

Supervisory Board member, exercised profession

Günter Hauptmann
Chairman since September 1, 2020, Consultant

- Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)

Lars M. Berg
Member and Chairman until August 31, 2020, Consultant

- Chairman of the Supervisory Board of Greater Than AB, Stockholm, Sweden (listed on the stock exchange)

Erika Schulte
Vice Chairwoman, Managing Director of Hanau Wirtschaftsförderung GmbH

- No seats on other boards or comparable committees

Rita Forst
Consultant

- Member of the Board of Directors of AerCap Holdings N.V., Dublin, Ireland (listed on the stock exchange)
- Member of the Board of Directors of Westport Fuel Systems Inc., Vancouver, Canada (listed on the stock exchange)
- Member of the Supervisory Board of ElringKlinger AG, Dettingen an der Erms, Germany (listed on the stock exchange)
- Member of the Advisory Board of iwis SE & Co. KG (former Joh. Winklhofer Beteiligungs GmbH & Co. KG), Munich, Germany (not listed)

Dr. Knut J. Michelberger
Consultant

- Member of the Supervisory Board of Weener Plastics Group, Ede, The Netherlands (not listed on the stock exchange)
- Member of the Advisory Board (Deputy Chairman) of Racing TopCo GmbH, Troisdorf, Germany (not listed on the stock exchange)
- Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany (not listed on the stock exchange)
- Member of the Advisory Board of Moon TopCo GmbH, Poing, Germany (not listed on the stock exchange)
- Former member of the Advisory Board of Tegimus Holding GmbH, Frankfurt / Main, Germany (not listed on the stock exchange, until June 3, 2020)

Mark Wilhelms
Chief Financial Officer of Stabilus S.A.

- No further mandates on Supervisory Boards or comparable bodies

Miguel Ángel López Borrego [1]
Chairman of the Board of Directors of Siemens Gamesa Renewable Energy S.A., Zamudio, Spain, and President and CEO of Siemens S.A., Spain, and of Siemens' Spanish operations..

- No further mandates on Supervisory Boards or comparable bodies

Maintal, March 11, 2021

NORMA Group SE

Dr. Michael Schneider	Dr. Friedrich Klein	Annette Stieve
Chief Executive Officer (CEO)	Chief Operating Officer (COO)	Chief Financial Officer (CFO)

1_The application for the court appointment of Mr. López to the Supervisory Board of NORMA Group was filed on March 3, 2021. The appointment decision by the court is expected soon.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Maintal, March 11, 2021

NORMA Group SE

The Management Board

Dr. Michael Schneider
Chief Executive Officer (CEO)

Dr. Friedrich Klein
Chief Operating Officer (COO)

Annette Stieve
Chief Financial Officer (CFO)

INDEPENDENT AUDITOR'S REPORT

To NORMA Group SE, Maintal

Report on the Audit of the Consolidated Financial Statements and of the Consolidated Management Report

Audit Opinions

We have audited the Consolidated Financial Statements of NORMA Group SE, Maintal, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2020, and notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of NORMA Group SE for the fiscal year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those parts of the Group Management Report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020, and of its financial performance for the fiscal year from January 1 to December 31, 2020, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover those parts of the Group Management Report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and of the Group Management Report.

Basis for the audit opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537 / 2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Consolidated Financial Statements and on the Group Management Report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1. Recoverability of goodwill

Our presentation of this key audit matter has been structured in each case as follows:

a) Matter and issue

b) Audit approach and findings

c) Reference to further information

Hereinafter we present the key audit matters:

