CONSOLIDATED MANAGEMENT REPORT

PRINCIPLES OF THE GROUP
ECONOMIC REPORT
FORECAST REPORT
RISK AND OPPORTUNITY REPORT
REMUNERATION REPORT
OTHER LEGALLY REQUIRED DISCLOSURES
REPORT ON TRANSACTIONS WITH RELATED PARTIES

CONSOLIDATED MANAGEMENT REPORT

PRINCIPLES OF THE GROUP

BUSINESS MODEL

NORMA Group is an international market and technology leader in the area of advanced and standardized connecting technology (joining, mounting and fluid handling technology). With its 30 production sites and numerous sales offices, the Group has a global network with which it supplies more than 10,000 customers in more than 100 countries. NORMA Group's product portfolio includes more than 40,000 high-quality joining products and solutions in the three product categories clamps (CLAMP), joining elements (CONNECT) and fluid systems/connectors (FLUID). The products NORMA Group offers are used across industries in a wide range of applications, whereby the product specifications differ depending on the application and customer requirements.

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

By opening new plants and competence centers and making strategic acquisitions, NORMA Group has succeeded in expanding its international presence quite significantly in recent years while optimizing its distribution channels and intensifying its cooperation with local customers.

ORGANIZATIONAL STRUCTURE

CORPORATE LEGAL STRUCTURE

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

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

As of December 31, 2018, NORMA Group SE holds shares in 51 companies that belong to NORMA Group either directly or indirectly and are fully consolidated.
▶ NOTES, P. 134

ACQUISITIONS AND CHANGES OF LEGAL STRUCTURE

NORMA Group SE made three acquisitions and acquired the remaining minority interests in another company in fiscal year 2018.

In July 2018, the Company acquired 100% of the shares in the Indian company Kimplas Piping Systems Ltd. (including the English subsidiary Kimplas Limited 'Kimplas'), a company that specializes in water management systems. With the acquisition of Kimplas, NORMA Group is expanding its activities in the fast-growing market for water management systems and at the same time increasing its presence in one of the world's most important emerging markets.

In July 2018, NORMA Group also acquired the remaining 10% of the shares in Groen Bevestigingsmaterialen B.V. in the Netherlands, in which it had previously held 90%. As a result, NORMA Group now holds all the shares in the company via NORMA Group Holding GmbH and NORMA Netherlands B.V.

In August 2018, NORMA Group also completed the acquisition of 100% of the shares in the Maintal-based supplier Statek Stanzereitechnik GmbH ('Statek'). Statek has many years of experience and extensive manufacturing know-how in stamping, bending and forming technology for virtually all common metals and has been supplying NORMA Group for many years. With Statek's technological expertise, NORMA Group is systematically expanding its value chain while at the same time increasing its flexibility in key product areas. Following the acquisition by NORMA Group, Statek concluded a control and profit and loss transfer agreement with its sole shareholder, NORMA Group Holding GmbH, with effect

from January 1, 2019. This does not affect the control agreements in force from the date of entry in the commercial register of Statek on October 30, 2018.

In October 2018, NORMA Group completed the liquidation of the Australian company Guyco Pty. Ltd. after the business operations had previously been transferred to the parent company, the Australian company NORMA Pacific Pty. Ltd. That same month, NORMA Group also established NG AM FINSRV I, LLC in the US in connection with an asset-backed securities program. ▶ NOTES, P. 133

In November 2018, NORMA Group opened a new plant in Tijuana, Mexico, and in this context established NORMA MANUFACTURING NA SW, LLC. ▶ SIGNIFICANT DEVELOPMENTS IN FISCAL YEAR 2018, P. 54

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 2018, the following personnel changes took place in the Management Board:

As of December 31, 2017, Werner Deggim, the former Chairman of the Management Board, resigned from the Board at his own request for age reasons. Bernd Kleinhens took over as Chairman of the Management Board on January 1, 2018. From 2011 to the end of 2017, Mr. Kleinhens held the position of Chief Business Development Officer at NORMA Group and has been with the Company and its predecessor companies since 1991.

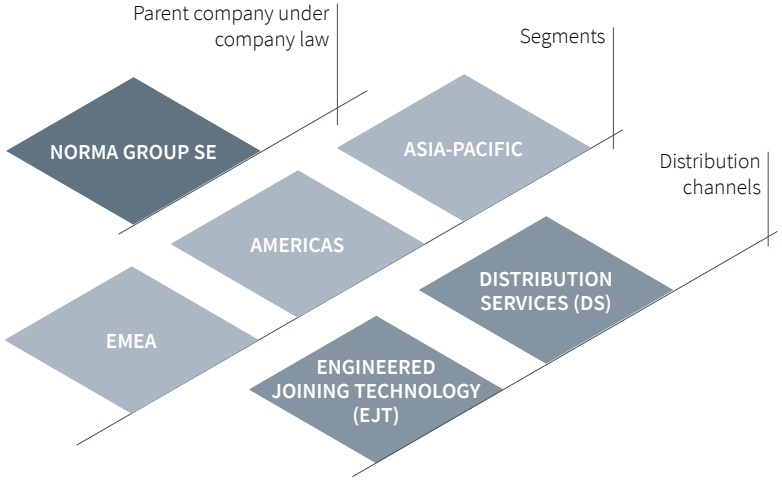
In addition, Chief Operating Officer John Stephenson resigned from the Management Board at his own request at the end of January 2018. As his position could not be filled immediately and the position of Board member responsible for Business Development will no longer be filled, the Management Board only consisted of two persons on an interim basis in the period from February to September 2018.

On October 1, 2018, Dr. Friedrich Klein assumed the position of Chief Operating Officer (COO). Dr. Klein has many years of experience and expertise in the automotive sector. He joined NORMA Group from Schaeffler Technologies AG & Co KG, a global automotive and industrial supplier. In his last position as Head of Bearing and Components Technologies, he was responsible for the worldwide development and production of rolling bearings. He was also responsible for restructuring the global production network and expanding production services. With the arrival of Dr. Klein, the Management Board is now complete again.

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. When the terms of office of all Supervisory Board members expired in the fiscal year 2018, the re-election of five previously acting members of the Supervisory Board and the election of a new candidate were on the agenda of the Annual General Meeting on May 17, 2018. In individual elections, 50.4% of the registered shareholders voted against re-electing the Chairman of the Supervisory Board, Dr. Stefan Wolf. The remaining candidates were re-elected with the necessary majority. In addition, the Annual General Meeting elected Rita Forst as new member of the Supervisory Board. Rita Forst replaces Dr. Christoph Schug, who did not stand for re-election. Following the Annual General Meeting, the Supervisory Board elected Lars Magnus Berg as Chairman of the Supervisory Board. Erika Schulte was elected Vice Chairwoman of the Supervisory Board. In the period between the Annual General Meeting and September 2018, the Supervisory Board of NORMA Group consisted of only five members. In September 2018, the competent court appointed Mark Wilhelms to the Supervisory Board of NORMA Group, following the proposition of the Management Board. Mark Wilhelms has been a member of management of Stabilus S.A., Luxembourg, since 2009. In 2014, he was appointed Chief Financial Officer (CFO) of Stabilus S.A. and Managing Director of Stabilus GmbH. Mark Wilhelms has many years of experience and expertise in both finance and information technology (IT), for which he was responsible at management level in the international automotive industry.

Detailed information on the composition of the Management Board and the Supervisory Board, as well as the distribution of responsibilities among themselves, can be found in the Corporate Governance Report, which forms part of the Annual Report. The Statement of Corporate Governance pursuant to Section 289f HGB, including the Declaration of Conformity pursuant to Section 161 AktG, a description of the procedures of the Management Board and the Supervisory Board, relevant information on corporate governance practices and a declaration regarding the concept of diversity to be disclosed under the CSR Directive Implementation Act are also part of the Corporate Governance Report. ▶ CORPORATE GOVERNANCE REPORT, P. 25 The curriculum vitae of the Supervisory and Management Board members are published on NORMA Group's website. www INVESTORS.NORMAGROUP.COM

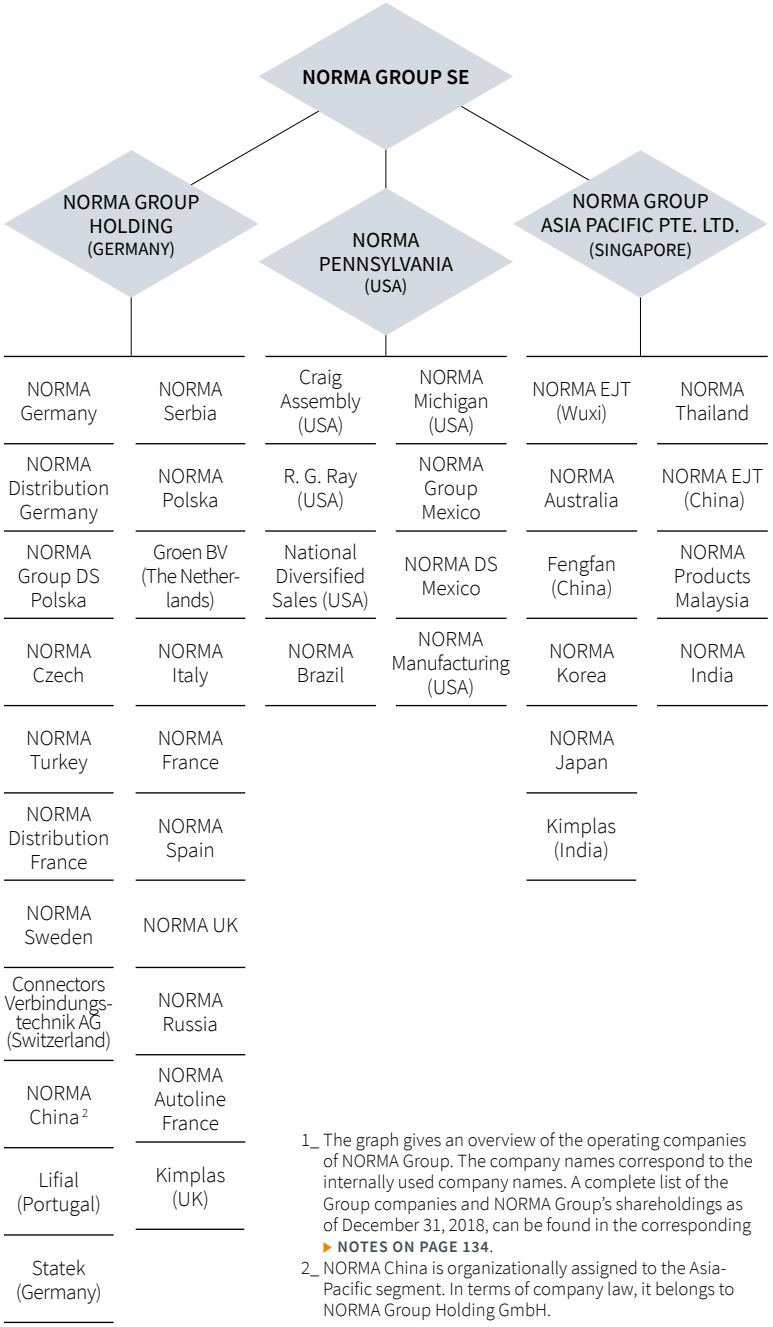
G 007 ORGANIZATIONAL STRUCTURE OF NORMA GROUP



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.

G 008 NORMA GROUP (SIMPLIFIED STRUCTURE)[1]



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, 2018, can be found in the corresponding ▸ NOTES ON PAGE 134.
2_ NORMA China is organizationally assigned to the Asia-Pacific segment. In terms of company law, it belongs to NORMA Group Holding GmbH.

PRODUCTS AND END MARKETS

PRODUCT PORTFOLIO

The products that NORMA Group offers can for the most part be divided into the three product categories clamps (CLAMP), joining elements (CONNECT) and fluid systems/connectors (FLUID).

The clamp products (CLAMP) are manufactured from unalloyed steels or stainless steel and are generally used to join or seal elastomer hoses.

The connection products (CONNECT) include connectors made of unalloyed steels or stainless steel that are partly equipped with elastomer or metal seals and are used as the joining and sealing elements of metal and thermoplastic pipes.

The FLUID products are single or multiple layer thermoplastic plug-in connectors and liquid systems that reduce installation times, ensure reliable flow of liquids or gases and occasionally replace conventional products such as elastomer hoses. NORMA Group's fluid products are used in thermal management systems in hybrid and electric vehicles, among other applications. In addition, the FLUID 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 pipelines, tubes and other systems need to be connected together. Because joining technology plays a role in nearly all industries, NORMA Group serves many different end markets. Besides the automotive, commercial vehicle, and aviation industry, NORMA Group is also active in the construction and mechanical engineering industry, the pharmaceutical and biotechnology fields, agriculture and the drinking water supply and irrigation industry. NORMA Group products are also used in consumer products such as home appliances.

TWO COMPLEMENTARY DISTRIBUTION CHANNELS

NORMA Group supplies its customers via two different sales channels,

Engineered Joining Technology – EJT
and
Distribution Services – DS.

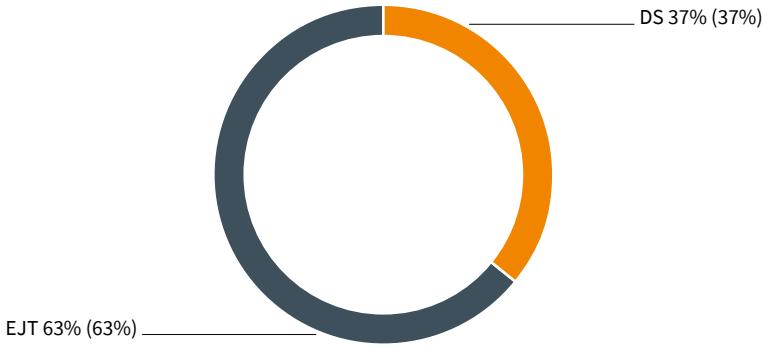
The two distribution channels differ in terms of the degree of specification of the products, while having intersections in production and development that enable cost benefits and ensure the highest quality standards.

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. 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. As a result, they generate substantial added value for the customers and contribute to their economic success.

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

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

G 009 SALES BY DISTRIBUTION CHANNEL[1]



1_Previous year's values in brackets

MARKET AND COMPETITIVE ENVIRONMENT

With its products, NORMA Group provides solutions for numerous industrial applications. Its expertise covers metal-based connection solutions and products (CLAMP and CONNECT) as well as thermoplastic materials (FLUID). 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 CLAMP and CONNECT, NORMA Group operates in a highly fragmented market, which is characterized by a very heterogeneous structure due to the abundance of specialized industrial companies. In this environment, NORMA Group sees itself as a provider of tailor-made, value-creating solutions that are geared to the specific needs of the customer and are developed in long-term partnerships. With its international business alignment and its cross-industry customer base, NORMA Group distinguishes itself from its mostly regional competitors.

In the area of FLUID, NORMA Group finds itself facing mainly competitors that are globally active and mainly offer elastomer products. NORMA Group, however, has focused more on innovative plastic-based solutions that generate significantly higher value for its customers due to their lower weight and price, as well as the environmental compatibility of the materials used.

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

T 009 OVERVIEW OF END MARKETS AND BRANDS BY SEGMENTS

Segment	Product categories	Distribution channels	End markets	Brands
EMEA	CLAMP CONNECT FLUID	EJT DS	Industrial suppliers Passenger vehicle OEMs Distributors Commercial vehicle OEMs Pharma / Biotechnology Water management	ABA®, CONNECTORS®, Gemi®, NORMA®, Serflex®
Americas	CLAMP CONNECT FLUID	EJT DS	Industrial suppliers Passenger vehicle OEMs Distributors Commercial vehicle OEMs Pharma / Biotechnology Water management	ABA®, Breeze®, Clamp-All®, Five Star®, Gemi®, NDS®, NORMA®, Raindrip®, R.G.RAY®, TORCA®
Asia-Pacific	CLAMP CONNECT FLUID	EJT DS	Industrial suppliers Passenger vehicle OEMs Distributors Commercial vehicle OEMs Pharma / Biotechnology Water management	ABA®, Breeze®, FISH®, Gemi®, NORMA®

GOALS AND STRATEGY

VISION 2025

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

The Vision 2025 is based on the following key objectives and strategic measures:

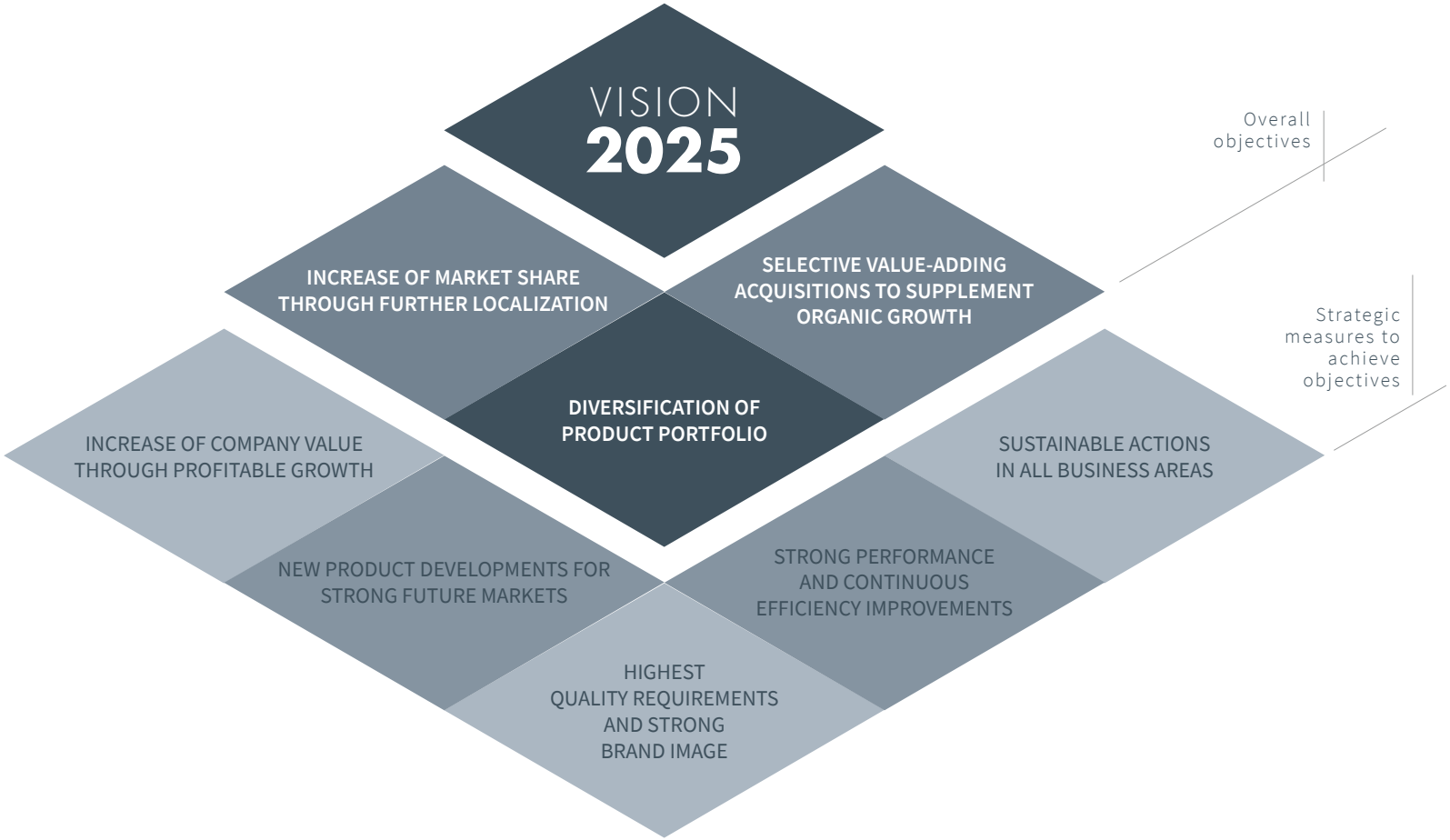
1. **Increase market share through further localization**
   Increasing the Company's market share is the primary objective of NORMA Group. In each regional segment and in both sales divisions (EJT and DS), the focus is on the ongoing profitable expansion of business activities and increasing market share. At the heart of NORMA Group's growth strategy is the expansion of its product portfolio and regional presence, as well as the opening up of new end markets. The continuous expansion of application solutions for current EJT customers, the identification and acquisition of new EJT customers, the deepening of the customer base in Distribution Services (DS) and the identification of new markets with attractive growth potential will all be used to expand business activities and further strengthen the Group's international presence. In identifying new end markets, NORMA Group places a strategic focus on niche markets with attractive margins, advanced products, strongly growing sales potential and a fragmented competitive structure. The goal is to achieve broad diversification in the end markets through the targeted transfer of knowledge to new, high-growth industries. This will strengthen the sustainable earnings profile, the independence from economic influences and the stability of the business. Global megatrends such as climate change and resource scarcity offer NORMA Group attractive growth potential. The strategic focus is therefore on future-oriented applications in the fields of water management and electromobility. ▶ PRODUCTS AND END MARKETS, P. 40

2. **Diversification of product portfolio**
   The technological requirements placed on the end products of NORMA Group customers are constantly changing. Increasing environmental awareness, scarcity of resources and growing cost pressures play a major role in almost every sector of industry. Furthermore, the automotive and commercial vehicle industries, in particular, are subject to stricter emission regulations and special requirements for the materials used. This is also accompanied by increasing technological change, away from conventional combustion engines towards alternative powertrain techniques such as hybrid or electromobility. ▶ LEGAL AND REGULATORY INFLUENCING ASPECTS, P. 53 These form the starting point for the development of new products. NORMA Group focuses on value-enhancing solutions that support its customers in reducing emissions, leaks, weight, space and assembly time. 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 350 engineers and developers are constantly working on developing new products and optimizing the currently used processes and systems. An important focus here is on the development of solutions for electromobility. This offers NORMA Group numerous opportunities, particularly in the field of vehicle thermal management. In order to sustainably strengthen its innovative strength, the Group plans to invest around 5% of its EJT sales in research and development activities each year. ▶ RESEARCH AND DEVELOPMENT, P. 48

Although the joining products that NORMA Group sells make up a relatively small value proportion of the final product, they are often mission-critical. Sticking to the highest quality standards and stringent quality management throughout the entire Group therefore play a crucial role. ▶ QUALITY MANAGEMENT, P. 66 A strong brand strategy geared toward regional growth targets, as well as ensuring first-class service quality and product availability at all times, are also important success parameters. NORMA Group ensures this through its worldwide sales network.

G 010 STRATEGIC GOALS OF NORMA GROUP

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



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

3. Selective value-adding acquisitions to supplement organic growth

By making select acquisitions, NORMA Group contributes to the diversification of its business and strengthens its growth. Acquisitions are therefore an integral part of the Company's long-term growth strategy. NORMA Group observes the joining technology market very closely 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 it wants to expand through further acquisitions in this area.

STRATEGIC OUTLOOK FOR FISCAL YEAR 2019

In February 2019, the Management Board of NORMA Group announced the introduction of a rightsizing program for the long-term optimization of the Group's structures.

NORMA Group has grown rapidly in recent years, both organically and through acquisitions. This has also been accompanied by rapid growth in the production landscape and organizational structures. In order to further harmonize processes and systems within the Group and thus lay the foundations for further growth, optimization measures are to be implemented in all regions, EMEA, the Americas and Asia-Pacific, in the years to come. The objective is also to focus the business model on the requirements of future strategic growth areas such as electromobility and water management.

The measures already implemented and planned are expected to result in an annual positive earnings contribution (adjusted EBITA) of around EUR 10 million to EUR 15 million from 2021 on.

The Management Board estimates the total costs of the project at around EUR 10 million to EUR 15 million. They are to be spread out over a period of approximately two years. Around EUR 2.2 million of this amount was already incurred in the past fiscal year 2018. ▶ SIGNIFICANT DEVELOPMENTS IN FISCAL YEAR 2018, P. 54

The costs incurred by this project are shown in adjusted form. ▶ NOTES, P. 141

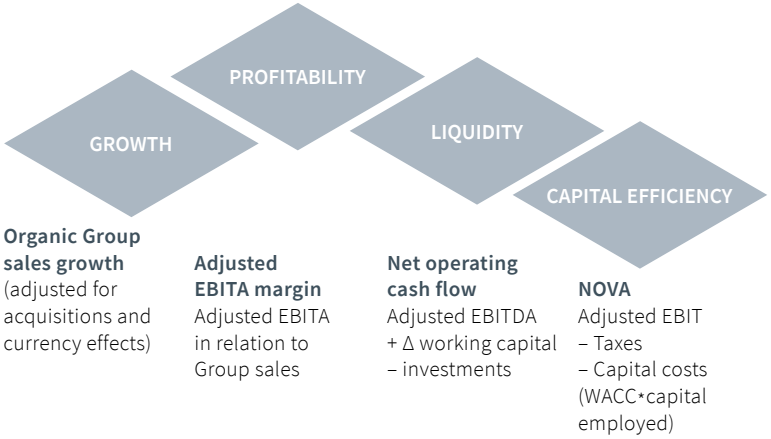
CONTROL SYSTEM AND CONTROL PARAMETERS

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

IMPORTANT FINANCIAL CONTROL PARAMETERS

The following value-based indicators, which have a direct impact on value creation at NORMA Group, are among the Company's most important financial performance indicators: organic Group sales growth, profitability (adjusted EBITA margin) and net operating cash flow. These key figures form the so-called NORMA Value Added (NOVA) as a central strategic target figure. Since the NOVA is also a reference value for the long-term remuneration of the Management Board, it was added to the control system in fiscal year 2018. ▶ REMUNERATION REPORT, P. 91

G 011 IMPORTANT FINANCIAL CONTROL PARAMETERS



Organic sales growth

As a growth-oriented Company, NORMA Group attaches particular importance to profitable growth in sales. 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 observes certain early indicators, such as customer order patterns in the retail business (Distribution Services) and the order book in the area of Engineered Joining Technology (EJT).

Adjusted EBITA and adjusted EBITA margin

The adjusted EBITA (EBITA before special influences) is the most important internal and external performance indicator for ongoing operations. In order to be able to make a long-term comparison and for a better understanding of how the business is developing, NORMA Group adjusts the operating result by certain expenses, for example those that are related to acquisitions. ▶ NOTES, P. 141

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

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

Net operating cash flow

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

NORMA Value Added (NOVA)

NORMA Group's goal is to use the capital provided by its shareholders and lenders as efficiently as possible in order to secure the Group's long-term positive development. In order to manage this, NORMA Group determines the annual value creation in the form of the so-called NORMA Value Added (NOVA). NORMA Value Added 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)

T 010 ADJUSTED EBIT AFTER TAXES

	2018	2017
Adjusted EBIT (in EUR millions)	164.5	166.0
Group tax rate (in %)	24.9	30.0
Taxes (in EUR millions)	41.0	49.8
Adjusted EBIT after taxes (in EUR millions)	**123.5**	**116.2**
– WACC * capital employed	62.8	61.4
NOVA (in EUR millions)	**60.8**	**54.8**

T 011 CAPITAL EMPLOYED AS OF BEGINNING OF THE YEAR (JAN 1)

	2018	2017
Equity (in EUR millions)	534.3	483.6
Net debt (in EUR millions)	344.9	394.2
Capital employed (in EUR millions)	**879.2**	**877.8**

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

T 012 ASSUMPTIONS FOR THE CALCULATION OF THE WACC

IN %	2018	2017
Risk-free interest rate	0.39	0.41
Market risk premium	6.50	6.50
Beta factor of NORMA Group	1.28	1.13
Cost of equity rate	9.41	8.34
Borrowing cost rate after taxes	1.85	2.18
WACC after taxes	**7.14**	**6.99**

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

IMPORTANT NON-FINANCIAL CONTROL PARAMETERS

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

Market penetration

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

Invention applications

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

Quality KPIs

NORMA Group stands for the highest possible reliability and quality of service. The reputation of its brands and reliability of its products are key factors in the Company's success. In developing and manufacturing products, the Group therefore relies on the highest quality standards. In order to minimize production losses and maximize customer satisfaction, NORMA Group measures and manages the problem solving behavior of its employees by using two performance indicators: the average number of customer complaints per month and defective parts per million of manufactured parts (parts per million/PPM). The two metrics are collected and aggregated at Group level on a monthly basis. ▶ QUALITY MANAGEMENT, P. 66

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 ▶ 2018 CR REPORT.

The target figures for the financial and non-financial control parameters for 2019 and the assumptions underlying the forecast are presented in the Forecast Report ▶ FORECAST REPORT, P. 74

T 013 FINANCIAL CONTROL PARAMETERS

	2018	2017	2016	2015	2014	2013	2012
Group sales (in EUR millions)	1,084.1	1,017.1	894.9	889.6	694.7	635.5	604.6
Adjusted EBITA margin (in %) [1]	16.0	17.2	17.6	17.6	17.5	17.7	17.4
Net operating cash flow (in EUR millions)	124.4	132.9	148.5	134.7	109.2	103.9	81.0
NORMA Value Added (in EUR millions)	60.8	54.9	53.1	48.3	n/a	n/a	n/a

1_The adjustments are shown in the ▶ NOTES, P. 141

T 014 NON-FINANCIAL CONTROL PARAMETERS

	2018	2017	2016	2015	2014	2013	2012
Number of invention applications [1]	32	33	n/a	n/a	n/a	n/a	n/a
Defective parts per million (PMP) [2]	7	16	32	21	17	24	34
Quality-related customer complaints per month [2]	7	9	8	8	8	9	10

1_The number of invention applications has served as a key control parameter for measuring the Group's innovative ability since mid-2016, replacing the number of patent applications, a figure that had lost significance in light of changes in the patent strategy. ▶ 2016 ANNUAL REPORT, P. 55 Since the number of invention applications was recorded for the first time for fiscal year 2017, there are no comparative figures for the previous years.
2_The newly acquired companies in fiscal year 2018, Kimplas and Statek, are not yet included here.

GOALS REGARDING FINANCE AND LIQUIDITY MANAGEMENT

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

I. Ensuring solvency at all times

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

Rolling, regular, currency-differentiated liquidity planning for all major Group companies, which is analyzed and aggregated by the centrally organized Group Treasury, forms the main strategic cornerstone of NORMA Group's financial management. Financing flexibility is ensured by maintaining the appropriate credit lines. These are negotiated loan commitments, which can be utilized within a very short period of time and thus can

compensate for liquidity peaks. NORMA Group has a so-called 'Sunshine Line' and a revolving credit line within its syndicated bank loan. These credit lines can be used in different currencies and terms. NORMA Group uses Asset Backed Securities (ABS), factoring and reverse factoring programs to manage liquidity, optimize working capital and make its cash flows more predictable.

The financing measures conducted in fiscal year 2018, are described in detail in the notes to the financial position. ▶ FINANCIAL POSITION, P. 62

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, 2018, around 29% 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. These have been fixed in a Treasury Directive and are also subject to auditing. Compliance with the European Market Infrastructure Regulation (EMIR), which was certified in 2018 for the year 2017 by the auditor with no objections raised, is equally important to the audit. NORMA Group thus meets all of the prerequisites for process mapping and control with regard to the handling of financial risks.

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 which 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 performed at regular intervals. Manually pooling funds makes it possible to guarantee an optimized cash balance for all Group companies, whereby in particular the local terms for international payments must be taken into account here.

RESEARCH AND DEVELOPMENT

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

FOCUS ON INNOVATIONS

A clear focus of NORMA Group's R&D department is on strengthening the Company's innovative capacity. In order to identify technological trends at an early stage and systematically plan and carry out product development, new methods and innovation management processes have been implemented over the past two years by introducing 'Innovation Roadmapping' and so-called 'Innovation Scouts.'

As part of 'Innovation Roadmapping,' long-term technology development schedules are drawn up that take into account the industrial megatrends that have been identified as well as their impact on the relevant markets and resulting requirements for potential new products. So-called 'Innovation Councils' are driving the implementation of the projects identified. For example, the Innova-

tion Council 'E-Mobility' is responsible for coordinating all information and global activities on electromobility, developing a strategy geared to all regions and business sectors, and pressing ahead with its implementation. Another Innovation Council is also working on the subject of digitalization. Innovation Scouts – dedicated NORMA Group employees who collect ideas on future trends across the Group and evaluate their feasibility – are intensively involved in the innovation process.

In fiscal year 2018, NORMA Group's R&D department established the position of a Foresight Manager in order to identify future areas of interest and collect and evaluate external market information. The Foresight Manager is intensively involved in monitoring new trends and developments with regard to end markets, products and technologies and contributing that knowledge to the internal innovation management process.

Furthermore, the function of the Advanced Purchasing Manager was also introduced to create an interface between Purchasing and the R&D department. The Advanced Purchasing Manager is tasked with identifying suppliers with innovative methods, materials and processes, validating them and integrating them into NORMA Group's value chain at an early stage.

INNOVATIVE THINKING IS REWARDED

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

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

STRATEGIC COLLABORATION WITH CUSTOMERS AND RESEARCH INSTITUTES

In the area of EJT, NORMA Group works closely with its end customers, but also with research and development institutes, suppliers and other external partners. The continued expansion of the customer network in the area of e-mobility was once again a focus in 2018. This allows for customer demands to be identified immediately and be seamlessly turned into new technologies and product ideas. This, in turn, allows for fast marketing of product innovations. For competitive reasons, however, the Company does not disclose the specific nature of these research partnerships.

As the Distribution Services division is purely a commercial unit, the market does not demand the same level of technological research from it. Moreover, customers of NORMA Group in this business division expect a strong brand image, constant availability of products, and the most complete product range. Therefore, the focus in the DS area lies on making useful additions to the product range and targeted marketing activities. ▶ MARKETING, P. 72

DEVELOPMENT FOCUSES IN 2018

Besides e-mobility, the focus of R&D activities in 2018 continued to be on the introduction of Selective Catalytic Reduction (SCR) systems for large automotive customers. These customers have to continuously optimize their systems in order to achieve the international emission targets, which will make a further reduction of nitrogen oxide emissions for diesel vehicles mandatory by 2020. NORMA Group supports several OEMs in the conceptual development of these improved systems.

KNOW-HOW PROTECTED BY PATENTS

The Company's specific know-how in the area of joining technology represents a key success factor for NORMA Group. Therefore, the Group protects its innovations with patents. As of December 31, 2018, 1,038 patents and utility models (2017: 913) were held. In 2018, 65 new patent rights (2017: 51) were filed. The remainder includes patents already registered but not allocated until the fiscal year 2018 and patents acquired as part of acquisitions.

R&D EXPENSES

EJT research and development expenditure in 2018 amounted to EUR 30.5 million (2017: EUR 29.4 million), representing approximately 4.5% (2017: 4.6%) of EJT revenue. The capitalization ratio, which is the proportion of own work capitalized in relation to R&D expenses, during the reporting year amounted to 11.0% (EUR 3.3 million).

R&D EMPLOYEES

As of December 31, 2018, 365 employees (2017: 344) worldwide worked for NORMA Group in the R&D department, which represents approximately 5.3% of all permanent employees of the Group (2017: 5.6%). Most of the employees who work in R&D are engineers, technicians and technical draftsmen.

T 015 R&D KEY FIGURES [1]

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

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

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.

Global economy weakens noticeably over the course of 2018

The global economy passed its cyclical peak in 2018. The US trade conflict with China and the uncertainties surrounding the unclear Brexit process depressed the overall sentiment. In addition, the upturn in China weakened as a result of trade restrictions. In this environment, the industrial climate in the major national economies increasingly deteriorated. According to the International Monetary Fund (IMF), the global economy still grew by 3.7% in 2018 (2017: 3.8%) thanks to a strong first half of the year. The US Federal Reserve (Fed) continued its course of interest normalization, while the ECB sticked to its zero interest rate policy. However, the ECB completed its bond purchases at the end of the year as planned, however. The US dollar also appreciated to the euro in 2018.

The upturn in the Chinese economy lost momentum in 2018. According to official figures, China's economy grew by 6.6%. Besides the structural change in favor of domestic demand and high technology, the initial burdens from the trade conflict with the US had a dampening effect. Industrial production, which rose by 6.2% for the full year (2017: 6.6%), slowed down starting in the fall. The production of microcomputers, cell phones and automobiles in particular dropped so that even the respective annual production declined. At 5.2%, Southeast Asia's emerging markets (ASEAN-5) grew more slowly than before (2017: 5.3%). India returned to a more vigorous expansion course in 2018, posting an increase of 7.3%, following the reform-related setback in the previous year (+6.7%). Brazil (+1.3%) and Russia (+1.7%) recovered somewhat, while emerging and developing countries grew by a total of 4.6% (2017: 4.7%).

The US economy grew by 2.9% in 2018, according to initial official data. Driven by massive tax cuts and higher government spending, the economic upturn has gained strong momentum. Stimulus for the domestic economy came primarily from investments in equipment and private consumption. According to Fed data, industrial production increased by 4.1% (2017: +1.6%). Final-quarter growth was also 4.1%, with high growth rates in the primary energy sector and oil production. Excluding energy, industrial production rose by 2.4%. The semiconductor industry increased its production by an above-average figure. US capacity utilization stood at 78.7% in December (Dec 2017: 77.3%), but was well below the long-term average of 79.8% (1972–2017). Japan's economy grew weakly by 0.9% (2017: 1.9%) according to the IMF, and the UK's economic growth remained weak in advance of the Brexit (2018: +1.4%). According to the IMF, established economies still grew robustly overall by 2.3% in 2018 (2017: 2.4%).

T 016 GDP GROWTH RATES (REAL)

IN %	2018	2017	2016
World [1]	+3.7	+3.8	+3.3
USA [2]	+2.9	+2.2	+1.6
China [3]	+6.6	+6.9	+6.7
Euro zone [4]	+1.8	+2.4	+2.0
Germany [5]	+1.5	+2.2	+2.2

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

Investment remained buoyant in 2018 despite the economic slowdown in the euro zone

The buoyancy of the economy in the euro zone weakened considerably in 2018, although inflation and interest rates remained low and the euro depreciated. Growth slowed significantly to 1.8% (EU statistical office Eurostat). Besides the growing uncertainties caused by implemented and threatening new trade conflicts and the fruitless Brexit negotiations, the budget dispute between Italy and the EU and the higher debts of Italy and France had a negative impact. Private consumption remained robust, supported by wage increases and growth in employment. Investment activity was also buoyant thanks to high capacity utilization and a good order situation. All member states recorded further growth in 2018, but the EU Commission estimates that the momentum flattened out above all in large member states. In contrast, the Netherlands and Austria grew strongly. The Eastern European member countries of the monetary union and the EU also recorded high growth rates.

Industrial production in the euro zone faltered since the summer of 2018. Year-on-year production was 1.1% above the previous year's level. The IfW estimates that investments in equipment increased by 3.0% in real terms. The capacity

utilization of companies remained at a high level, but declined by 30 basis points within a year to 83.6% in the fourth quarter of 2018.