Recoverability of Goodwill

a) In the Consolidated Financial Statements of NORMA Group SE a total amount of EUR 377.6 million, representing around 27% of total assets, is reported under the balance sheet item "Goodwill." The Company allocates goodwill to the groups of cash-generating units, which correspond to the Group's operating segments. Goodwill is tested for impairment ("impairment test") on an annual basis or if there are indications that goodwill may be impaired, to determine any possible need for write-downs. For the purposes of the impairment test the carrying amount of the relevant cash-generating unit is compared with its fair value less costs of disposal. This measurement is generally based on the present value of the future cash flows of the relevant cash-generating unit to which the respective goodwill is allocated. Present values are calculated using discounted cash flow models. For this purpose, the Group's five-year financial plan prepared by the executive directors and adopted by the supervisory board forms the starting point for future projections based on assumptions about long-term rates of growth. In doing so, expectations relating to future market developments and country-specific assumptions about the performance of macroeconomic indicators are also taken into account as well as the expected effects of the ongoing COVID-19 crisis on the business activities of the Group. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore, also against the background of the effects of the COVID-19 crisis, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b) As part of our audit, we evaluated the methodology used for the purposes of performing the impairment test, among other things. We also assessed whether the future cash inflows underlying the measurements and the discount rates used on the whole provide an appropriate basis for the impairment tests of the individual cash-generating units. We assessed the appropriateness of the future cash inflows used in the calculation, inter alia, by comparing this data with the current budgets in the five-year financial plan prepared by the executive directors and approved by the supervisory board, and by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the COVID-19 crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. In addition, we assessed whether the basis for including the costs of Group functions was appropriate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. Furthermore, in addition to the analyses carried out by the Company, we performed our own sensitivity analyses and, taking into account the information available, determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement parameters and assumptions used by the executive directors are comprehensible.

c) The Company's disclosures on goodwill are contained in sections 3 and 18 of the notes to the Consolidated Financial Statements.

Other information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Group Management Report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Principles of the group" of the Group Management Report
- the separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited Consolidated Financial Statements, the audited Group Management Report and our auditor's report.

Our audit opinions on the Consolidated Financial Statements and on the Group Management Report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Consolidated Financial Statements, with the Group Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable assurance conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the Consolidated Financial Statements and the Group Management Report (hereinafter the "ESEF documents") contained in the attached electronic file NORMA_Group_KA_KLB_ESEF-2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the Consolidated Financial Statements and the Group Management Report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying Consolidated Financial Statements and the accompanying Group Management Report for the financial year from January 1 to December 31, 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the reasonable assurance conclusion

We conducted our assurance engagement on the reproduction of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the Consolidated Financial Statements and the Group Management Report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the Consolidated Financial Statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited Consolidated Financial Statements and audited Group Management Report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited Consolidated Financial Statements and to the audited Group Management Report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as the Group auditor by the Annual General Meeting on June 30, 2020. We were engaged by the Supervisory Board on November 4, 2020. We have been the Group auditor of the NORMA Group SE, Maintal, without interruption since the financial year 2010.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German public auditor responsible for the engagement is Stefan Hartwig.

Frankfurt / Main, March 11, 2020

PricewarterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Stefan Hartwig
Wirtschaftsprüfer
(German Public Auditor)

sgd. ppa. Richard Gudd
Wirtschaftsprüfer
(German Public Auditor)

FURTHER INFORMATION

FURTHER INFORMATION

Glossary

5S Methodology
5S is a method for organizing a work space for efficiency and effectiveness in order to reduce industrial accidents.

Aftermarket segment
The market concerned with the maintenance/repair of investment goods or long-life final goods (e.g. vehicles) or the sale of replacement parts or complementary parts for the goods. This involves the sale of services and / or parts that are directly related to the previous sale of the goods.

APAC
Abbreviation for the Asia-Pacific region.

Asset-backed securities (ABS) program
A specific way of converting payment claims into negotiable securities with a financing company.

Best-landed cost approach
Assessment of the total costs of a product including the price of the product as well as the charges for shipping, taxes and/or duties.

Bubble assignment
Short-term exchange program for employees to promote internal knowledge transfer, intercultural awareness, the development of networks and the individual development of participants.

CDP
Formerly "Carbon Disclosure Project," non-governmental organization focusing on environmental reporting in the areas of climate, water and forests.

Code of Conduct
A set of policies that can and should be applied in a wide range of contexts and environments depending on the situation. In contrast to a rule, the target audience is not obliged to always comply with the Code of Conduct. A Code of Conduct is more of a personal commitment to follow or abstain from certain patterns of behavior, ensuring that nobody gains an unfair advantage by circumventing these patterns.

Commercial Paper
Commercial Paper (CP) is a short-term bond issue with a money market character.