Upswing in Germany slowed since mid-year, domestic economy remains robust

The German economy noticeably lost momentum in the late phase of a boom. As a result of higher employment and incomes, private consumption and brisk corporate investment activity were the pillars of the upswing. In the second half of the year, however, production losses in the automotive industry were reflected in an economic dent. According to the Federal Statistical Office, the gross domestic product grew by only 1.5% in 2018 as a whole after 2.2% in each of the two previous years. Private consumption rose by 1.0% in real terms (2017: 1.8%) and made a significant contribution to growth at 50 basis points. Investments in equipment (+4.5%) and construction (+3.0%) were very dynamic, so that they also made important contributions to growth. By contrast, export growth flattened out sharply. In contrast to the previous year, net exports burdened GDP growth by –0.2 percentage points.

Industrial production was still very lively in the first half of 2018, with annual growth rates of 2% to 5% per month. Since the middle of the year, however, the growth rates have only reached a maximum of +0.9% (July) and even losses of up to –5.1% (November). According to Eurostat data, industrial capacity utilization fell to 87.1% in the fourth quarter (Q4 2017: 87.7%).

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 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 the high US dollar exposure, fluctuations in the EUR/USD exchange rate in particular affect earnings. ▶ RISK AND OPPORTUNITY REPORT, P. 79 In fiscal year 2018, NORMA Group generated more than 40% of its sales in US dollars. The development of the US dollar against the euro resulted in a negative sales effect in fiscal year 2018. Furthermore changes in the exchange rates of the following currencies had a negative effect on the development of sales: British pound, Swedish krona, Swiss franc, Russian rubel, Turkish lira, Chinese renminbi, Japanese yen and Australian dollar.

INDUSTRY-SPECIFIC FACTORS

International mechanical engineering posts more moderate growth, while China comes to a complete stop

Although global mechanical engineering continued to grow in 2018, growth was slower than in previous years due to the economic slowdown and the US trade conflict with China. According to the industry association VDMA, global mechanical engineering sales rose by 3% in real terms in 2018 (2017: +6%). China accounted for about one third of the world's sales, although its estimated growth slumped to 2% (2017: 8%). Excluding China, the global market grew by 4%. High growth rates were achieved in Singapore (+16%) and India (+10%), among other countries. In the individual ASEAN-5 countries, sales increased by 7% to 12%. In Japan, however, growth dropped by half to 4%, while South Korea stagnated. Sales in the US rose by 5%.

Due to brisk investment activity in Europe, the mechanical engineering sector continued its robust upswing. High growth was achieved in Switzerland, the Netherlands, Austria, Scandinavia and the EU countries of Eastern Europe. Sales also rose in Russia and Turkey. According to VDMA estimates, sales in the euro zone and the EU each increased by 4%. The German mechanical and plant engineering industry grew at an accelerated pace with high capacity utilization (October: 90.5%). In the first nine months, imports increased by 5.6% in real terms, outpacing exports (+4.0% in real terms). In 2018, production increased by a mere 2% in real terms due to a weak year-end. The VDMA forecast of +5% was thus missed. In some cases, capacity bottlenecks prevented a more positive development. Despite the high prior-year basis, the order situation continued to improve. In 2018, order intake was 5% higher in real terms than in the previous year. Impulses came from Germany and abroad, whereby the increase was stronger within the euro zone than from non-euro countries. Domestic orders even rose by 6%.

Automotive industry: Passenger car market stagnated, commercial vehicles worldwide with growth

For the first time since 2009, the automotive industry did not experience growth. Besides the uncertainties regarding exhaust emissions and driving bans, the economic slowdown and US restrictions on trade with China had a negative impact. According to LMC Automotive (LMCA), global sales of light vehicles (LV, up to 6 t) fell slightly to 95.1 million LV (–0.2%). Worldwide, LV production was 0.5% lower. According to the VDA, the more narrowly defined global passenger car market stagnated at a sales volume of 85 million passenger cars. By contrast, global truck production and sales each increased by 3.7% (LMCA). According to LMCA data, regional developments varied greatly. China suffered from purchasing restraint as a result of planned new emission standards and the trade conflict. LV sales and production fell by 2.2% and 3.5%, respectively, while truck

production shrank by 8.4%. The LV market in the US stagnated (unit sales: +0.3%, production: +0.1%), while truck production and unit sales grew at double-digit rates. Mexico increased its truck production by 28.5%. While Japan's LV market moved sideways, robust growth continued in India. Both countries significantly increased their truck production.

In Europe, sales stagnated at 15.6 million passenger cars (EU28 + EFTA), according to the ACEA association. Sales in Eastern Europe rose by 8.0%, but sales in Western Europe fell by 0.8%. While more passenger cars were sold in Spain and France, sales declined in Italy and the United Kingdom. Germany fell just short of the previous year's level (–0.2 %). According to LMCA data, production in Europe remained stable at 22.2 million LV (+0.2%). The negative factors were subdued demand, lower imports to Turkey and China, and production losses due to the switch to the WLTP procedure. German manufacturers in particular suffered as a result with production losses of 6.4%. British LV production also declined noticeably by 6.8%.

The European commercial vehicle market grew moderately. Truck production increased by 2.3% in 2018 (LMCA). According to ACEA data, sales of buses and trucks of all weight classes in Europe rose by 3.1% in total to nearly 2.6 million commercial vehicles (West: +2.4%, East: +9.7%). Spain's 6.5% growth was stronger than in the other volume markets. In France (+4.9%) and Germany (+4.6%), sales of commercial vehicles rose robustly, while sales volumes fell in Italy (–4.1%) and Great Britain (–1.9%). All commercial vehicle segments grew in 2018, the three truck segments by a good 3% each. Bus sales rose at a disproportionately low rate of 0.7%.

Europe's construction industry on the upswing, residential construction and civil engineering with strong tailwind

The European construction industry continued its upswing in 2018. According to the Euroconstruct industry network (including the ifo Institute), construction output in the 19 core markets increased by 2.8% (2017: +4.1%). This was driven by low interest rates, population growth, urbanization and a high level of public willingness to invest, especially in transport infrastructure. Civil engineering provided the greatest impetus with real growth of 5%. Residential construction, which accounts for almost half of European construction output with conversions and modernization, continued its upswing by posting an increase of just under 3%. The new construction segment boomed (+8.8%). Construction output in this sector rose by 2.2% in real terms in Western Europe (2017: +3.9%) with growth in all countries except the UK. Eastern Europe even achieved real growth of 13.4% (2017: +9.3%).

Construction spending in Germany in 2018 grew by 3.0% in real terms (2017: +2.9%), according to Destatis. According to the IfW, this growth was based on brisk construction activity in residential and public construction. The German Institute for Economic Research (DIW) estimates that the total volume of housing construction grew by 8.6% to EUR 230 billion in nominal terms (2017: +6.3%). Construction work on existing buildings (extensions/conversions, modernization, maintenance), which constitutes two thirds of the construction volume of apartments, increased by 7.9% (2017: +7.1%). In other building construction (excluding housing), the construction volume rose by 6.2% (2017: +4.5%) and in civil engineering by 8.7% (2017: +7.1%), with public civil engineering achieving nominal growth of 11.6%.

LEGAL AND REGULATORY INFLUENCING ASPECTS

Due to the international focus of the business and against the backdrop of its acquisition strategy, various legal and tax-related regulations are of relevance to NORMA Group. Among others, these include product safety and product liability laws, construction, environmental and employment-related regulations as well as foreign trade and patent laws. ▶ RISK AND OPPORTUNITY REPORT, P. 79

In addition, NORMA Group's product strategy is influenced by the increasing density of regulations in environmental law and the current discussion on alternative drive technologies in the automotive industry. In particular, new emission regulations and the country-specific fleet regulations for passenger cars have positive effects on NORMA Group's business. After all, the increasing complexity of systems in vehicles also increases the number of potential interfaces and thus the demand for reliable and innovative joining technology. The trend towards hybrid drive models that can currently be observed is also accompanied by an increase in complexity because additional systems are needed in addition to the combustion engine, in the area of thermal management, for example. This also plays a decisive role in pure electric vehicles. Thermal management encompasses both the cooling and the heating of the battery used for the additional generation of energy in order to bring it into an optimal operating state. In this area too, NORMA Group sees additional potential for its product portfolio in the short to medium term.

With the acquisition of National Diversified Sales (NDS) in 2014 and the more recent acquisition of the Indian water company Kimplas, 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 2018

STRATEGIC COMPANY ACQUISITIONS

Acquisition of Kimplas Piping Systems Ltd.

In April 2018, NORMA Group announced the acquisition of the Indian water company Kimplas Piping Systems Ltd. ('Kimplas'). The acquisition of 100% of the shares in the company was successfully completed on July 5, 2018. Consolidation took place from this point in time.

Based in Nashik, Maharashtra State, West India, Kimplas has been developing and producing joining solutions for safe and leakage-free drinking water and gas supply in rural and urban regions of India since 1996. Kimplas's product portfolio includes compression fittings, sprinklers and droppers, valves, filters and electrofusion fittings for gas and water pipes. The company also sells plastic pipes and imported nozzles as well as machines and tools for electrofusion fittings. Kimplas's customers include exporters, water boards, domestic and foreign gas suppliers, micro irrigation system suppliers and construction companies. Kimplas sells most of its products in India. The company that employs more than 600 people generated sales of around EUR 21 million in fiscal year 2018 (April 2017 to March 2018).

Successful completion of the acquisition of Statek Stanzereitechnik GmbH

At the beginning of August 2018, NORMA Group successfully completed the acquisition of its supplier Statek Stanzereitechnik GmbH ('Statek'), following approval by the antitrust authorities. The company based in Maintal was founded in 1980 and manufactures contact and stamped parts, housings and wave springs. The company has around 60 employees and supplies well-known German and international customers in the electrical engineering, automotive and reactor technology sectors. NORMA Group had a long-standing business relationship with Statek and obtains its housings and corrugated springs for worm drive clamps from the medium-sized company. Statek generated sales revenues of around EUR 17.2 million in fiscal year 2017, around 70% thereof with NORMA Group as its main customer. Initial consolidation took place on August 1, 2018. ▶ ACQUISITIONS AND CHANGES OF LEGAL STRUCTURE, P. 37

PLANT OPENING IN MEXICO

In November 2018, NORMA Group opened a new plant in Tijuana, Mexico, thereby expanding its capacities in the Americas region. By opening this new plant, NORMA Group is taking its growth and profitability targets for the coming years into account. The flow management products from the subsidiary National Diversified Sales (NDS), which were previously manufactured in Lindsay, California, have been produced at the new 140,000 m² production facility inTijuana since November.

COMPARISON OF TARGET AND ACTUAL VALUES

NORMA Group published a forecast in its 2017 Annual Report on the development of the Group's most important financial figures in fiscal year 2018. In the course of the fiscal year under review, the Management Board was forced to adjust its forecast for Group sales growth, the adjusted EBITA margin and the net operating cash flow due to changes in the general conditions. The explanations below provide an overview of the forecast adjustments and a comparison of the projected values with the Group's actual results.

ADJUSTMENTS TO THE FORECAST DURING THE YEAR

NORMA Group's Management Board raised the sales forecast for the Group in May 2018 on the basis of sales revenues for the period from January to April 2018 and the expected sales performance in the second half of the year. Instead of organic Group sales growth of around 3% to 5%, the Management Board since then expected Group sales growth of around 5% to 8% for the full year 2018. The forecast adjustment is partly the result of better-than-expected developments in the Americas and Asia-Pacific regions, which is why the Management Board raised its forecast for organic sales growth in both regions. The main factors behind this development were the significant recovery of the commercial vehicle and agricultural machinery markets and a water business in the US that was strengthened by catch-up effects. In the Asia-Pacific region, strong demand for joining products in China in particular had a more significant impact on sales than expected.

In July 2018, NORMA Group's Management Board revised its forecast for the adjusted EBITA margin and net operating cash flow downwards on the basis of the expected figures for the second quarter and the expected development in the second half of the year. The main reasons for this were significant price increases for important raw materials, especially in the area of alloy surcharges, force majeure for important plastic components and increased trade barriers, due to US tariffs on steel, for example. In addition, the increasing shortage of materials on the raw material markets and the strong sales growth temporarily led to variable special costs in the areas of purchasing, production and logistics. Based on this, the Management Board therefore reduced its forecast for the adjusted EBITA margin to between 16% and 17% (previously: sustainable at the same level as in previous years of more than 17%) and the forecast for net operating cash flow to around EUR 130 million (previously: around EUR 140 million). The Management Board maintained its forecast for organic growth, aiming for the upper end of the range of around 5% to 8%.

The forecast for the remaining target values remained unchanged. The ▶ TABLE 017 ON P. 56 provides an overview of the target and actual values as well as the forecast adjustments during the year.

DEVIATIONS FROM THE TARGET VALUES

NORMA Group achieved the organic growth in Group sales that had been revised upwards for fiscal year 2018 in May. At 7.7%, this figure is at the upper end of the 5% to 8% range, as forecast.

With respect to costs on the other hand, the development was divergent. While the adjusted cost of materials ratio and other operating income and expenses as a percentage of sales rose year-on-year as a result of the tense situation on the raw materials markets and the resulting inefficiencies in NORMA Group's production processes, the adjusted personnel cost ratio was lower mainly due to lower allocations to employee bonuses and the reversal of personnel-related provisions. This resulted in an adjusted EBITA margin of 16.0%, which was within the range, but at the lower end of the 16% to 17% range adjusted in July 2018.

Net operating cash flow amounted to EUR 124.4 million in fiscal year 2018 and was thus slightly below the forecast of around EUR 130 million adjusted in July 2018.

The other key financial figures were in line with the forecast published in the 2017 Annual Report.

GENERAL STATEMENT BY THE MANAGEMENT BOARD ON THE COURSE OF BUSINESS AND ECONOMIC SITUATION

NORMA Group ended fiscal year 2018 by achieving organic growth of 7.7%, the second consecutive year of strong organic growth. This growth was driven by the significant recovery of the US commercial vehicle and agricultural machinery markets, a resurgent US water business and strong demand for high-quality joining solutions from China in the first half of 2018. The integration of Kimplas and Statek, the companies acquired in the second half of the year, also proceeded according to plan. Together with Fengfan, which was acquired in 2017, the companies contributed a total of EUR 16.5 million to (acquisition-related) sales in fiscal year 2018.

With an adjusted result for the period of EUR 114.8 million, an increase of 9.3% over the previous year, and adjusted earnings per share of EUR 3.61, fiscal year 2018 was a good year despite all the challenges in which important foundations for further growth were laid.

Nevertheless, the Management Board is cautious about the current year due to declining global growth dynamics, industry-specific challenges, especially in the European and Chinese automotive sectors, and geopolitical uncertainties regarding the outcome of the Brexit negotiations. Against this backdrop and the high growth levels of NORMA Group over the past two years, the Management Board anticipates a lower growth intensity for the Group in the current year 2019. ▶ FORECAST REPORT, P. 74

T 017 ACTUAL BUSINESS DEVELOPMENT COMPARED TO THE FORECAST

	Results in 2017[1]	March 2018	May 2018	July 2018	Results in 2018[1]
Group sales	EUR 1.017,1 million	n/a	n/a	n/a	EUR 1,084.1 million
Organic growth of Group sales	8.6% organic growth, additionally EUR 57.3 million from acquisitions	solid organic growth of around 3% to 5%, additionally around EUR 5 million from acquisitions	solid organic growth of around 5% to 8%, additionally around EUR 5 million from acquisitions	solid organic growth of around 5% to 8%, whereas the upper end of the range is targeted, additionally around EUR 17 million from acquisitions	7.7% organic growth, additionally EUR 16.5 million from acquisitions
Organic sales growth EMEA	6.2%	solid organic growth	no adjustment	no adjustment	2.0%
Organic sales growth Americas	8.4%	solid organic growth	strong organic growth	no adjustment	12.4%
Organic sales growth Asia-Pacific	22.7%	organic growth in the double-digit range	higher than originally expected organic growth in the double-digit range	no adjustment	14.9%
Sales growth EJT	19.1%	solid growth	strong growth	no adjustment	7.3%
Sales growth DS	5.0%	solid growth	no adjustment	no adjustment	5.8%
Adjusted cost of materials ratio	41.2%	roughly at the same level as in previous years	no adjustment	no adjustment	43.6%
Adjusted personnel expense ratio	26.5%	roughly at the same level as in previous years	no adjustment	no adjustment	25.9%
Adjusted EBITA margin	17.2%	sustainable at the same level as in previous years of more than 17.0%	no adjustment	between 16% and 17%	16.0%
Financial result	EUR – 16.1 million	up to EUR – 15.0 million	no adjustment	no adjustment	EUR – 11.7 million
Adjusted tax ratio	30.0%	around 26% to 28%	no adjustment	no adjustment	24.9%
Earnings per share	EUR 3.29 (adjusted) EUR 3.76 (reported)	strong increase	no adjustment	no adjustment	EUR 3.61 (adjusted) EUR 2.88 (reported)
Net operating cash flow	EUR 132.9 million	around EUR 140 million	no adjustment	around EUR 130 million	EUR 124.4 million
Investments in R&D (related to EJT sales)	4.6%	around 5% of EJT sales	no adjustment	no adjustment	4.5%
Investment rate (without acquisitions)	4.7%	operational investments of around 5% of Group sales	no adjustment	no adjustment	5.8%
Dividend Payout ratio	EUR 1.05 31.9%	approx. 30% to 35% of adjusted annual Group earnings	no adjustment	no adjustment	EUR 1.10[2] 30.5%
Number of invention applications	33	more than 20	no adjustment	no adjustment	32
Number of defective parts per million (PMP)	16	less than 20	no adjustment	no adjustment	7
Average number of quality-related customer complaints per month	9	less than 8	no adjustment	no adjustment	7

1_The adjustments relate to adjustments for acquisitions as well as the initiated rightsizing project announced in February 2019. ▶ NOTES, P. 141
2_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, 2019.

EARNINGS, ASSETS AND FINANCIAL POSITION

ADJUSTMENTS

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

In fiscal year 2018, net expenses of EUR 4.4 million in total were adjusted within EBITDA (2017: EUR 3.5 million). These relate to the cost of materials (2018: EUR 0.4 million; 2017: EUR 1.1 million) resulting from the valuation of the acquired inventories as part of the purchase price allocation for the Kimplas acquisition. Furthermore, expenses for acquisition-related costs in connection with the acquisition of Kimplas and Statek in the amount of EUR 1.2 million were adjusted within other operating expenses. Moreover, expenses for the integration of the two companies (2018: EUR 0.4 million; 2017: EUR 2.2 million) were adjusted within other operating expenses and within employee benefits (2018: EUR 0.2 million; 2017: EUR 0.6 million).

In addition, adjustments of EUR 2.2 million in total were made in connection with the rightsizing project initiated in the fourth quarter of 2018 to optimize the Group's structures. The adjustments within expenses for employee benefits relate to costs for project hours of internal employees of the core workforce (EUR 1.0 million), costs for project employees hired temporarily (EUR 0.6 million) and costs for severance payments made (EUR 0.1 million). Furthermore, costs within other operating expenses amounting to EUR 0.4 million and costs within cost of materials amounting to EUR 19 thousand were also adjusted.

In addition to the adjustments described above, depreciation on property, plant and equipment from purchase price allocations of EUR 3.9 million (2017: EUR 4.2 million) was shown as adjusted within EBITA in fiscal year 2018 as in previous years, and amortization of intangible assets from purchase price allocations of EUR 21.1 million (2017: EUR 20.5 million) was shown as adjusted within EBIT.

Furthermore, an impairment loss of EUR 1.4 in the area of capitalized customer relationships was adjusted in fiscal year 2018 within amortization of intangible assets. This related to the Chinese company Fengfan.

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

The following table shows the result adjusted for these effects:

T 018 ADJUSTMENTS [1]

IN EUR MILLIONS	2018 adjusted	Adjustments	2018 reported
Group sales	1,084.1	0	1,084.1
EBITDA	201.4	4.4	197.0
EBITDA margin (in %)	18.6		18.2
EBITA	173.2	8.4	164.8
EBITA margin (in %)	16.0		15.2
EBIT	164.5	30.9	133.5
Financial income	– 11.7	0	– 11.7
Profit for the period	114.8	23.0	91.8
EPS (in EUR)	3.61	0.73	2.88

1_Deviations may occur due to commercial rounding.

EARNINGS POSITION

The development described below describes the changes in the main items of the income statement in the year under review, adjusted for the above-mentioned special effects. ▶ NOTES, P. 141

Sales development

Strong growth in Group sales, additional sales revenue from acquisitions

In fiscal year 2018, Group sales of NORMA Group increased by 6.6% to EUR 1,084.1 million (2017: EUR 1,017.1 million). This figure includes organic sales growth of 7.7% (2017: 8.6%) and acquisition-related growth of 1.6% (2017: 6.4%). Currency effects in connection with exchange rate changes had a negative effect of – 2.8% (2017: – 1.4%).

The main growth drivers in fiscal year 2018 were the good development of global passenger car production, the significant recovery of the US markets for commercial vehicles and agricultural machinery, the strong water business in the US and high demand for high-quality joining solutions in China, particularly in the first half of the year. In addition, Kimplas and Statek, the companies acquired in fiscal year 2018, and the Chinese company Fengfan acquired in 2017 contributed positively to sales growth.

The growth intensity varied over the year: While organic sales growth in the first half of the year was 11.0%, driven by strong demand and good production figures in the automotive industry, it leveled off significantly in the course of the third and fourth quarters. The main reasons for this were the deteriorating mood

in the European automotive sector as a result of the WLTP issue and the decline in demand in China.

T 019 EFFECTS ON GROUP SALES

	in EUR millions	Share in %
Group sales 2017	1,017.1	
Organic growth	78.6	7.7
Acquisitions	16.5	1.6
Currency effects	– 28.1	– 2.8
Group sales 2018	**1,084.1**	**6.6**

Heterogeneous growth in the three regional segments

NORMA Group recorded sales growth in all three regions compared with the previous year, albeit with varying intensity. The strongest growth was once again recorded in the Asia-Pacific region, where sales rose by 23.2% to EUR 147.8 million (2017: EUR 119.9 million) due to strong demand for joining technology, particularly in the Chinese automotive market. The Americas region also achieved significant growth of 7.4% year-on-year by posting sales of EUR 441.5 million (2017: EUR 411.3 million). This was driven in particular by strong demand in the commercial vehicle and agricultural machinery sectors and a strong NDS water business influenced by catch-up effects. Sales in the EMEA region amounted to EUR 494.8 million in fiscal year 2018, representing growth of 1.8% compared with the previous year (2017: EUR 485.9 million). In particular, the worsening WLTP situation in the second half of 2018 had a negative impact on production figures and correspondingly on demand in the automotive sector.

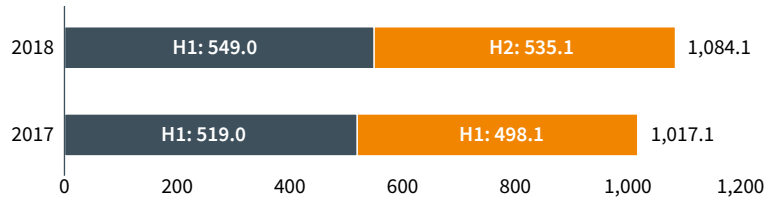
Growth in both sales divisions

Sales in the EJT segment amounted to EUR 684.6 million in fiscal year (2017: EUR 638.2 million) and were thus 7.3% higher than the year before. The reason for this was the high demand for reliable joining solutions, which was positively influenced by good production figures in the automotive industry, especially in the first half of 2018. Other important growth drivers for the EJT business are the ever stricter international emission standards and the increasing demands on the complexity and durability of the individual components in the vehicle. Sales growth in this area was dampened by the effects of the WLTP issue in Europe, which became noticeable from the third quarter onwards, and by a significant drop in demand on the Chinese automotive market.

Distribution Services revenues amounted to EUR 393.8 million in 2018, an increase of 5.8% over the previous year (2017: EUR 372.3 million). The strong US water business and Kimplas, acquired in August 2018, contributed significantly to DS growth in fiscal year 2018.

G 012 DEVELOPMENT OF SALES 2018

IN EUR MILLIONS



T 020 DEVELOPMENT OF SALES CHANNELS

	EJT		DS	
	2018	2017	2018	2017
Group sales (in EUR millions)	684.6	638.2	393.8	372.3
Growth (in %)	7.3	19.1	5.8	5.0
Share of sales (in %)	63	63	37	37

Development of earnings

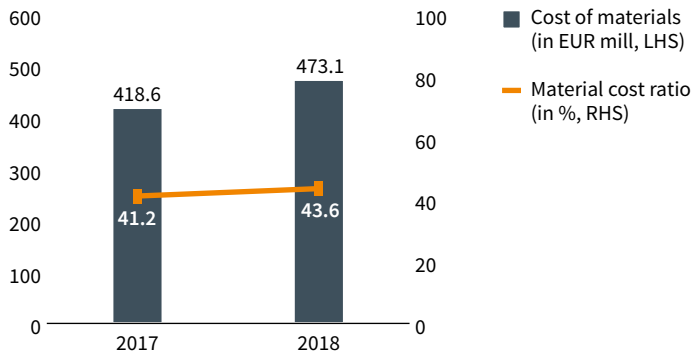
Adjusted material cost ratio burdened by price increases on the commodity markets

A volatile environment on the global commodity markets and price increases for key raw materials of NORMA Group, particularly in the areas of steel, alloy surcharges and engineering plastics (▶ PURCHASING AND SUPPLIER MANAGEMENT, P. 67), led to a 13.0% year-on-year increase in the adjusted cost of materials to EUR 473.1 million in fiscal year 2018 (2017: EUR 418.6 million).

In addition, inventories of finished goods and work in progress increased by EUR 10.4 million compared with the previous year. Among other factors, this was a consequence of the shortages on the commodity markets, which resulted in a safety-related build-up of reserves, especially in the third quarter of 2018. Although the inventory was reduced again in the fourth quarter, it was clearly above the level of the previous year at the end of the year.

As a result of these developments, the adjusted cost of materials ratio (cost of materials in relation to sales) increased to 43.6% in fiscal year 2018 (2017: 41.2%).

G 013 COST OF MATERIALS AND COST OF MATERIALS RATIO (ADJUSTED)



Adjusted gross margin influenced by higher cost of materials and inventory buildup

Adjusted gross profit amounted to EUR 626.6 million in fiscal year 2018 (2017: EUR 601.3 million), an increase of 4.2%. At 57.8%, the adjusted gross margin was 130 basis points below the level of the previous year (2017: 59.1%). This was due to the high cost pressure on the materials side described above and the higher inventory build-up from the third quarter onwards resulting from the shortage of materials.

Lower adjusted personnel cost ratio

Adjusted personnel expenses amounted to EUR 280.8 million in fiscal year 2018, a 4.2% increase over the previous year (2017: EUR 269.6 million). This increase can be attributed to the acquisition- and growth-related increase in the average number of employees in the fiscal year. ▶ EMPLOYEES, P. 69 The adjusted personnel cost ratio resulting from the ratio of adjusted personnel expenses and sales amounted to 25.9% in fiscal year 2018 and was thus 60 basis points lower compared with the previous year (2017: 26.5%). This was due in particular to lower allocations to provisions for bonus payments for employees.

Adjusted other operating income and expenses burdened by special variable costs

The balance of adjusted other operating income and expenses amounted to EUR – 144.4 million in fiscal year 2018, representing an increase of 9.4 % over the previous year (2017: EUR – 132.0 million). Other operating income includes in particular currency gains from operating activities of EUR 7.6 million (2017: EUR 5.6 million) as well as income from the release of liabilities and unused provisions in connection with employee-related obligations.

Other operating expenses include currency losses from operating activities of EUR 8.5 million (2017: EUR 7.8 million). In addition, freight costs in particular (+ 19.5%) increased compared to the previous year. This was mainly due to the shortage of materials on the international commodity markets and the resulting delays in NORMA Group's production processes, some of which necessitated special freight charges.

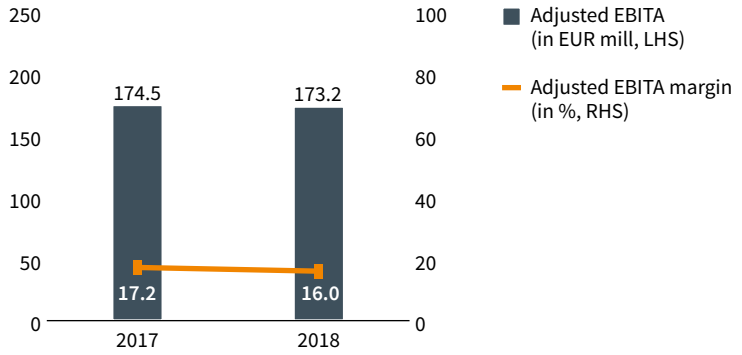
In relation to sales, the balance of adjusted other operating income and expenses rose slightly year-on-year to 13.3% (2017: 13.0%). ▶ OPERATING INCOME and ▶ OPERATING EXPENSES, P. 145

Operating result burdened by material prices and special costs

The higher cost of materials ratio and higher variable special costs in connection with a highly volatile environment on the commodities markets had a negative impact on NORMA Group's adjusted operating earnings before interest, taxes, depreciation and amortization (adjusted EBITDA), which rose slightly by 0.8% to EUR 201.4 million in fiscal year 2018 (2017: EUR 199.7 million). The adjusted EBITDA margin resulting from the ratio to sales amounted to 18.6% (2017: 19.6%) and is thus 100 basis points below the level of the previous year.

Adjusted EBITA amounted to EUR 173.2 million in 2018, a decrease of 0.8% compared to the previous year (2017: EUR 174.5 million). The resulting adjusted EBITA margin was 16.0% (17.2%) due to the developments described above and was thus below its target value of above 17.0% for the first time since the IPO.

G 014 ADJUSTED EBITA AND ADJUSTED EBITA MARGIN



Return on capital employed (ROCE)

The return on capital employed (ROCE), which is calculated by dividing adjusted EBIT by the average capital employed during the year amounted to 17.5% in fiscal year 2018 and thus decreased compared with the previous year (2017: 18.9%).

T 021 RETURN ON CAPITAL EMPLOYED (ROCE)

IN EUR MILLIONS	2018	2017
Adjusted EBIT	164.5	166.0
Average capital employed	941.0	878.5
	17.5%	**18.9%**

NORMA Value Added

NORMA Value Added (NOVA), the relevant benchmark for the long-term remuneration of the Management Board, amounted to EUR 60.8 million in fiscal year 2018, an improvement on the previous year (2017: EUR 54. 8 million). The calculation of NOVA is based on a weighted average cost of capital (WACC) of 7.1% in fiscal year 2018 (2017: 7.0%). ▶ CONTROL SYSTEM AND CONTROL PARAMETERS, P. 45

Financial result

The financial result amounted to EUR – 11.7 million in fiscal year 2018 (2017: EUR – 16.1 million). Net currency gains/losses (including income/expenses from the measurement of currency hedging derivatives) amounted to EUR 0.7 million in 2018 (2017: EUR – 5.9 million). At EUR 13.3 million, net interest expense decreased by EUR 0.4 million compared to the prior-year period (2017: EUR – 13.7 million). In addition, the financial result included expenses from the valuation of derivatives in the amount of EUR 0.4 million (2017: income of EUR 4.6 million). ▶ NOTES, P. 146

Revised and adjusted income taxes

Revised income taxes amounted to EUR 38.0 million in fiscal year 2018 (2017: EUR 44.9 million). This results in a revised and adjusted tax rate of 24.9% (2017: 30.0%). The lower tax rate is mainly due to the reduction in the US corporate tax rate in 2017.

Adjusted profit for the period increased

Adjusted profit for the period after taxes amounted to EUR 114.8 million in fiscal year 2018 and thus increased by 9.3% compared to the previous year (2017: EUR 105.0 million). Based on an unchanged number of shares of 31,862,400 compared to the previous year, adjusted earnings per share after deduction of the profit for the period for non-controlling interests amounted to EUR 3.61 (2017: EUR 3.29).

ASSET POSITION

Rise in total assets

Total assets as of December 31, 2018, amounted to EUR 1,471.7 million and were therefore 12.2% higher compared to the previous year (Dec 31, 2017: EUR 1,312.0 million).

Assets impacted by acquisitions and currency effects

NORMA Group's non-current assets amounted to EUR 928.3 million as of December 31, 2018, up 12.5% on the previous year (Dec 31, 2017: EUR 825.5 million). Changes in non-current assets were impacted by the acquisitions of the two companies Kimplas and Statek and currency effects, particularly in relation to the US dollar. Non-current assets accounted for 63.1% of total assets as of the balance sheet date (Dec 31, 2017: 62.9%). ▶ NOTES, P. 151

Current assets amounted to EUR 543.4 million as of the balance sheet date, up 11.7% on the previous year (Dec 31, 2017: EUR 486.6 million). The increase is mainly due to the increase in inventories of EUR 26.9 million and a EUR 35.1 million increase in cash and cash equivalents. Cash and cash equivalents amounted to EUR 190.4 million as of December 31, 2018 (Dec 31, 2017: EUR 155.3 million). The share of non-current assets to total assets amounted to 36.9% (Dec 31, 2017: 37.1%).

Working Capital

(Trade) working capital (inventories plus receivables less liabilities, both primarily from trade payables and trade receivables) amounted to EUR 179.2 million as of December 31, 2018, which was 13.3% higher than in the previous year (Dec 31, 2017: EUR 158.2 million). This was mainly influenced by a disproportionately high increase in inventories, which mainly resulted from the safety-related build-up of reserves in the course of the challenges on the purchasing side in fiscal year 2018. In contrast, trade and other receivables decreased. NORMA Group participates in a factoring, a reverse factoring and an Asset Backed Securities (ABS) program.

The working capital ratio in relation to sales was 16.5% as of December 31, 2018 (Dec 31, 2017: 15.6%).

Increased equity ratio

Consolidated equity amounted to EUR 602.4 million as of December 31, 2018, an increase of 12.7% compared to the previous year (2017: EUR 534.3 million). The increase in equity was largely due to the result for the period of EUR 91.8 million, but also positive currency translation differences of EUR 10.1 million. The dividend payment of EUR 33.5 million in the second quarter of 2018 reduced equity. At the end of fiscal year 2018, the equity ratio was 40.9%, nearly the same as in the previous year (2017: 40.7%).

Higher net debt

Net debt (financial liabilities, including derivative hedging instruments in the amount of EUR 0.8 million, less cash and cash equivalents) amounted to EUR 400.3 million at the end of the reporting period and thus rose by 16.1% compared to the previous year (Dec 31, 2017: EUR 344.9 million).

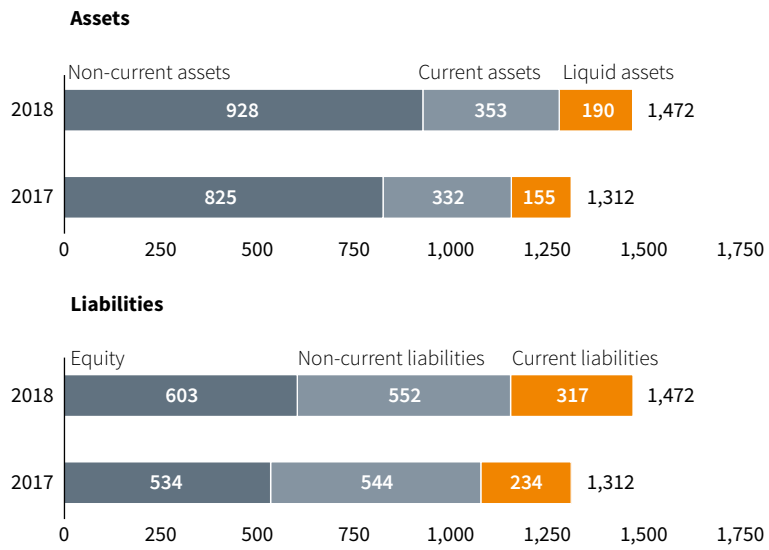
Financial liabilities amounted to EUR 590.7 million as of the balance sheet date and thus rose by 18.1% compared to the previous year (Dec 31, 2017: EUR 500.2 million). The increase in loans is mainly due to having made use of the accordion facility in the amount of EUR 102 million to finance the two acquisitions made in fiscal year 2018.

The increase in other financial liabilities excluding leasing by EUR 10.5 million to EUR 20.8 million (2017: EUR 10.4 million) is mainly the result of liabilities from the ABS and factoring programs.

Gearing (net debt in relation to equity) was 0.7 and thus slightly higher than last year due to higher net debt (2017: 0.6). Leverage (net debt excluding hedging derivatives in relation to the adjusted EBITDA of the last twelve months) rose to 1.9 compared to the previous year (Dec 31, 2017: 1.7).

G 015 ASSET AND CAPITAL STRUCTURE

IN EUR MILLIONS



Non-current and current liabilities

Non-current liabilities increased slightly by 1.5% to EUR 552.1 million (Dec 31, 2017: EUR 544.0 million) and amounted to 37.5% of total assets as of the balance sheet date (31 Dec 2017: 41.5%). Non-current loan liabilities remained virtually constant. The partial reclassification of the promissory note loan according to its maturity was compensated for the utilization of the accordion facility in fiscal year 2018. The deferred income tax liabilities increased by EUR 12.6 million (20.7%).

Current liabilities increased by 35.7% to EUR 317.1 million in 2018 (Dec 31, 2017: EUR 233.8 million) due to the above mentioned reclassification. The share of the balance sheet total amounted to 21.6% (2017: 17.8%).

Unrecognized intangible assets

NORMA Group's rights to its brands and patents on the brands it owns, but also customer relationships, if acquired externally, are recognized in the balance sheet as intangible assets. However, the reputation of these brands and how well known they are among its customers also play important roles in the success of its business. Well-established customer relationships that are based on NORMA Group's distribution network that has continually grown over the course of many years are equally important. The know-how and experience of NORMA

Group employees also play important roles in the Company's success. The many years of research and development expertise and project management know-how are also seen as competitive advantages for NORMA Group. These values are not recognized in the balance sheet.

FINANCIAL POSITION

Financing measures

NORMA Group monitors risks from changes in exchange and interest rates on a regular basis and aims at limiting 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.

As of the reporting date December 31, 2018, the revolving line of credit in the amount of EUR 50 million in the syndicated loan had not been used. In addition, an accordion facility has been negotiated as part of this loan agreement, which was drawn for EUR 102 million as of December 31, 2018. Of the EUR 250 million originally available, EUR 148 million were therefore still undrawn as of the reporting date. These funds are available to NORMA Group until 2022 to ensure a high degree of financing flexibility.

In order to reduce interest rate risks that could result from the external financing components, USD interest rate hedges of nominal EUR 60.2 million were concluded in the fiscal year.