Compliance
Conforming to rules: a company and its employees adhering to Codes of Conduct, laws and guidelines.

Conflict minerals
Natural resources whose deposits are largely located in conflict regions (especially the Democratic Republic of Congo), where they are mined and traded in some cases in serious violation of international law; especially tin, tantalum, tungsten and gold.

Corporate governance
A set of all international and national rules, regulations, values and principles that apply to companies and determine how these companies are to be managed and monitored.

Corporate responsibility
A form of corporate self-regulation integrated into a business model by taking societal and environmental aspects into account.

Coverage
The regular assessment of the economic and financial situation of a listed company by banks or financial research institutions.

Cross-selling effects
The action or practice of selling an additional product or service to an existing customer.

CSR-RUG
German CSR Directive Implementation Law.

Earnings before interest, taxes and amortization (EBITA)
EBITA describes earnings before interest, taxes and amortization of intangible assets. For long-term comparison and a better understanding of business development, NORMA Group adjusts the EBITA for certain one-time expenses.
→ NOTES

Earnings before interest, taxes, depreciation and amortization (EBITDA)
Earnings before interest, taxes, depreciation (of property, plant and equipment) and amortization (of intangible assets). It is a measure of a company's operating performance before investment expenses. For long-term comparison and a better understanding of its business development, NORMA Group adjusts the EBITDA for certain one-time expenses. → NOTES

EBITA margin (adjusted)
The adjusted EBITA margin is calculated from the ratio of adjusted EBITA to sales and is an indicator of the profitability of NORMA Group's business activities.

EBITDA margin (adjusted)
The adjusted EBITDA margin is calculated from the ratio of adjusted EBITDA to sales.

Economies of scale
Indicates the ratio of the production volume to the production factors used. In the case of positive scale effects, production output is also increased with the intensification of production factors.

Elastomers
Stable but elastic plastics that are used at a temperature above their glass transition temperature. The plastics can deform under tensile or compressive load, but then return to their original shape.

EMEA
Abbreviation for the economic area of Europe (comprising Western and Eastern Europe), the Middle East and Africa.

Engineered Joining Technology (EJT)
One of NORMA Group's two ways to market. It provides customized, highly Engineered Joining Technology products primarily, but not exclusively, for industrial OEM customers.

Equity ratio
Equity in relation to total assets.

FAO
Food and Agriculture Organization of the United Nations.

Fiat Chrysler Automobiles (FCA)
An automobile manufacturer formed from the merger of the Italian Fiat S.p.A. and the US-based Chrysler Group LLC.

Foresight management
Long-term strategic planning based on an analysis of changing environmental conditions (e.g. technology trends and changes in the market environment).

Free cash flow
Indicates the amount of money that is available to pay dividends to shareholders and / or repay loans.

Gearing
Gearing is a measure of a company's debt level. Gearing is calculated from the ratio of net debt to equity.

Gemba walk
Daily walk through production halls, inspecting individual processes in the opposite order of workflow and analyzing potential opportunities for improvement.

Global excellence program
A cost optimization program. It coordinates and manages all of NORMA Group's sites and business units.

GRI – Global Reporting Initiative
Initiative that sets standards for sustainability reporting.

IATF 16949
An international standard that combines the existing general demands on quality management systems of the (mostly North American and European) automotive industry.

IDW
The Institute of Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland e. V.)

Initial public offering (IPO)
First offering of shares of a company on the regulated capital market.

Innovation roadmapping
Systematic approach to adapt company-specific product innovations to future market and technological developments.

Innovation scouting
Structured observation of changes, potentials and relevant knowledge of technological developments and processes.

International securities identification number (ISIN)
12-digit alphanumerical code used to identify a security traded on the stock market.

ISO 14001
An international environmental management standard that specifies the internationally accepted requirements for an environmental management system.

ISO 9001
International standard that defines the minimum requirements that quality management systems must meet.

ISO 45001
Health and Safety Management that replaces the current Occupational Health and Safety Assessment Series 18001 (OHSAS 18001)

Lean manufacturing
A systematic method for the elimination of waste within a manufacturing process. An integrated socio-technical system reduces or minimizes supply-side, customer-side and internal fluctuations.