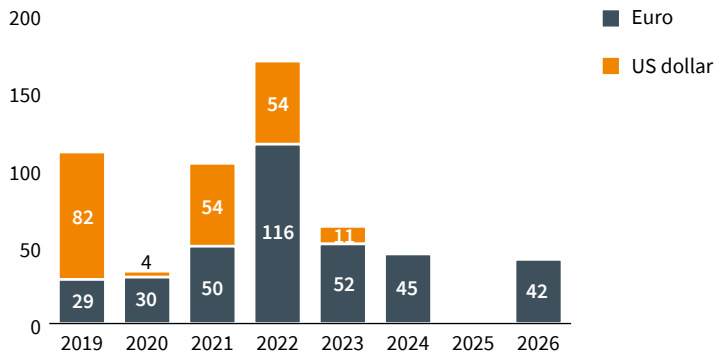
As of December 31, 2018, the average interest rate on total gross debt was 2.5%. NORMA Group's maturity profile for all three promissory notes I (2013), II (2014) and III (2016) and the syndicated credit line (2015) on December 31, 2018, was as shown in the ▶ GRAPHICS 016 AND 017.

As of the balance sheet date in 2018, NORMA Group complied with all of the conditions contained in the loan contracts (financial covenants: debt in relation to consolidated EBITA).

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

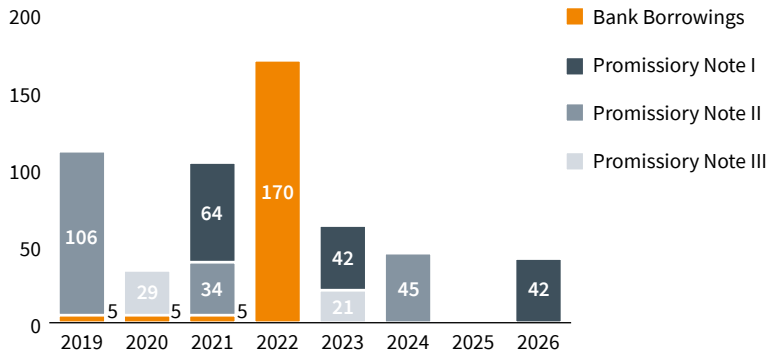
G 016 MATURITY PROFILE BY CURRENCY

IN EUR MILLIONS



G 017 MATURITY PROFILE BY FINANCIAL INSTRUMENTS

IN EUR MILLIONS



Development of cash flow

Net operating cash flow

In 2018, NORMA Group generated a net operating cash flow (adjusted EBITDA less changes in working capital and operating expenses) of EUR 124.4 million (2017: EUR 132.9 million). The year-on-year decline is mainly due to higher operating investments in relation to adjusted EBITDA.

Cash flow from operating activities

Cash flow from operating activities, which is derived indirectly from the profit for the period, amounted to EUR 130.8 million in fiscal year 2018 (2017: EUR 146.0 million). NORMA Group participates in a reverse factoring program, a factoring program and an ABS program. The corresponding cash flows are presented under cash flow from operating activities as this reflects the economic substance of the transactions. Liabilities under the reverse factoring program are reported under trade payables and similar liabilities. As of December 31, 2018, liabilities of EUR 19.2 million (Dec 31, 2017: EUR 25.4 million) from reverse factoring programs were recognized. The total amount of trade receivables sold under the factoring and ABS programs amounted to EUR 61.2 million in the fiscal year (2017: EUR 24.2 million). ▶ NOTES, P. 160 and ▶ P. 161 The programs thus generated a positive cash flow contribution of EUR 26.7 million in fiscal year 2018.

The cash inflow from operating activities also includes payments for share-based payments of EUR 3.5 million (2017: EUR 4.0 million) resulting from the cash remuneration of the 2014 tranche of the MSP (2017: 2013 tranche) and from the Long-Term Incentive plan (LTI) for employees of NORMA Group.

The adjustment for expenses from the valuation of hedging derivatives of EUR 0.4 million (2017: income of EUR 4.6 million) included in the cash inflow from operating activities relates to the change in fair value of foreign currency derivatives allocated to financing activities and recognized in profit or loss.

The adjusted other non-cash income (–)/expenses (+) include income from the currency translation of external financial liabilities and intragroup monetary items amounting to EUR – 0.7 million (2017: EUR 5.9 million). In addition, non-cash income (–)/expenses (+) in fiscal year 2018 include non-cash interest expenses of EUR 0.3 million (2017: EUR 0.4 million) from the application of the effective interest method.

Cash flows from interest paid are reported under cash flows from financing activities.

Cash flow from investing activities

In fiscal year 2018, cash outflow from investing activities amounted to EUR 129.5 million (2017: EUR 70.8 million). This includes net payments for acquisitions amounting to EUR 69.8 million (2017: EUR 23.7 million). These relate to payments for the acquisition of Kimplas (EUR 53.6 million) and the acquisition of Statek (EUR 13.6 million). Furthermore, the cash flow from investing activities was influenced in particular by the cash outflow for the procurement of non-current assets amounting to EUR 60.8 million (2017: EUR 47.9 million). This includes expenses for expansion (EUR 42.8 million) as well as for the maintenance and improvement of operating capacities (EUR 20.5 million).

NORMA Group's investing activities in fiscal year 2018 (tangible and intangible assets) in the amount of EUR 60.8 million (2017: EUR 47.9 million) represents an investment ratio of 5.6% (2017: 4.7%) of sales.

NORMA Group is investing the funds from operating cash flow in further growth among other areas. The investments made in the 2018 reporting year related to production facilities and capacity expansion, mainly in the US, Mexico, Poland, Serbia, the United Kingdom and China. ▶ PRODUCTION AND LOGISTICS, P. 65

Cash flow from financing activities

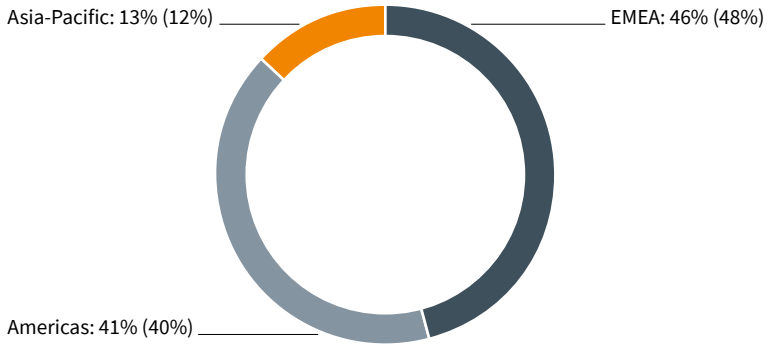
Cash flow from financing activities amounted to EUR 31.3 million in 2018 (2017: EUR – 77.7 million). This mainly includes net repayments of loans (EUR 80.2 million), payments for dividends to the shareholders of NORMA Group SE (EUR – 33.5 million), and interest payments (EUR – 13.7 million).

In addition, payments for the acquisition of the remaining shares in Groen Bevestigingsmaterialen B. V. amounting to EUR 1.1 million are included in cash flow from financing activities. ▶ ACQUISITIONS AND CHANGES IN LEGAL STRUCTURE, P. 37

SEGMENT REPORTING

As a result of acquisitions and developing new markets in line with NORMA Group's continuing strategy of internationalization, the share of sales realized internationally increased from 80.3% to 81.2%.

G 018 BREAKDOWN OF SALES BY SEGMENTS [1]



1_Previous year's values in brackets.

Due to the fact that financing as a whole is controlled centrally and exclusively made available through approved external credit facilities by the central functions of NORMA Group, the Company forgoes publishing a separate list of financing by segments. In every segment, the aim is to achieve an investment ratio and cash generation that is in line with the Group average in the medium-term. ▶ GOALS REGARDING FINANCE AND LIQUIDITY MANAGEMENT, P. 47

EMEA

External sales in the EMEA region amounted to EUR 494.8 million in 2018, an increase of 1.8% compared to the previous year (2017: EUR 485.9 million). Organic growth was 2.0% and resulted mainly from the good demand for EJT solutions in the first half of the year, but also from moderate growth in the Distribution Services division. Furthermore, the company Statek that was acquired in August 2018 contributed 0.4% to sales growth (EUR 2.1 million). Changes in exchange rates to the euro had a slightly negative effect of 0.6%.

Due to the relatively stronger growth of the other two regions in fiscal year 2018, the EMEA region's share of total sales declined slightly from 48% to 46%.

Adjusted EBITDA in the EMEA region declined by 9.4% to EUR 95.5 million due to the high costs of materials and other special factors (2017: EUR 105.5 million). ▶ PURCHASING AND SUPPLIER MANAGEMENT P. 67 Accordingly, the adjusted EBITDA margin of 17.6% was below the level of the previous year (2017: 20.0%). Adjusted EBITA amounted to EUR 82.4 million (2017: EUR 93.9 million), a decrease of 12.3% compared to the previous year. The adjusted EBITA margin was 15.2% (2017: 17.8%).

Assets rose by 3.8% to EUR 624.4 million compared to the previous year (2017: EUR 601.3 million), partly due to the acquisition of Statek. Investments amounted to EUR 28.3 million (2017: EUR 22.9 million) and mainly related to investments in new machinery and production facilities in Germany, Serbia, Poland and the United Kingdom.

Americas

External sales in the Americas segment rose by 7.4% to EUR 441.5 million in 2018 (2017: EUR 411.3 million). At 12.4%, organic growth was at a very high level. This was mainly due to the significant recovery of the US markets for commercial vehicles and agricultural machinery as well as an NDS water business strengthened by catch-up effects. Currency effects in connection with the development of the US dollar had a negative effect on sales growth (– 5.1%).

Adjusted EBITDA for the Americas region amounted to EUR 87.2 million in 2018, up 3.1% year-on-year (2017: EUR 84.5 million). The adjusted EBITDA margin was 19.3% (2017: 20.0%). Adjusted EBITA increased by 3.5% to EUR 78.3 million (2017: EUR 75.6 million), while the adjusted EBITA margin was 17.4% (2017: 17.9%). Here, too, higher material costs were the main reason for the margin decline. The US customs policy in particular had a negative impact on steel prices.

Assets increased by 8.3% year-on-year to EUR 649.8 million (2017: EUR 599.9 million) mainly as a result of currency effects.

At EUR 21.1 million, investments in the region rose by 29.7% (2017: EUR 16.3 million). Investment focuses included the plants in the US and Mexico. ▶ PRODUCTION AND LOGISTICS, P. 65

Asia-Pacific

External sales in the Asia-Pacific region amounted to EUR 147.8 million and thus rose by 23.2% compared to the previous year. Organic growth was 14.9% and was driven by strong demand for joining technology in the Chinese vehicle industry, which nevertheless weakened considerably over the course of the year. Furthermore, the recent acquisition of the Indian water company Kimplas and the acquisition of Fengfan in fiscal year 2017 contributed 12.0% or EUR 14.4 million to the growth in sales. Currency effects had a negative impact on sales growth at – 3.7%.

T 022 DEVELOPMENT OF SEGMENTS

	EMEA			Americas			Asia-Pacific		
IN EUR MILLIONS	2018	2017	Δ in %	2018	2017	Δ in %	2018	2017	Δ in %
Total segment sales	543.1	527.9	2.9	451.2	423.1	6.6	151.3	124.2	21.8
External sales	494.8	485.9	1.8	441.5	411.3	7.4	147.8	119.9	23.2
Contribution to consolidated sales (in %)	46	48		41	40		13	12	
Adjusted EBITDA [1]	95.5	105.5	– 9.4	87.2	84.5	3.1	23.0	19.1	20.2
Adjusted EBITDA margin (in %) [2]	17.6	20.0		19.3	20.0		15.2	15.4	
Adjusted EBITA [1]	82.4	93.9	– 12.3	78.3	75.6	3.5	18.3	15.7	16.6
Adjusted EBITA margin (in %) [2]	15.2	17.8		17.4	17.9		12.1	12.6	

1_The adjustments are described in the Notes. ▶ NOTES, P. 141
2_In relation to segment sales.

Adjusted EBITDA in the Asia-Pacific region rose by 20.2% to EUR 23.0 million (2017: EUR 19.1 million). The adjusted EBITDA margin was 15.2% (2017: 15.4%) , in other words slightly lower than last year's level. Adjusted EBITA increased by 16.6% to EUR 18.3 million (2017: EUR 15.7 million), which resulted in an adjusted EBITA margin of 12.1% (2017: 12.6%).

Assets increased by 57.4% to EUR 250.4 million in the year under review (2017: EUR 159.1 million). This is attributable in particular to the continued growth of the operating business and the acquisition of Kimplas.

Investments, which amounted to EUR 11.7 million in 2018 (2017: EUR 7.0 million), were mainly used to expand the sites in China. ▶ PRODUCTION AND LOGISTICS, P. 65

PRODUCTION AND LOGISTICS

NORMA Group manufactures and markets more than 40,000 different products and has 30 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.

In the reporting year 2018, NORMA Group acquired the Indian water company Kimplas and Statek, a company that also has its headquarters in Maintal. In December 2018, NORMA Group also opened a new production plant in Tijuana, Mexico, and thus further expanded its capacities in the Americas region. ▶ SIGNIFICANT DEVELOPMENTS IN THE FISCAL YEAR, P. 54

PRODUCTION AND CAPACITY UTILIZATION

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

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

INVESTMENT IN CAPACITY EXPANSION

NORMA Group once again invested in expanding its capacity during the reporting year. The most important strategic investments are shown in the ▶ TABLE 023 ON P. 67.

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 introduced the NORMA Group Production System (NPS) in 2014, which has been rolled out at all of its plants. 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.

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 partnership programs, for example in the US, China and the EU. Through the export control program, which is part of the worldwide compliance program, NORMA Group ensures 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 products supplied by NORMA Group are used in 'mission-critical' applications and therefore any quality defects or functional failures have significant impact on customers or end users. Thus, it is a clear business imperative that NORMA Group consistently delivers products that meet and surpass all customers' quality needs and expectations.

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

NORMA Group has a global operating footprint, which brings with it the challenge of recognizing and understanding customer diversity, along with the many specific standards and market requirements that vary by region. This challenge is met via localized manufacturing solutions in conjunction with standardized NORMA Group tools, such as the Quality Management software, which forms an integral part of the new Microsoft ERP system currently being rolled out across the entire Group.

NORMA Group uses a number of metrics to measure customer quality, satisfaction and delivery performance. The most important key performance indicators are the number of defective parts shipped, expressed in parts per million (PPM), and the average number of quality-related complaints reported by the customer.

The number of defective parts per million (PPM) recorded in 2018 was seven. This is a significant improvement from the 16 (PPM) reported in 2017. Thus, there is a constant improving trend over the last three years. Also the average number of quality-related customer complaints improved to seven in 2018 from nine reported in 2017.

T 023 STRATEGIC INVESTMENT HIGHLIGHTS 2018

Region	Country	City	Investment
EMEA	Serbia	Subotica	▸ Establishment of new production capacities for a newly developed SCR system to accommodate a major order from a leading European automobile manufacturer
	Poland	Pilica	▸ Installation of new manufacturing capacities in the area of fluid systems to manage major new projects from customers ▸ Expansion of the PS3 connector manufacturing capacities for the global platform of a leading automobile manufacturer
	United Kingdom	Newbury	▸ Investment in a new transfer press system to expand capacities for V profile clamps
Americas	USA	Saltsburg, PA	▸ Modernization of the manufacturing capacities by fully automating the heavy-duty constant torque (CTH) product line
		St. Clair, Michigan	▸ New assembly systems for the fluid area to promote growth ▸ Investments in new molding tools to support new customer projects in the fluid area
		Lindsay, California	▸ Investment in a new foam extrusion line for an innovative product line in the area of water management
	Mexico	Monterrey	▸ Establishment of manufacturing capacities for SCR systems for a leading automobile manufacturer
Asia-Pacific	China	Qingdao	▸ Installation of a new multilayer extrusion line for the localization of new products in the area of fluid and e-mobility ▸ Expansion of the manufacturing capacities in the area of cooling water systems to accommodate new customer orders
		Changzhou	▸ Expansion of the manufacturing capacities in the area of Torro clamps for the Asian market
		Wuxi	▸ Investment in the structural expansion of the manufacturing site for fluid components

PURCHASING AND SUPPLIER MANAGEMENT

Material costs represent the highest cost position for NORMA Group. As they significantly affect the Group's profits, purchasing and supplier management both play a decisive role in the success of the Group. The most important goals are to reduce price risks and leverage economies of scale within the Group through proactive management of the direct and indirect costs of materials and services purchased.

GLOBAL GROUP STRUCTURE AND REGIONAL EXPERTISE

Purchasing and supplier management at NORMA Group are organized primarily on the basis of the following three higher level commodity groups:

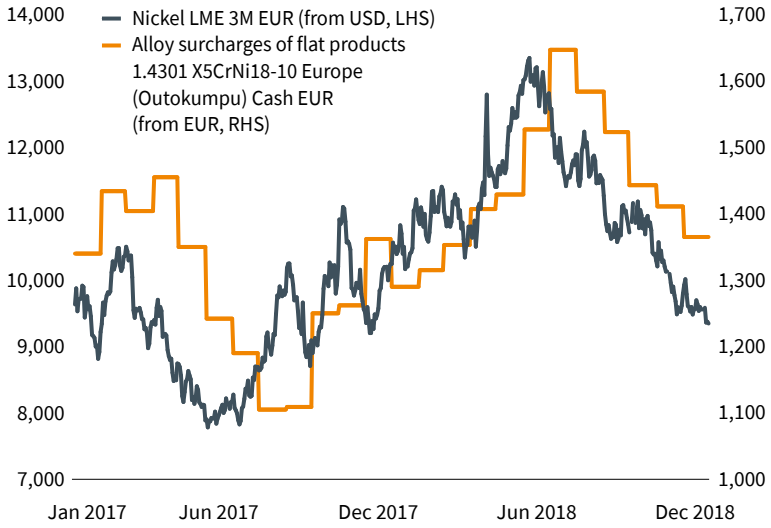
- Steel and metal components (various grades/materials)
- Resins, plastic and rubber products
- Capital goods, non-production materials and services

The commodity organization is integrated into NORMA Group plants worldwide in the form of a matrix structure. Purchasing at NORMA Group is controlled centrally for all domestic and foreign Group companies, while regional or local teams contribute their specific knowledge of local market conditions and typical regional cost drivers. Due to the high degree of professionalism and the combination of global, regional and local purchasing management, materials and services can be purchased much more competitively; costs can therefore be reduced quite significantly. Using e-procurement solutions allows for more efficient purchasing management.

DEVELOPMENT OF MATERIAL PRICES

Adjusted costs of materials amounted to EUR 473.1 million (2017: EUR 418.6 million) or 43.6% (2017: 41.2%) of sales revenue in fiscal year 2018. As a result, the adjusted cost of materials ratio increased compared to the previous year due to the higher costs of raw materials. ▶ DEVELOPMENT OF EARNINGS, P. 57 The purchasing volume used for internal management purposes and adjusted for currency effects amounted to around EUR 498 million (2017: EUR 433 million). Of this amount, EUR 336 million (68%) was attributable to production material sales.

G 019 DEVELOPMENT OF NICKEL PRICES AND THE ALLOY SURCHARGE 1.4301



For the stainless steel product group, which is the most important for NORMA Group, almost unchanged base prices (basic price to purchase stainless steel, excluding alloy surcharges) could be maintained in the annual price negotiations. However, the 25% punitive tariffs, imposed by the US government on almost all steel imports in March 2018, represented a protectionist intervention in international trade and led to massive increases in the price of goods purchased in the region. Although NORMA Group was contractually secured by annual contracts in this area, government intervention in the second half of 2018 led to a partial reduction in the availability of materials, which had to be offset by taking cost-intensive special measures. This also resulted in a significant increase in the general market price level for steel in the US. For some stainless steel goods, spot market prices rose proportionately over the course of the year and were up to 30% higher at the end of the year than at the start of the year. The import tariffs imposed on steels and metal components purchased continued to constitute a financial burden for the entire region.

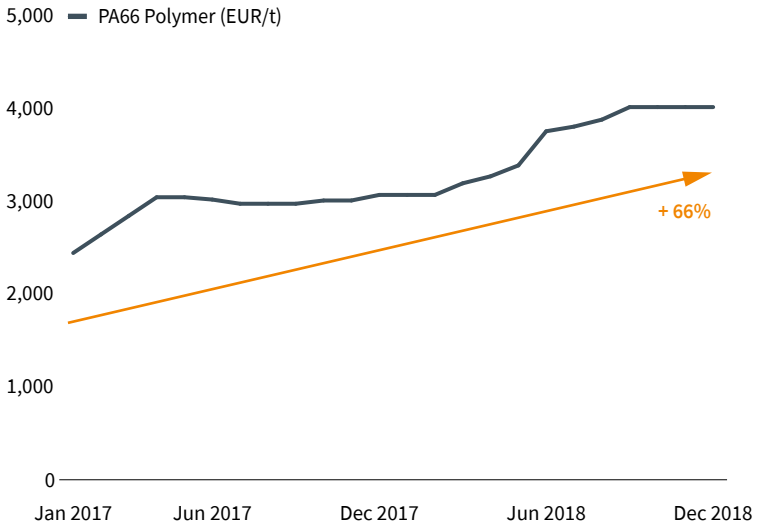
In addition to the market distortions in the steel sector caused by US customs policy, the prices for the alloy surcharges newly fixed on a monthly basis (market prices for nickel and ferrochrome, among other metals) increased successively in the first half of the year and peaked in July and August 2018. Although prices dropped again in the second half of the year, the price level at the end of the year was still significantly higher than at the beginning of the year. ▶ G 019: DEVELOPMENT OF NICKEL PRICES AND THE ALLOY SURCHARGE 1.4301

In the surface-refined non-stainless steel product group, higher purchasing prices than in fiscal 2017 had to be accepted in the price negotiations for European demand. Nevertheless, as the availability of materials eased significantly over the course of the year compared to the previous year and prices dropped again at the end of the year, a slightly decreasing trend in prices can be assumed again for the current year 2019.

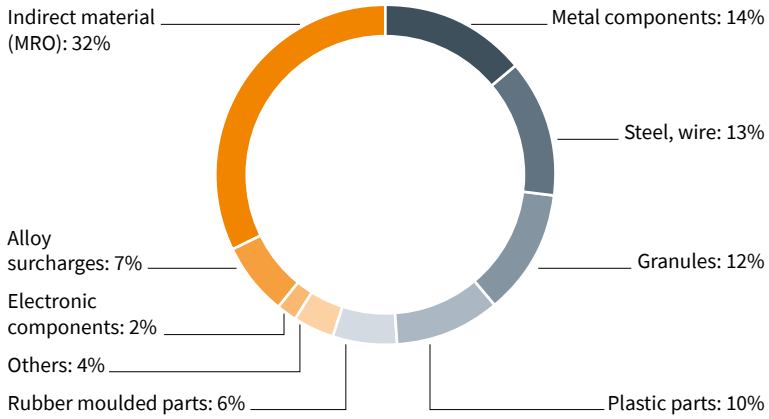
The product group of technical resins was also characterized by strong price increases last year. ▶ G 020: PRICE DEVELOPMENT TECHNICAL POLYMER (PA66) IN EUROPE This particularly affected the polyamide 6.6 required for the production of high-performance connectors. This was due to a series of force majeure declarations along the (PA66) value chain caused by strikes, extreme weather conditions and technical disruptions at major suppliers. As a consequence, there were delivery bottlenecks and price mark-ups, particularly in Europe and Asia, as a result of which suppliers adjusted their annual contracts several times during the year, which could not be fully passed on to customers. However, NORMA Group successfully managed to avoid impending bottleneck situations due to its longstanding and trusting cooperation with important suppliers. Due to continuing high demand for technical resins, the market remains tense and allocations cannot be excluded. Should further bottlenecks arise, this could also lead to further price increases in the current year 2019.

G 020 PRICE DEVELOPMENT TECHNICAL POLYMERS (PA66) IN EUROPE

IN EUR/T



G 021 PURCHASING TURNOVER 2018 BY MATERIAL GROUPS



SUPPLIER MANAGEMENT

Constantly optimizing the selection of suppliers is yet another key task of purchasing. This is done not only on the basis of traditional criteria such as quality, price, delivery times and loyalty, but also takes important aspects of risk management and sustainable development into consideration. A centrally defined, detailed supplier evaluation system is used by all of the production plants each year. ▶ 2018 CR REPORT

SUPPLIER STRUCTURE

NORMA Group is taking advantage of the complexity and transaction cost-reduction opportunities resulting from the Company's growth and acquisitions, and has been strongly pursuing its goal of consolidating its supplier base. NORMA Group nevertheless pays close attention to a balanced supplier structure and avoids dependencies on individual suppliers. The share of the top 10 suppliers accounted for approximately 33% in the fiscal year. The top 50 suppliers accounted for around 64% of the total purchasing volume of production material, amounting to EUR 336 million.

EMPLOYEES

DECENTRALIZED ORGANIZATION, COMMON CORPORATE CULTURE

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

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

In order to promote a uniform corporate culture, NORMA Group has formulated key guiding principles that reflect the fundamental convictions of the Company. These guiding principles are taught and lived at all sites. ▶ 2018 CR REPORT

DEVELOPMENT OF PERSONNEL FIGURES

At the end of December 2018, NORMA Group employed a Group workforce of 8,865 (core workforce including temporary staff), 16% more than in the previous year (2017: 7,667). The number of temporary employees on the reporting date was 1,964 (2017: 1,552). This corresponds to around 22% of the total workforce.

NORMA Group recorded the largest increase in its workforce in 2018 in the growth region Asia-Pacific. In this region, the core workforce increased to 1,315 employees, partly as a result of the acquisition of Kimplas. In the Americas

region, the number of employees increased by 17% year-on-year, while it rose by 6% in the EMEA region.

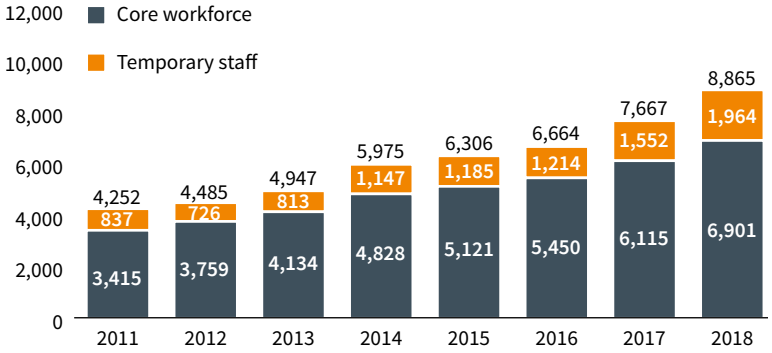
STABLE SHARE OF EMPLOYEE GROUPS

The total number of employees (permanent and temporary) in the year under review was 4,951 direct employees (2017: 4,243), 1,626 indirect employees (2017: 1,414) and 2,289 salaried employees (2017: 2,009). While direct employees are individuals who are involved in the manufacturing process, indirect employees are employees who work in production-related areas such as the quality department, for example. The group of salaried employees refers mainly to employees who hold administrative positions.

T 024 CORE WORKFORCE BY SEGMENTS

	2018	in %	2017	in %
EMEA	3,744	54	3,545	58
Americas	1,842	27	1,575	26
Asia-Pacific	1,315	19	995	16
Total	6,901		6,115	

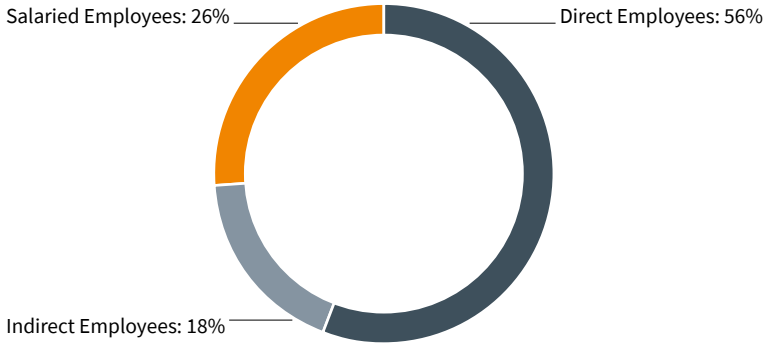
G 022 PERSONNELL DEVELOPMENT AT NORMA GROUP



QUALIFIED WORKFORCE

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

G 023 BREAKDOWN OF EMPLOYEES BY GROUP



Uniform global talent promotion

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

Numerous training opportunities for career entrants

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

EXCHANGES OF PERSONNEL: MORE COMMUNICATION, BETTER UNDERSTANDING

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

REWARDING PERFORMANCE

NORMA Group strives to attract and retain qualified and committed employees. By holding regular benchmarks, NORMA Group ensures that its employees are paid market-oriented salaries and wages based on their responsibilities. The remuneration system also contains variable remuneration elements to encourage employees to take an interest in the further development of the Company and share in its economic success. For tariff and non-tariff employees in Germany, this is based on important financial performance indicators, for example. Moreover, the personal achievements of employees also play a role in remuneration.

FEEDBACK CULTURE – EMPLOYEES EXPRESS THEIR OPINIONS

In the interest of a continuous analysis and improvement process, NORMA Group has been conducting regular employee surveys. The focus of this central feedback tool is on the Company's strengths and weaknesses from an employee perspective, employee satisfaction, as well as the quality of leadership and cooperation. Further information can be found in the ▶ 2018 CR REPORT.

HEALTHY TEAM – HEALTHY COMPANY

A productive company like NORMA Group depends on having healthy and satisfied employees. For this reason, NORMA Group supports its employees' health by conducting various activities. For example, the Maintal site offers measures such as skin screening, colorectal cancer screening, travel vaccination advice, movement analysis at work, back training courses and flu vaccinations.

OCCUPATIONAL HEALTH AND SAFETY IS OF THE HIGHEST PRIORITY

NORMA Group puts great focus and emphasis on the topics health, safety and the wellbeing of its employees. The Company complies with the existing legislative and regulatory requirements relating to health and safety, but also goes further with a number of actions and initiatives to proactively manage and minimize potential risks. NORMA Group fully endorses the industry-recognized standard OHSAS 18001 (Occupational Health and Safety Assessment Series).

As part of its value-based safety program, NORMA Group analyzes the actions of its employees in the workplace and identifies potentially dangerous behaviors as part of regular safety reviews. This is also in conjunction with regular scheduled plant and equipment audits with results and action plans being developed and monitored locally and at Group level.

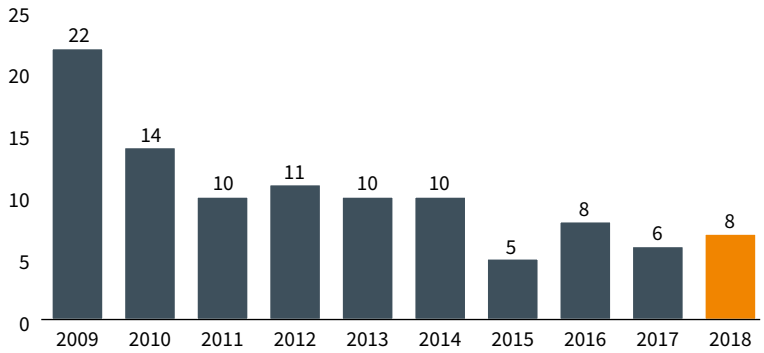
INCIDENT RATE AT A SUSTAINABLE LOW LEVEL

NORMA Group constantly monitors and analyzes its accident statistics. The number of work-related accidents, ranging from near miss incidents to reportable accidents, are recorded and monitored on a Group-wide basis each month and reviews take place at the local, regional and Group levels. All reportable accidents are communicated at Board level with lessons learned systematically shared across the whole Company. The aim of NORMA Group is to ensure an accident-free working environment in the long-term.

The incident rate, which is the number of reportable accidents per 1,000 employees, represents the most important indicator. This figure was 8 for the 2018 reporting year, which is a slight increase from six reported in 2017. ▶ G 024: INCIDENT RATE

G 024 INCIDENT RATE

REPORTABLE INCIDENTS PER 1,000 EMPLOYEES



ENVIRONMENTAL PROTECTION AND ECOLOGICAL MANAGEMENT

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

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

In 2018, NORMA Group set quantitative targets for the reduction of greenhouse gases, water consumption and waste generated at its production sites. In addition, NORMA Group's environmental strategy includes the environmental impact of the supply chain and the use of its products. Further information on the environmental strategy can be found in the ▶ 2018 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 image
- Focusing on marketing activities
- Optimizing the brand portfolio
- Optimizing 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 2018

Key marketing activities in 2018 included the following:

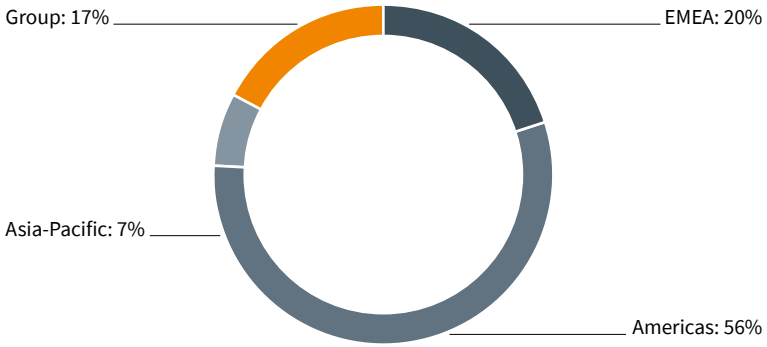
- Implementation of the digital marketing roadmap 2021
- Collection of market intelligence to support key sales initiatives
- Developing a communication strategy for e-mobility in order to promote the solutions of NORMA Group in the area of thermal management

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

MARKETING EXPENDITURES 2018

Marketing expenditures amounted to a total of EUR 4.5 million and were thus slightly higher than in the previous year (2017: EUR 4.2 million).

G 025 MARKETING EXPENSES 2018 BY SEGMENTS[1]



1_Excluding personnel expenses.

FORECAST REPORT

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

GLOBAL ECONOMIC SLOWDOWN IN 2019 AND HIGHER RISKS, ESPECIALLY FOR EUROPE

The global economy will experience significantly less tailwind in 2019 than in recent years. Leading indicators such as the ifo Institute's World Economic Survey suggest a weakening of the economy. The International Monetary Fund (IMF) lowered its forecasts once again in January 2019 after revising them last fall. The IMF now expects global growth of 3.5% for 2019 and 3.6% for 2020 (previously 3.7% each). The upswing is slowing down in the three major economic regions of the US, China and Europe in particular. The biggest risk factors are an intensification and expansion of protectionism, an even stronger economic slowdown in China and the Brexit. For Europe, Italy's and France's high national debt also poses a burden, not least for the stability of the monetary union. Furthermore, the real economy could falter due to a flare-up of geopolitical crises or turbulences on the financial markets. In view of the sharp deterioration in the risk profile, uncertainties are more pronounced than in recent years. This makes the global economy particularly susceptible to disruptions, especially in Europe.

According to the IMF, China will grow considerably more slowly in 2019, at only 6.2%, as the previous US restrictions are weighing heavy on industrial activity. An intensification of the trade conflict would dampen growth even further. Due to the high level of private and public debt, the scope for massive economic stimulus programs is limited. Thanks to high infrastructure investments, however, the ASEAN-5 states are likely to grow stably with growth rates of 5.1% (2019) and 5.2% (2020), respectively. The IMF also expects India to continue its strong upswing at rates of more than 7%, even at a slightly accelerated pace. Brazil's economy is also continuing to pick up. With falling oil and gas prices and continued sanctions, Russia remains on only a moderate course. Following a slight slowdown in 2019 (+4.5%), growth in the emerging markets and developing countries is already expected to recover next year (2020: +4.9%).

In the weaker global environment, the economies of the industrialized nations are cooling down noticeably. Above all, industrial production and investments are being adversely affected. The IMF expects growth to slow to 2.0% (2019) and 1.7% (2020) for all industrialized countries combined. There are signs of an economic slowdown in the US, which grew strongly in the previous year. The initial impulses from the tax reform are coming to an end, and losses from the trade conflict are also having a negative impact. According to the IMF, growth in 2019 will still be robust at 2.5%, but is expected to weaken further in 2020. At 1.9%, Canada is expected to expand more moderately than recently in both years. In Japan, the IMF expects weak growth in 2019 and hardly any growth in 2020. The UK economy will remain on a subdued growth course as a result of the Brexit. A disorderly exit from the EU would significantly worsen the outlook.

Europe's economy is caught between a robust domestic economy and considerable political challenges. Besides the Brexit, which is having an increasingly negative impact on the real economy, the high level of debt in the EU countries with structural deficits is slowing growth. Furthermore, a trade conflict with the US cannot be ruled out. In many cases, demographics and a shortage of skilled workers are now limiting growth potential. On the other hand, this bottleneck supports a high level of employment and thus private consumption. Production and employment are likely to rise slightly in the euro zone. The IMF expects only moderate growth for the monetary union (2019: +1.6%, 2020: +1.7%). Dynamic growth is leveling off above all in France, Italy, Spain, Austria and the Netherlands. The pace of growth remains above average in Eastern Europe. Private and government consumption are the economic pillars of the euro zone. Capital spending is also expected to increase significantly in 2019. However, this effect is expected to decrease noticeably the following year. The upswing in Germany is continuing at a moderate pace. Last year's economic dip caused by the decline in production in the automotive industry should be overcome in 2019. The industry is working at full capacity and capacities are growing only slightly despite investments. Private consumption and construction investments remain robust. The IMF is now forecasting growth of 1.3% for 2019.

T 025 FORECASTS FOR GDP GROWTH (REAL)

IN %	2018	2019e	2020e
World [1]	+3.7	+3.5	+3.6
USA [2]	+2.9	+2.5	+1.8
China [3]	+6.6	+6.2	+6.2
Euro zone [4]	+1.8	+1.6	+1.7
Germany [5]	+1.5	+1.3	+1.6

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

VOLATILE ENVIRONMENT FOR NORMA GROUP'S KEY CUSTOMER INDUSTRIES

The climate and prospects for NORMA Group's key customer industries will also tend to deteriorate due to the expected weakening of the global economy in 2019 and 2020, albeit with a continuing positive underlying trend.

Mechanical engineering

In the wake of the global economic slowdown, the investment climate will most likely gradually cool down. Nevertheless, industrial capacity utilization is still high, especially in the industrialized countries, and the order situation in the mechanical and plant engineering sector is good. This should stabilize the trend. Automation and digitalization are also key drivers in the industry. In addition, more and more countries are pushing environmental protection investments and the restructuring of the energy industry. The German Engineering Federation (VDMA) expects the upturn in the sector to continue in 2019, with real growth in global machine sales slowing to 2%. For China, the VDMA expects a 3% increase, assuming that there is no escalation in the trade conflict. By contrast, growth in the US is expected to flatten to 2%. Growth in Asia's emerging markets (excluding China) and the Gulf region is robust. Sector sales in Japan (+2%) and South Korea (+1%) are expected to grow moderately. Growth rates of 2% are forecast for the EU and the euro zone. The VDMA also expects sales in Germany to rise by 2% in real terms. Production by German mechanical engineering companies is likewise expected to rise by 2% in real terms in 2019. However, this assumes that no trade conflict breaks out with the US and that the Brexit will not cause incalculable turbulences.