Leverage
Leverage is a measure of a company's debt and is calculated as the ratio of net debt (without hedging instruments) to adjusted EBITDA over the last 12 months (LTM). For the purpose of a better comparison, adjusted EBITDA LTM includes the companies acquired during the year.

Lockout-tagout
Safety procedure used to ensure that dangerous machines are properly shut off and not able to be started up again prior to the completion of maintenance or repair work.

Long-term assignment
Long-term exchange program for employees to promote internal knowledge transfer, intercultural awareness, the development of networks and the individual development of participants.

Material cost ratio
The material cost ratio of NORMA Group results from the ratio of material expenses to sales.

Net debt
Net debt is the sum of financial liabilities less cash and cash equivalents. Financial liabilities also include liabilities from derivative financial instruments that are held for trading purposes or as hedging instruments.

Net operating cash flow
Net operating cash flow is calculated on the basis of EBITDA plus changes in working capital less investments from operating activities. Net operating cash flow is a key financial control figure for NORMA Group and serves as a measure for the Group's liquidity.

NORMA Value Added (NOVA)
A key financial control figure for NORMA Group that serves as a measure for the annual rise in corporate value.

OHSAS 18001
Occupational Health and Safety Assessment Series; certification of occupational health and safety management systems.

Original equipment manufacturer (OEM)
A company that retails products under its own name.

Peugeot Société Anonyme PSA
A French car manufacturer group that includes the Citroen, DS, Opel, Peugeot and Vauxhall brands.

Prime standard
A segment of the regulated stock market with higher inclusion requirements than the General Standard. It is the private law segment of the Frankfurt Stock Exchange with the highest transparency standards. All companies listed in the DAX, MDAX, TecDAX and SDAX must be included in the Prime Standard.

Reverse factoring
A financing solution initiated by the ordering party in order to help its suppliers finance their receivables more easily and at a lower interest rate than they would normally be offered.

Roadshow
Series of corporate presentations made to investors by an issuer at various financial locations to attract investment in the company.

Science-based targets initiative
Initiative that sets climate targets that support the Paris Climate Agreement and meet the goal of limiting global warming to well below two degrees Celsius.

Scope 1, 2, 3
Method for differentiating greenhouse gases. Scope 1: Emissions from emission sources within the company's boundaries. Scope 2: Emissions from the generation of energy procured from outside the boundaries (especially electricity and heat). Scope 3: All other emissions caused by the company's activities but not under its control, for example from suppliers, service providers or employees.

Securities ID number (WKN)
A six-character combination of numbers and letters used in Germany to identify securities.

Selective catalytic reduction (SCR)
Selective catalytic reduction is a method used to reduce particle and nitric oxide emissions..

SMED (Single Minute Exchange of Die)
Optimization of set up times of processes through both organizational and technical measures.

Societas europaea (SE)
Legal form for stock companies in the European Union and the European Economic Area. With the SE, the EU started allowing for companies to be founded in accordance with a largely uniform legal framework at the end of 2004.

Standardized Joining Technology (SJT)
One of NORMA Group's two distribution channels with a wide range of high-quality, standardized connection products for different application areas and end customers. This distribution channel was known as Distribution Services (DS) until 2019.

Sustainable Development Goals (SDGs)
The Sustainable Development Goals (SDGs) were adopted by the United Nations General Assembly in 2015. They cover economic, environmental and social aspects and consist of individual indicators that make implementation measurable.

Thermoplasts (also known as plastomers)
Plastics that become elastic (thermoplastic) in a particular temperature range, whereby this process is reversible.

UN Global Compact
United Nations initiative for corporate responsibility.

Weighted average cost of capital (WACC)
The weighted average cost of capital (WACC) represents a company's total costs of capital for liabilities and equity depending on the individual capital structure.

Working capital
Trade working capital describes the Group's current net operating assets and is calculated as the sum of inventories and trade receivables minus trade payables.

Xetra
An electronic trading system operated by Deutsche Börse AG for the spot market.

List of Graphics

List of Tables

Further Information

Overview by Quarters [1]

T139

		Q1 2020	Q2 2020	Q3 2020	Q4 2020
Income statement					
Revenue	EUR million	253.6	191.5	245.9	261.2
Adjusted EBITA [2]	EUR million	27.1	– 22.5	28.7	21.3
Adjusted EBITA margin [2]	%	10.7	– 11.8	11.7	8.2
EBITA	EUR million	26.4	– 23.3	27.9	20.2
EBITA margin	%	10.4	– 12.2	11.4	7.7
Adjusted EBIT [2]	EUR million	25.1	– 24.6	26.3	18.6
Adjusted EBIT margin [2]	%	9.9	– 12.9	10.7	7.1
EBIT	EUR million	18.6	– 31.0	20.3	12.2
EBIT margin	%	7.4	– 16.2	8.3	4.7
Adjusted profit for the period [2]	EUR million	15.6	– 22.9	15.8	15.7
Adjusted earnings per share [2]	EUR million	0.49	– 0.72	0.50	0.50
Profit for the period	EUR million	10.8	– 27.7	11.4	11.0
Earnings per share	EUR	0.34	– 0.87	0.36	0.35
Balance sheet [3]					
Total assets	EUR million	1,566.8	1,472.2	1451.8	1.414,7
Equity	EUR million	639.2	602.2	593.6	589.5
Equity ratio	%	40.8	40.9	40.9	41.7
Net debt	EUR million	437.3	415.7	370.8	338.4
Cash flow					
Cash flow from operating activities	EUR million	9.8	29.1	50.2	44.4
Cash flow from investing activities	EUR million	– 9.5	– 6.0	– 6.1	– 17.6
Cash flow from financing activities	EUR million	32.2	– 41.1	– 32.1	– 40.0
Net oparating cash flow	EUR million	6.7	1.8	40.6	29.1

1_Minor deviations may occur due to commercial rounding for the full year compared with the summation of the corresponding quarterly amounts.
2_In fiscal year 2020, only adjusted for PPA items. → ADJUSTMENTS
3_Figures as at balance sheet date end of quarter

10-Year Overview

T140

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Order situation											
Order book [1]	EUR millions	391.3	358.3	379.2	329.1	302.4	295.8	279.6	236.7	215.4	218.6
Income statement											
Revenue	EUR millions	952.2	1,100.1	1,084.1	1,017.1	894.9	889.6	694.7	635.5	604.6	581.4
thereof EMEA	EUR millions	409.5	486.0	494.8	485.9	432.0	416.0	394.5	388.0	367.5	372.7
thereof Americas	EUR millions	385.5	450.8	441.5	411.3	381.6	395.3	237.8	191.5	193.3	173.0
thereof Asia-Pacific	EUR millions	157.2	163.4	147.8	119.9	81.3	78.2	62.5	56.0	43.8	35.7
Engineered Joining Technology (EJT)	EUR millions	552.6	665.5	684.6	638.2	535.9	540.3	481.0	443.9	427.6	411.5
Standardized Joining Technology (SJT)	EUR millions	395.5	430.2	393.8	372.3	354.5	344.1	211.5	193.6	174.5	170.3
(Adjusted) material cost ratio	%	43.8	43.4	43.6	41.2	39.4	40.8	41.7	42.4	43.6	45.1
(Adjusted) personnel cost ratio	%	31.3	27.5	25.9	26.5	27.3	26.3	27.1	26.7	25.9	23.8
Adjusted EBITA [2]	EUR millions	54.6	144.8	173.2	174.5	157.5	156.3	121.5	112.6	105.4	102.7
Adjusted EBITA margin [2]	%	5.7	13.2	16.0	17.2	17.6	17.6	17.5	17.7	17.4	17.7
EBITA	EUR millions	51.1	127.9	164.8	166.8	150.4	150.5	113.3	112.1	105.1	84.7
EBITA margin	%	5.4	11.6	15.2	16.4	16.8	16.9	16.3	17.6	17.4	14.6
Adjusted EBIT [2]	EUR millions	45.3	136.1	164.5	166.0	147.7	147.9	116.2	107.7	101.9	99.7
Adjusted EBIT margin [2]	%	4.8	12.4	15.2	16.3	16.5	16.6	16.7	16.9	16.8	17.1
EBIT	EUR millions	20.1	96.7	133.5	137.8	120.0	124.8	97.8	99.5	94.4	76.6
EBIT margin	%	2.1	8.8	12.3	13.5	13.4	14.0	14.1	15.7	15.6	13.2
Financial result	EUR millions	– 14.8	– 15.5	– 11.7	– 16.1	– 14.6	– 17.2	– 14.5	– 15.6	– 13.2	– 29.6
Adjusted tax rate [2]	%	20.3	27.1	24.9	30.0	28.9	32.1	33.3	32.6	30.3	30.0
Adjusted profit for the period [2]	EUR millions	24.3	87.8	114.8	105.0	94.6	88.7	71.5	62.1	61.8	57.6
Adjusted earnings per share [2]	EUR	0.77	2.76	3.61	3.29	2.96	2.78	2.24	1.95	1.94	1.92
Profit for the period	EUR millions	5.5	58.4	91.8	119.8	75.9	73.8	54.9	55.6	56.6	35.7
Earnings per share	EUR	0.18	1.83	2.88	3.76	2.38	2.31	1.72	1.74	1.78	1.19
NORMA Value Added (NOVA)	EUR millions	– 46.4	17.3	60.8	54.9	53.1	48.3	n/a	n/a	n/a	n/a
Return on capital employed (ROCE) [3]	%	4.6	13.0	17.2	18.9	17.7	19.3	n/a	n/a	n/a	n/a
R&D expenses	EUR millions	29.0	31.2	30.5	29.4	28.8	25.4	25.7	21.9	22.1	16.8
R&D ratio (related to sales) [4]	%	3.1	4.7	4.5	4.6	5.4	4.7	5.3	4.9	5.1	4.1
Investment ratio in relation to sales (without acquisitions)	%	4.3	5.0	5.8	4.7	5.4	4.7	5.7	4.8	5.0	5.3