T 026 ENGINEERING: REAL CHANGE IN INDUSTRY SALES

IN %	2017	2018	2019e
China	8	2	3
USA	3	5	2
Euro zone	4	4	2
World (excluding China)	6	4	2

Source: Mechanical Engineering Industry Association (VDMA)

Automotive industry

The automotive industry is currently undergoing a major transition. Autonomous driving and electromobility (including hybrid drives) are the driving factors. The development of fuel-efficient and low-consumption combustion engines is vital to reducing emissions. Following last year's stagnation, the global automotive market is expected to grow slightly in 2019. China should be able to overcome the temporary market burdens and Europe should make up for the losses caused by the introduction of WLTP. Risks include US trade policy and the Brexit. For the narrowly defined passenger car market, the German association VDA expects a global rise in sales of 1% to approximately 85.9 million vehicles in 2019. LMC Automotive (LMCA) expects the global market for light vehicles (LV, up to 6 tons) to grow by 1.0% to 95.6 million LV (+1.1%). Here, LMCA assumes production growth of 1.9% in LV in China and 0.5% in North America. According to LMCA estimates, LV sales in Western Europe are expected to increase by 1.3%, while production is expected to fall by 0.5 % if the export outlook deteriorates. Global LV production is expected to grow more strongly again in 2020. After three years of growth, the truck market is expected to suffer a cyclical setback. Production and sales are projected to drop by 4.5% in 2019 and increase slightly in 2020.

T 027 AUTOMOTIVE INDUSTRY: GLOBAL PRODUCTION AND DEVELOPMENT OF SALES (LIGHT AND COMMERCIAL VEHICLES)

IN %	2017	2018	2019e	2020e
Production of light vehicles	2.3	–0.5	1.1	2.9
Sales of light vehicles	2.4	–0.2	1.0	2.2
Sales of commercial vehicles	19.4	3.7	–4.5	0.4

Source: LMC Automotive

Construction industry

In a new analysis of the 19 most important individual markets, the Euroconstruct industry network (including the ifo Institute) forecasts an unbroken upswing for the construction industry in Europe through 2021 due to low interest rates and high demand. The momentum is gradually leveling off, especially in residential construction (2021: below +1%). Steady growth of 1.5% per year is assumed for other types of building construction. Civil engineering is expected to achieve above-average growth rates with high public investments, especially in the transport infrastructure, however these are expected to decline from 5% in 2019 to 2.5% in 2021. Euroconstruct expects real construction output in the core European countries to rise by 2.0% in 2019 (West: +1.5%, East: +9.1%). The German construction industry remains on course for growth. The IfW expects real construction investments to increase by 3.1% in 2019 and 3.7% in 2020. This development will be driven by lively residential construction (2019: +4.0%) and high investments in public construction (2019: +3.8%). Commercial construction is likely to grow only moderately in 2019, posting real growth of 0.8%. Based on the construction volume in 2019, the German Institute for Economic Research (DIW) expects a nominal increase of 7.6% to EUR 247 billion in the residential construction segment, with the volume of new construction growing by 7.4%. Construction work on existing buildings is expected to rise by 7.7%, while

the DIW expects the construction volume for other building construction (excluding housing) to rise by 6.6% and civil engineering by 8.0%.

T 028 CONSTRUCTION INDUSTRY: DEVELOPMENT OF EUROPEAN CONSTRUCTION OUTPUT

IN %	2017	2018	2019e	2020e
Western Europe	3.9	2.2	1.5	1.4
Eastern Europe	9.3	13.4	9.1	3.9
Europe	4.1	2.8	2.0	1.6

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

This macroeconomic perspective is the basis for NORMA Group's forecast and outlook for 2019.

Changes in key figures resulting from the first-time application of IFRS 16 are not taken into account in the forecast. The 2019 Annual Report will include a comparison of the calculation based on the old and new standards.

FUTURE DEVELOPMENT OF NORMA GROUP

NORMA Group will continue with its successful international growth strategy and pursue the targets defined in Vision 2025. ▶ GOALS AND STRATEGY, P. 42 The diversification of the business with regard to end markets, regions and customers will continue to be a priority in the future. A particular focus here is on the promising areas of water management and electromobility, which also form a focal point of NORMA Group's development activities. ▶ RESEARCH AND DEVELOPMENT, P. 48

In addition, business activities will be selectively expanded through further acquisitions. M&A activities will focus on companies that either contribute to market consolidation or serve to enter new high-margin markets. In addition, internationalization and in particular the expansion of activities in the Asia-Pacific region will continue to be the focus. This is to exploit the opportunities in this important growth market and to transfer the added value to the respective region or country.

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

GENERAL STATEMENT BY THE MANAGEMENT BOARD ON THE PROBABLE DEVELOPMENT

SALES GROWTH IN 2019

Due to the current good order situation in the EJT division and NORMA Group's diversified business across many different end markets, the Management Board expects further Group sales growth in 2019, even though it sees a weakening growth dynamic compared to the previous year. The main reasons for this include the diminishing growth of the global economy, the ongoing uncertainty in the European automobile industry due to the WLTP issues and weaker demand from the Chinese automotive industry.

The Management Board sees risks that could have a negative impact on the sales and earnings situation of NORMA Group primarily in the uncertain outcome of the Brexit, the trade dispute between the US and China and the persistently difficult environment on the global commodity markets.

For the EMEA region, the Management Board expects moderate organic growth in fiscal year 2019 due to the not yet fully solved WLTP issue and less dynamic growth forecasts in the automotive sector. The Management Board sees growth drivers in particular in positive effects from new product ramp-ups as a result of increasingly strict emission regulations and the growing number of application solutions for electric mobility.

For the Americas, the Management Board expects moderate organic growth in sales compared to the previous year that are likely to be driven by continued strong NDS water business and slight growth in the area of commercial vehicles and agricultural machinery. For the US passenger car market, the Management Board expects to see only slight growth this year. The Management Board sees risks for the region in particular in the still unresolved trade conflict between the US and China and in the protectionist customs policy of the US government, which will also have a negative impact on domestic companies.

The dynamic development of NORMA Group's business in the Asia-Pacific region will continue this year despite lower growth prospects for China, therefore the Management Board again expects strong organic growth. The Management Board sees growth in business activities, stricter emissions regulations for passenger cars, increased content per vehicle and further localization measures in that region to be the growth drivers. All in all, moderate growth can be expected for both DS and the EJT business in fiscal year 2019.

Against the backdrop of the described assumptions, the Management Board of NORMA Group expects the Group's moderate organic sales growth to be at

around 1% to 3% for fiscal year 2019 compared to 2018. In addition, the acquisitions Kimplas and Statek are expected to generate approximately EUR 13 million in total sales. Currency effects can also have a positive or negative impact on growth, depending on the exchange rates to the euro.

DEVELOPMENT OF KEY COST ITEMS

The Management Board of NORMA Group assumes that material prices will remain at a relatively high level again in fiscal year 2019. Reasons for this include the continuing bottlenecks in the area of engineering plastics triggered by the many cases of force majeure in fiscal year 2018, as well as the protectionist trade policy of the US government, which led in particular to rises in prices in the area of steel. Nevertheless, the steady increase in the degree of professionalization in purchasing and the ongoing individual price negotiations with customers should enable further cost increases to be absorbed and thus maintain the adjusted cost of materials ratio roughly at the level as in previous years.

As a result of the Group's continuous growth and the strengthening of activities in the Asia-Pacific region, the Management Board expects a steady increase in adjusted personnel costs in relation to sales in 2019 and therefore a stable adjusted personnel cost ratio roughly at the level as in previous years.

INVESTMENT IN RESEARCH AND DEVELOPMENT

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

ADJUSTED EBITA MARGIN

An important focus of NORMA Group is on maintaining its high profitability. Therefore, all business activities are strategically aligned to achieve this goal. In February 2019, the Management Board announced a rightsizing program to prepare NORMA Group for further growth as effectively as possible. ▶ STRATEGIC OUTLOOK FOR FISCAL YEAR 2019, P. 44 As part of this program, the internal structures that have grown quickly in recent years, due in part to acquisitions, are to be harmonized and optimized. As part of these efforts, several projects are planned that will cover all regions over a period of approximately two years. These optimization measures should result in a positive earnings contribution of around EUR 10 million to EUR 15 million per year from 2021 onwards and will serve to restore NORMA Group to its usual high level of profitability in the medium term. The implementation of these measures, with a planned total cost volume of around EUR 10 million to EUR 15 million, is expected to take place over a period of around two years, of which around EUR 2.2 million was already incurred in the past fiscal year. These costs are shown on an adjusted basis. ▶ ADJUSTMENTS, P. 141

Due to the above mentioned challenges on the purchasing side, which are likely to improve, but not completely come to an end, over the course of the year, but also the volatile economic and political framework conditions and risks in connection with the Brexit, NORMA Group's Management Board expects the adjusted EBITA margin to be between 15% and 17%.

NORME VALUE ADDED (NOVA)

For fiscal year 2019, the Management Board assumes a NOVA between EUR 50 million and EUR 60 million.

FINANCIAL RESULT OF UP TO EUR – 15 MILLION EXPECTED

The Management Board expects a financial result of up to EUR – 15 million in total for 2019. This includes interest charges on the Group's gross debt with an average interest rate of approx. 2.5% as well as other expenses for currency hedges and transaction costs.

TAX RATE OF BETWEEN 25% AND 27%

Due to the tax cuts in the US that already took place in 2017, the Management Board expects a tax rate of between 25% and 27% for fiscal year 2019.

MODERATE INCREASE IN ADJUSTED EARNINGS PER SHARE

Based on the developments described above, the Management Board of NORMA Group expects to see a moderate increase in adjusted earnings per share in fiscal year 2019.

ADJUSTMENTS TO THE RESULT

In fiscal year 2019, NORMA Group's Management Board expects adjustments in the allocation of purchase prices to depreciable tangible and intangible assets from the acquisitions of the past years in the amount of around EUR 25 million. Furthermore, the one-time expenses incurred as part of the rightsizing project in the amount of approximately EUR 8 million to EUR 13 million are shown on an adjusted basis. In total, the Management Board expects adjustments of between EUR 33 million and EUR 38 million in total.

INVESTMENT RATE OF AROUND 5% THE TARGET

For fiscal year 2019, NORMA Group's Management Board expects investments in the operating business of around 5% of Group sales. This covers both maintenance investments and investments in expanding the business. A particular focus will be on the expansion of activities for future growth, projects for the

integration of processes and functions (insourcing) as well as the expansion of capacities for the localization of production.

NET OPERATING CASH FLOW

Due to the fact that sales growth is expected to be less dynamic in fiscal year 2019, but also due to the continuing burdens on the purchasing side, the Management Board expects net operating cash flow to be around EUR 100 million assuming a constant investment ratio.

SUSTAINABLE DIVIDEND POLICY

If the future economic situation permits, NORMA Group will pursue a sustainable dividend policy, which is based on a dividend ratio of approx. 30% to a maximum of 35% of the adjusted Group annual earnings.

MARKET PENETRATION AND INNOVATION CAPABILITY

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

EMPLOYEE PROBLEM-SOLVING BEHAVIOR

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

SUSTAINABLE COMPANY DEVELOPMENT

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

T 029 FORECAST FOR THE FISCAL YEAR 2019[1]

Group sales growth	Moderate organic growth of around 1% to 3%, additionally around EUR 13 million from acquisitions EMEA: moderate organic growth Americas: moderate organic growth APAC: strong organic growth DS: moderate growth EJT: moderate growth
Adjusted cost of materials ratio	Roughly at the same level as in previous years
Adjusted personnel cost ratio	Roughly at the same level as in previous years
Investments in R&D (in relation to EJT sales)	Around 5% of EJT sales
Adjusted EBITA margin	Between 15% and 17%
NOVA	Between EUR 50 million and EUR 60 million
Financial result	Up to EUR – 15 million
Tax rate	Around 25% to 27%
Adjusted earnings per share	Moderate increase
Investment rate (without acquisitions)	Operative investments of around 5% of Group sales
Net operating cash flow	Around EUR 100 million
Dividend/dividend ratio	Approx. 30% to 35% of adjusted net profit for the period
Number of invention applications	More than 20
Number of defective parts (parts per million/PPM)	Below 20[2]
Number of quality-related complaints per month	Below 8[2]

1_Changes in key figures resulting from the first-time application of IFRS 16 are not taken into account in the forecast.
2_Targets until 2020

RISK AND OPPORTUNITY REPORT

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

RISK AND OPPORTUNITY MANAGEMENT SYSTEM

NORMA Group defines risks and opportunities as possible future developments, changes, or events that could have a positive or negative impact on the Group's ability to meet its targets and achieve its business objectives. Analogous to the medium-term planning, the management's focus with respect to possible deviations in specific risks and opportunities covers a period of five years. Opportunities and risks that affect the Company's success beyond this period of time are recorded and managed at the Group management level and taken into consideration in the Company's strategy. Analogous to the 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 SE 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 units record the identified and assessed risks. Subsequently, the regional risk officers and, depending on the risk category, the functional managers at Group level, check and approve the respective risks with the help of the software. The process of identifying, evaluating and controlling risks is accompanied by continuous monitoring and communication of the reported risks by the risk managers.

G 026 RISK MANAGEMENT SYSTEM OF NORMA GROUP

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

NORMA Group uses a systematic assessment procedure to evaluate the risks that were identified, both in terms of their financial impact and 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 consider-

ing countermeasures, must be based on the assumption of the most unfavorable outcome of the financial impact for the Company.

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

Risk reporting

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

In order to analyze NORMA Group's overall risk situation and initiate suitable countermeasures, individual risks of local business units, segments and Group-wide risks are aggregated in a risk portfolio. All entities, which are included in NORMA Group's Consolidated Financial Statements, are part of the Company's risk reporting and risk management process. 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 Company-specific types of risks 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 level, but also by the Management Board, and then documented and analyzed. Measures aimed at capitalizing on strategic and operational opportunities through local and regional projects are approved during these meetings. Regular forecasts are developed as part of periodic reporting to record how successfully potential opportunities are taken advantage of. Strategic opportunities are recorded and evaluated as part of annual planning. NORMA Group uses a systematic assessment procedure to evaluate the opportunities and risks that were identified, both in terms of their financial impact, i.e. gross and net impact on planned financial indicators, and their probability of occurrence.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE GROUP ACCOUNTING PROCESS

NORMA Group's internal control and risk management system with regard to the Group accounting process can be described using the following main characteristics: The purpose of this system is to identify, analyze, evaluate and manage risks as well as monitor these activities. The Management Board is responsible for ensuring that this system meets the Company's specific requirements. Based on the allocation of responsibilities within the Company, the CFO is responsible for the Finance and Accounting divisions. These functional areas define and review the Group-wide accounting standards within the Group and compile the information used to produce the Consolidated Financial Statements. The need to provide accurate and complete information within predefined timeframes represents a significant risk 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 'four eyes-principle.' Comprehensive and detailed checklists must be completed before the respective reporting deadlines. The accounting process is fully integrated into NORMA Group's risk management system. This ensures that accounting risks are identified at an early stage, allowing the Company to implement measures for risk prevention and risk mitigation without delay.

The internal control system ensures the accuracy of NORMA Group's financial reporting with respect to its accounting processes. The internal audit department reviews the accounting processes on a regular basis to ensure that the internal control and risk management system is effective. External specialists also support these efforts. Furthermore, the financial statement auditor conducts audit procedures during the audit of the annual financial statements based on the risk-based audit approach, whereby material errors and violations 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. 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 as binding. 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, Finance & Reporting, which is responsible for preparing the Consolidated Financial Statements. In addition, the data and disclosures of the Group companies as well as the consolidation measures necessary for the preparation of the Consolidated Financial Statements are verified through audit procedures conducted by external auditors under consideration of the associated risks.

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

RISK AND OPPORTUNITY PROFILE OF NORMA GROUP

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

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

The interval of the risk's or the opportunity's impact generally relates to the EBITA of the Group. Provided that an individual assessment relates solely to a specific segment, the EBITA of the respective segment is used instead. The assessment of opportunities and risks whose financial impact has an effect on line items in the 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 several 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. The financial risk management is carried out by Group Treasury. The management defines the areas of responsibility and necessary controls related to the risk management strategy. Group Treasury is responsible for defining, evaluating and hedging financial risks in close consultation with the Group's operating units. In this context, various processes and organizational structures work together to measure and evaluate opportunities and risks on a regular basis, and

to initiate appropriate measures if necessary. Group Treasury regularly conducts analyses of default risks, interest rate risks, currency risks and liquidity risks. The results are then discussed internally and actions are defined. Group Treasury also advises the management of relevant departments in monthly committee meetings and discusses how to handle these risks and the potential impact on NORMA Group. ▶ NOTES, P. 136

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 its financing agreements, the Company is obliged to maintain the financial covenant total net debt cover (debt divided by adjusted consolidated EBITDA). This key figure and its maintenance, but also net debt and the maturity structure of financial debt, are continually monitored. Changes in the value of the amounts included in this financial indicator are limited by employing long-term hedging strategies.

Default risks

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

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

Liquidity opportunities and risks

Prudent liquidity risk management requires NORMA Group to hold sufficient cash funds and marketable securities, have sufficient financing from committed lines of credit and be able to close out market positions. Due to the dynamic nature of the underlying 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, 2018, NORMA Group's liquid assets (cash and cash equivalents) amounted to EUR 190.4 million (2017: EUR 155.3 million). Furthermore, NORMA Group has a high level of financial flexibility thanks to a committed revolving credit line with national and international credit institutions in the amount of EUR 50 million. This line was not drawn down at all as of December 31, 2018. In addition, NORMA Group has a so-called accordion facility of up to EUR 148 million at its disposal, as well as a credit line of EUR 15 million that has not been formally approved but negotiated, that offer additional financial scope.

Financial opportunities are seen, among other areas, in NORMA Group's high creditworthiness as well as its solid financial, assets and earnings position, which enable the Company to gradually reduce its capital costs. Against this backdrop, NORMA Group repaid part of the promissory note issued in 2014 and the loan negotiated in 2015 in the past fiscal year on schedule without raising new or additional funds for this purpose. In addition, two subsidiaries were acquired in the past fiscal year by using the negotiated accordion facility – without increasing the margin requirements of the financing banks. The liquidity-related opportunities are considered likely, in particular due to the positive assessment by the banking partners and the resulting reputation on the capital market. In light of the refinancing measures carried out in the recent past, by which the borrowing costs have already been reduced quite considerably, the potential financial effects of liquidity-related opportunities on NORMA Group's earnings are considered to be only minor. ▶ FINANCIAL POSITION, P. 62

Most of the Group's financing agreements contain typical terms for credit lines (financial covenants). If NORMA Group does not adhere to these terms, the banks would be entitled to re-evaluate the agreements and demand early repayment. Failure to comply with these loan covenants would have high potential financial repercussions. For this reason, NORMA Group continuously monitors its compliance with the financial covenants in order to implement suitable measures in advance and prevent the terms from being violated. In order to hedge balance positions in foreign currencies whose valuation leads to fluctuations in the profit and loss account, NORMA Group partly uses rolling hedging transactions. Group Treasury ensures that sufficient liquidity or granted credit lines are

available at all times to cover possible cash outflows related to these hedging measures. This is continuously monitored by means of risk simulation and discussed in senior management meetings. The probability of liquidity risks having a negative impact on NORMA Group's activities is very unlikely given the high level of financial flexibility provided by committed and unused bank credit lines. The risk of non-compliance with financial covenants is still considered very unlikely due to high profitability and a strong operating cash flow. In the event of (short-term) increased liquidity requirements that exceed currently negotiated lines, the possibilities of raising funds at market conditions are considered to be very good.