CONTINUED ON NEXT PAGE

(continued) T140

		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Balance sheet [1]											
Total assets	EUR millions	1,414.7	1,514.3	1,471.7	1,312.0	1,337.7	1,167.9	1,078.4	823.7	691.8	648.6
Equity	EUR millions	589.5	629.5	602.4	534.3	483.6	429.8	368.0	319.9	289.2	256.0
Equity ratio	%	41.7	41.6	40.6	40.7	36.2	36.8	34.1	38.8	41.8	39.5
Net debt	EUR millions	338.4	420.8	400.3	344.9	394.2	360.9	373.1	153.5	199.0	198.5
Working capital	EUR millions	160.8	192.5	179.2	158.2	144.5	151.9	141.8	110.8	115.9	106.2
Working capital reltated to sales	%	16.9	17.5	16.5	15.6	16.1	17.1	20.4	17.4	19.2	18.3
Cash flow											
Cash flow from operating activities	EUR millions	133.5	137.1	130.8	146.0	149.2	128.2	96.4	115.4	96.1	71.7
Cash flow from investing activities	EUR millions	– 39.1	– 57.0	– 129.5	– 70.8	– 133.8	– 44.5	– 265.1	– 43.4	– 58.1	– 33.7
Cash flow from financing activities	EUR millions	– 81.0	– 93.2	31.3	– 77.7	49.6	– 70.4	57.7	51.7	– 34.1	– 0.5
Net operating cash flow	EUR millions	78.3	122.9	124.4	132.9	148.5	134.7	109.2	103.9	81.0	66.8
Non financial figures											
Core workforce [1]		6,635	6,523	6,901	6,115	5,450	5,121	4,828	4,134	3,759	3,415
Temporary workers [1]		2,155	1,998	1,964	1,552	1,214	1,185	1,147	813	726	837
Total workforce [1]		8,790	8,521	8,865	7,667	6,664	6,306	5,975	4,947	4,485	4,252
Number of invention applications [5]		22	22	32	33	n/a	n/a	n/a	n/a	n/a	n/a
Defective parts	PPM (parts per million)	5.1	6.1	7.1	16	32.0	n/a	n/a	n/a	n/a	n/a
Average customer complaints per month per entity		4.7	6.4	7.0	9	8	n/a	n/a	n/a	n/a	n/a
CO_2 emissions (Scope 1 and 2)[6]	In t CO_2e	49,813	54,494	51,018	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Share data											
Last price [1,7]	EUR	41.88	38.00	43.18	55.97	40.55	51.15	39.64	36.09	21.00	16.00
Market capitalization [1,7]	EUR Mio.	1,334	1,211	1,376	1,783	1,292	1,630	1,263	1,150	669	510
Dividend	EUR	0.70 [8]	0.04	1.10	1.05	0.95	0.90	0.75	0.70	0.65	0.60
Payout ratio	%	91.7 [8]	1.5	30.5	31.9	32.0	32.3	33.4	35.9	33.5	33.2
Price-earnings ratio		232.7	20.8	15.0	14.9	17.0	22.1	23.0	20.7	11.8	13.4
Number of shares issued		31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400

1_Figures as at balance sheet date Dec 31.
2_Since 2020: Adjusted exclusivly for expenses related to acquisitions; Prior years: Adjusted for expenses related to acquisitions and non-recurring items. Details regarding the adjustments, can be found in the corresponding Annual Reports.
3_Adjusted EBIT in relation to the average capital employed.
4_Until 2019: in relation to EJT sales, since 2020: in relation to total sales.
5_The number of invention applications has served as a key control parameter for measuring the Group's innovative ability since mid-2016, replacing the number of patent applications, a figure that had lost significance in light of changes in the patent strategy. There are no comparative figures for prior years.
6_Since 2017, CO_2 emissions have been reported according to the requirements of the Greenhouse Gas Protocol. The figures relating to the years 2019 and before are audited with "limited assurance."
7_Xetra price.
8_Subject to approval by the Annual General Meeting.

Financial Calendar, Contact and Imprint

Financial calendar 2021 T141

Date	Event
May 5, 2021	Publication of Interim Statement Q1 2021
May 20, 2021	Ordinary Annual General Meeting 2021, Frankfurt / Main
Aug 4, 2021	Publication of Interim Report H1 2021
Nov 3, 2021	Publication of Interim Statement Q3 2020

The financial calendar is constantly updated. Please visit the Investor Relations section on the Company website

WWW.NORMAGROUP.COM/CORP/DE/INVESTORS/

Editor

NORMA Group SE
Edisonstraße 4
63477 Maintal
Phone: +49 6181 6102-740
E-mail: info@normagroup.com
www.normagroup.com

Contact

E-mail: ir@normagroup.com

Forward-looking statements

This Annual Report contains certain future-oriented statements. Future-oriented statements include all statements that do not relate to historical facts and events and contain future-oriented expressions such as “believe,” “estimate,” “assume,” “expect,” “forecast,” “intend,” “could” or “should” or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the Company’s current assumptions, which may not in the future take place or be fulfilled as expected. The Company points out that such future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of NORMA Group SE and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for NORMA Group SE, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented-statements in this Annual Report, no guarantee can be given that this will continue to be the case in the future.

Contact persons Investor relations

Andreas Trösch
Vice President Investor Relations,
Group Communications and Corporate Responsibility
Phone: +49 6181 6102-741
E-mail: andreas.troesch@normagroup.com

Vanessa Wiese
Senior Manager Investor Relations
Phone: +49 6181 6102-742
E-mail: vanessa.wiese@normagroup.com

Ivana Blazanovic
Manager Investor Relations
Phone: +49 6181 6102-7603
E-mail: ivana.blazanovic@normagroup.com

Chiara von Eisenhart Rothe
Manager Investor Relations
Phone: +49 6181 6102-748
E-mail: chiara.voneisenhartrothe@normagroup.com

Corporate Responsibility

Elias Schwenk
Manager Corporate Responsibility
Phone: +49 6181 6102-7602
E-mail: elias.schwenk@normagroup.com

Design and Realization

MPM Corporate Communication Solutions, Mainz

Editing

NORMA Group SE

Date of publication

March 24, 2021

NORMA Group SE
Edisonstraße 4
63477 Maintal, Germany

Phone: +49 6181 6102-740
E-mail: info@normagroup.com
Internet: www.normagroup.com