Foreign currency trends

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

Foreign currency risks that cannot be offset against each other are hedged using futures and options whenever reasonable. The high volatility of many major currencies and the particular influence of the US dollar on the Group's financial, assets and earnings position represent a considerable risk that can only be partially hedged for a short-term period. In the medium term, NORMA Group reduces foreign currency risks by increasing regional production. ▶ PRODUCTION AND LOGISTICS, P. 65

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 optimization of the bank loans renegotiated in 2015, which now also offers the possibility of utilizing credit lines in US dollars, but also the promissory note tranches issued in US dollars in 2016, results in more congruent payment profiles in US dollars. In addition, currency risk is monitored in the Group and transferred to the euro over time on a rolling basis by means of derivative hedging instruments if the risk becomes too excessive. Translation risks are continuously monitored by Group Treasury. Translation effects from items in the Statement of Financial Position and income statement of subsidiaries in foreign currency areas on the Consolidated Statement of Financial Position prepared in euros are unavoidable, however.

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 financial position, financial performance and cash flows. NORMA Group's interest change risk arises in particular from long-term loans.

Many of the current loans have fixed interest rates and are therefore not subject to interest rate risk. ▶ GOALS REGARDING FINANCE AND LIQUIDITY MANAGEMENT, P. 47

Loans that initially had variable interest rates were partly synthetically converted into fixed interest rate positions using derivative instruments. NORMA Group has hedged over 90% of its variable interest rate loans in USD valued at USD 160 million in total. On the other hand, variable rate loans denominated in euros in the amount of EUR 177 million are for the most part unhedged.

Due to the fact that there are currently no signs of a more restrictive monetary policy in the euro region, NORMA Group regards the risk of interest rate hikes in the short term to be rather unlikely; however, the risk of higher interest rates is considered to be possible in the medium term. This would only have a minor financial impact due to NORMA Group's financing structure, however. Due to the currently low interest rate level, the potential for opportunities that can arise from a falling interest rate level is considered to be unlikely. In light of the measures already implemented on optimizing financing, the financial effects associated with these opportunities are considered to be insignificant.

ECONOMIC AND CYCLICAL OPPORTUNITIES AND RISKS

The success of NORMA Group depends significantly on macroeconomic trends on its sales markets and its customers' sales markets. Therefore, indicators for economic development worldwide are taken into account both in planning as well as in risk and opportunities management. In order to gauge the macroeconomic trend, NORMA Group mainly uses the forecasts of widely regarded institutions such as the IMF, the Bundesbank and reputable economic research institutes. Accordingly, global growth of 3.5 % can be expected in 2019.

In the previous year, the uncertain outcome of the Brexit process and rising bond yields due to increasing protectionism were identified as key risk factors with regard to the economic development. In addition, a flattening of the pace of expansion of the Chinese market and turbulences on the global currency and capital markets were seen as additional possible risks. For the current fiscal year, a disorderly Brexit process, an even stronger economic downturn in China, the intensification and expansion of protectionism and other geopolitical crises can be considered relevant risk factors. Furthermore, the high national debt in Italy and France could have a negative impact on the economic development in Europe.

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 represents 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 (previous year: possible) 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, P. 40 It should be borne in mind 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. The Company's current solutions are constantly being developed further and supplemented by sustainable innovations as required. NORMA Group is also in a good position to meet the challenges of ever more relevant electromobility through its future-proof product portfolio. For example, solutions from NORMA Group's current product portfolio are already being used in purely battery-powered electric vehicles. Regulatory measures such as stricter exhaust gas standards and the resulting increased demand for environmentally friendly technologies and products are thus an opportunity for NORMA Group. Should the proportion of purely battery-powered electric vehicles increase further in the future, it will be important for NORMA Group to be able to continue offering suitable, innovative product solutions in this dynamic environment. Accordingly, the ongoing discussion about compliance with emission standards in vehicles with an internal combustion engine may also pose risks for NORMA Group. NORMA Group counteracts these risks with its ongoing initiatives to secure and expand its technology and innovation leadership, as well as by focusing on customers and markets. ▶ RESEARCH AND DEVELOPMENT, P. 48

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

The strategic goal of NORMA Group is to achieve a sustained increase in the Company's value. In view of this goal, NORMA Group is pursuing the strategy of profitably expanding its business activities through organic growth as well as selective value-enhancing acquisitions and achieving broad diversification with respect to its products, regions and end markets, thus becoming less dependent on individual products, regions and end markets. NORMA Group's aim is to grow with innovations, superior product quality and strong brands in existing end markets, to open up new end markets and to continuously improve the efficiency of its business processes in all functional areas and regions. ▶ GOALS AND STRATEGY, P. 42

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

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

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 the appropriate location decisions 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.

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 world 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 product materials steel, metal components, polyamides and rubber as competitively as possible. This Group purchasing structure also enables NORMA Group to balance out the risks of individual segments with each other. NORMA Group also constantly strives to secure permanently competitive procurement prices by continuously optimizing its selection of suppliers and applying the best-landed-cost-approach. The Company also tries to reduce dependency on individual materials through constant technological advances and tests of alternative materials. Protection against commodity price volatility is done by forming procurement contracts with a term of up to 24 months, whereby material supply risks are minimized and price fluctuations can be better calculated.

With regard to the procurement of steel and metal components, the increasing protectionism that is particularly noticeable in North America is leading to a sharp rise in procurement prices. Potential economic policy responses in Europe and Asia, especially in China, could lead to a further increase in procurement prices. The price component of alloy surcharges relevant to the purchasing of stainless steel is still seen as volatile, whereby an increase can be expected in the medium and long term. In the area of engineering plastics, NORMA Group was faced with rising purchasing prices in the past fiscal year. Several incidents that can be classified as force majeure occurred in the past fiscal year and led to significant shortages on the market for PA 6.6 . Due to the expected continued high demand for this product group, NORMA Group considers the probability of rising prices to be likely. Overall, the rise in commodity prices is estimated to be likely. Due to the countermeasures initiated, however, only minor financial effects are expected, as a share of the commodity price increases can be passed on to the customer by renegotiating contracts.

Similarly, the opportunities arising from declining raw material prices are also considered to be minor in terms of their financial impact. Especially in light of the continuing protectionist tendencies in trade policy, as was the case last year, it can be considered unlikely that global commodity prices will fall short of the planned levels, due to the currently rising prices for steel, metal components and polyamides/engineering plastics.

Suppliers and dependencies on key suppliers

The loss of suppliers and dependencies on single suppliers can lead to material shortages and thus to negative impacts on the Group's activities. In order to minimize this risk, NORMA Group only works with reliable and innovative suppliers who meet its high quality requirements. In the area of production material, the ten most important suppliers are responsible for approximately 33% of the purchasing volume. ▶ PURCHASING AND SUPPLIER MANAGEMENT, P. 67 These and other key suppliers are regularly observed and assessed as part of quality management. If the loss of a supplier appears imminent, NORMA Group evaluates alternatives immediately. As a result, the loss of suppliers is considered possible, but the potential financial impact is regarded as minor. However, NORMA Group also sees opportunities in this area as a result of its proactive approach both in terms of existing supplier relationships as well as identification of new suppliers and raw materials. But since an optimization in the area of purchasing is anticipated in the medium term, NORMA Group estimates the potential of the implemented measures for a positive deviation from planning to be possible with a minor impact.

Quality and processes

NORMA Group's products are often mission-critical with respect to the quality, performance and reliability of the final product. Quality defects can lead to legal disputes, liability for damages or the loss of a customer. Therefore, the reliable guarantee of product quality is a key factor to ensuring NORMA Group's long-term success, so that its products provide crucial added value for its customers. ▶ QUALITY MANAGEMENT, P. 66 Maintaining the right balance between cost leadership and quality assurance is a constant challenge. To reduce this risk, far-reaching quality assurance measures and uniform Group-wide quality standards are used. Furthermore, NORMA Group focuses on innovative and value added joining solutions tailored to meet customer requirements. For this reason, the Company believes that it is possible for quality risks to occur, while the potential financial repercussions would be minor due to the existing insurance coverage.

NORMA Group takes every opportunity to realize cost advantages to improve its competitive position. The Company develops and implements initiatives focused on cost discipline, the continuous improvement of processes in all functions and regions and the optimization of supply chain management and production processes. These initiatives are expected to have a positive impact on NORMA Group's business. ▶ PRODUCTION AND LOGISTICS, P. 65 Since NORMA Group pursues a continuous process of improvement, there are opportunities over and above planning for positive deviations in the area of these processes. This applies for all regions in which NORMA Group is active. The Company estimates the likelihood of cost savings to be possible. Since planning already allows for continuous optimization of production processes and NORMA Group's processes are already extremely efficient, the short-term financial impact of a deviation from the plan as a result of improved production processes is minor.

Customers

Customer risks result from a company being dependent on important buyers for a significant proportion of its sales. They could take advantage of their bargaining power, which can lead to increased pressure on the Company's margins. Decreases in demand from these customers or the loss of these customers can have a negative impact on the Company's earnings. For this reason, NORMA Group continuously monitors incoming orders and customer behavior so as to identify customer risks early. Due to its diversified customer portfolio, financial repercussions of customer risks are reduced. Accordingly, no single customer accounted for more than 5% of sales in fiscal year. Therefore, it is possible that customer risks could have a negative impact on NORMA Group's business, but 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 throughout all regions. Therefore, NORMA Group estimates the opportunities for positive deviations from planning to be possible with a minor impact on earnings based on a growing number of customers.

RISKS AND OPPORTUNITIES OF PERSONNEL MANAGEMENT

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

NORMA Group counters these risks with far-reaching basic and advanced training as well as employee development programs. NORMA Group also encourages its employees to focus on the Company's success through variable remuneration systems. In return, the employees contribute to the continuous further development of the Company in connection with employee surveys and improvement initiatives. Comprehensive representation rules and a division of responsibilities that promote 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.

Thus, the Company regards the probability of personnel risks occurring as possible, whereas the potential financial impact is insignificant due to the sustainable personnel policy.

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

IT-RELATED RISKS AND OPPORTUNITIES

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

Therefore, NORMA Group has 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 in this context to changing conditions. For example, NORMA Group manages the IT risks it identifies by arranging for redundant provision of business-critical applications and databases via physically separated data center areas, using decentralized data storage and outsourced data archiving to a certified external provider, and by using up-to-date firewalls and e-mail filters, including permanent network monitoring. The access of employees to sensitive information is ensured by means of authorization systems customized for the respective positions, taking into account the principle of segregation of duties. Finally, employees are trained to be more aware of data security aspects.

NORMA Group estimates the probability of IT-related risks occurring in all regions despite the implemented countermeasures to be possible and the potential financial impact to be minor.

Opportunities in the area of IT arise in particular from the potential of process standardization and optimization across all companies of NORMA Group. For instance, the gradual migration from the old ERP systems to uniform new systems for the entire Group was further advanced in 2018. The opportunities that arise from this streamlining measure are considered to be likely. The related financial effects are expected to be minor.

LEGAL RISKS AND OPPORTUNITIES

Risks related to standards and contracts

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

In 2018, litigations against NORMA Group (passive), mainly involved labor disputes such as dismissal protection suits and product defects claimed by customers or their insurance companies. In Malaysia, the local subsidiary of NORMA Group won a lawsuit in connection with a plant that the opposing party insisted on buying and a claim for repayment of a deposit on the purchase price after the purchase was not carried out. Active proceedings mainly pertained to claims against suppliers. In addition, NORMA Group identified possible violations of its own IP rights or IP rights of third parties. Most of the proceedings were conducted in Germany and the US.

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

Due to the current significant changes in international tax law (e.g. the OECD BEPS Initiative), in particular, that can lead to unanswered legal questions, as well as due to 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 existing risk management measures, the potential financial impact of risks in connection with standards and contracts is still considered to be moderate.

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

Social and environmental standards

Violating social and environmental standards could damage the reputation of NORMA Group and result in restrictions, claims for damages or disposal obligations. NORMA Group has therefore implemented Corporate Responsibility as an integral part of the Group strategy. In this context, a systematic Environmental Management System was introduced at NORMA Group so that corporate decisions can always be evaluated also considering the goal of avoiding emissions and conserving resources. The Company also invests in the area of occupational health and safety for its continuous improvement. ▶ EMPLOYEES, P. 69

In 2018, a lawsuit was still filed in China due to the violation of local environmental standards because Fengfan Fastener released contaminated wastewater into the sewer system while manufacturing cable ties. As a result, the authorities imposed a penalty of CNY 805,000. Meanwhile, the wastewater contamination in question has been eliminated by installing new filter systems and using environmentally friendly cleaning agents. Consequently, the probabilities of occurrence of negative developments as a result of social and environmental risks are now assumed to be possible, however the potential financial impact is still considered to be moderate.

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

Intellectual property

NORMA Group's position as a technology and innovation leader means that violations of its intellectual property rights could lead to lost sales and reputation. For this reason, the Company ensures that its technologies and innovations are legally protected. NORMA Group also minimizes the potential impact by developing customer-specific solutions and through its speed of innovation. At the same time, it is also possible for NORMA Group to violate the intellectual property of third parties. For this reason, developments for potential patent violations are reviewed at an early stage. Therefore, it is considered possible for the intellectual property to be violated. Due to the measures that NORMA Group has implemented, the potential impact of an intellectual property violation is regarded to be minor. In addition, NORMA Group also sees opportunities as possible that can lead to a minor deviation from the medium term plan as a result of the consistent defense of the intellectual property and the expansion of legal unique selling points.

ASSESSMENT OF THE OVERALL PROFILE OF RISKS AND OPPORTUNITIES BY THE MANAGEMENT BOARD

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

General economic risks remain for NORMA Group in all areas, which is why setbacks on the way towards 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 to 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.

T 030 RISK AND OPPORTUNITY PORTFOLIO OF NORMA GROUP[1]

		Probability of occurrence						Financial impact					
		very unlikely	unlikely	possible	likely	very likely	change comp. to 2017	insigni-ficant	minor	moderate	significant	high	change comp. to 2017
Financial risk and opportunities													
Default risk			■				▶	■					▶
Liquidity	Risks	■					▶					■	▶
	Opportunities				■		▶		■				▶
Currency	Risks			■			▶			■			▶
	Opportunities			■			▶			■			▶
Change in interest rates	Risks			■			▶		■				▶
	Opportunities		■				▶	■					▶
Economic and cyclical risks and opportunities													
	Risks			■			▶			■			▶
	Opportunities		■				▼		■				▶
Industry-specific and technological risks and opportunities													
	Risks			■			▶			■			▶
	Opportunities			■			▶			■			▶
Risks and opportunities associated with corporate strategy													
	Risks		■				▶			■			▶
	Opportunities			■			▶			■			▶
Operational risks and opportunities													
Commodity pricing	Risks				■		▶		■				▶
	Opportunities		■				▶		■				▶
Suppliers	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Quality and processes	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Customers	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶
Risks and opportunities of personnel management													
	Risks			■			▶	■					▶
	Opportunities				■		▶		■				▶
IT-related risks and opportunities													
	Risks			■			▶		■				▶
	Opportunities				■		▶		■				▶
Legal risks and opportunities													
Risks related to standards and contracts	Risks			■			▶			■			▶
Social and environmental standards	Risks			■			▲			■			▶
	Opportunities			■			▶		■				▶
Property rights	Risks			■			▶		■				▶
	Opportunities			■			▶		■				▶

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

REMUNERATION REPORT

REMUNERATION OF THE MANAGEMENT BOARD

BASIC PRINCIPLES OF THE REMUNERATION SYSTEMS

The purpose of NORMA Group's remuneration system is to provide the members of the Management Board with adequate remuneration for their activities and areas of responsibility as well as their personal performance in accordance with applicable legislation and to provide them with a long-term incentive to commit themselves to the success of the Company. In addition to the criteria of the Company's performance and future prospects, the decision as to what level of remuneration is appropriate is also based on the general levels of remuneration paid by comparable companies and NORMA Group's remuneration structure.

In accordance with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017, the remuneration comprises a fixed element and variable elements.

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

The variable remuneration varies depending on the date on which the members of the Management Board take up their duties or sign their contracts. For members of the Board of Management who joined before 2015 – this applies to Mr. Deggim, Mr. Stephenson and Mr. Kleinhens (for the latter only the remuneration until 2017) – the variable remuneration generally consists of the following components:

1. The annual bonus is a variable cash payment calculated on the basis of the quantifiable performance of the Company in the previous fiscal year. The parameters taken into consideration are whether or not the Company reaches its target for an earnings component (adjusted EBITA) and a liquidity component (operating free cash flow before external use). Each of the two indicators is calculated for a fiscal year based on figures taken from the Company's Consolidated Financial Statements and compared to the target set in advance by the Supervisory Board. The annual salary of the Management Board member is multiplied by a percentage between 0% and 200%, depending on the extent to which the targets for the components were met. The range limits the annual bonus to 50% of the member's annual salary. In case of negative performance, it can be reduced to EUR 0.

2. The Company's Long-Term Incentive (LTI) Plan is a component of a variable remuneration element designed to support the Company's long-term performance. The LTI plan also comprises an EBITA component and an operating free cash flow before external use (FCF) component, each of which are observed over a period of three years (performance period). A new three-year performance period begins for every year. Both components are calculated by multiplying the average annual (adjusted) EBITA and FCF values actually achieved in the performance period by the (adjusted) EBITA and FCF bonus percentages specified in the employment contract. In a second step, the actual value of a component is compared to the medium-term plan approved by the Supervisory Board to evaluate the Company's performance and adjustments are made to the LTI plan. The LTI plan is limited to two and a half times the amount that would be arrived at on the basis of the figures in the Company's medium-term plan. If the actual value is lower than the planned value, the LTI plan is reduced on a straight-line basis down to a minimum of EUR 0 if the three-year targets are missed by a significant amount.

3. The Matching Stock Program (MSP) provides a share price-based long-term incentive to commit to the success of the Company. The MSP is a share-based option right.

   To this end, the Supervisory Board specifies a number of stock options to be allotted each fiscal year with the proviso that the Management Board member makes a corresponding personal investment in the Company.

   The MSP is split into different tranches. The first tranche was allotted on the day of the initial public offering (April 8, 2011). The other tranches were allotted on March 31 each following year, the last allotment took place on March 31, 2017 (no allotment in fiscal year 2018). The stock options relate to those shares allotted or acquired and qualified under the MSP as specified in the Management Board contract. The number of stock options is calculated by multiplying the qualified shares (for 2015, 2016 and 2017 85,952 shares per year) held at the allotment date by the option factor specified by the Supervisory Board. The option factor is re-determined for each tranche and amounts to 1.5 for each of the tranches in 2015, 2016 and 2017. In the fiscal years 2015, 2016 and 2017, 128,928 shares are to be considered. Every tranche will be recalculated taking changes in the influencing factors into consideration and balanced pro rata temporis over the vesting period.

The vesting period is four years and ends on March 31 2019, 2020 and 2021 respectively for the 2014, 2015, 2016 and 2017 tranches. The options in a tranche can only be exercised within a period of two years after the vesting period expires. As a precondition for exercising the options, the share price must exceed the exercise threshold when the options are exercised (basis: weighted average of the last ten exchange trading days before exercising the option). The exercise threshold is set by the Supervisory Board when the respective tranche is allocated and equals at least 120% of the exercise price. The exercise threshold was set at 120% of the strike price for the 2015, 2016 and 2017 tranches. In determining the exercise price of the tranches, the weighted average of the closing prices of the Company's share on the last 60 trading days that immediately preceded allocation of each tranche is to be applied. Dividend payments by the Company during the vesting period are to be deducted from the exercise price of each tranche.

The value of the stock options is calculated by an external assessor based on generally accepted business valuation models.

The Company is generally free to decide at the time of exercise whether compensation for the option is to be offered in the form of shares or a cash settlement. Due to the history of NORMA Group, a settlement in the form of a cash payment is expected for the future. For further information, please refer to the Notes. ▶ NOTES, P. 174

T 031 OVERVIEW OF THE MATCHING STOCK PROGRAM (MSP) AT THE TIME OF ALLOTMENT

Tranches	Option factor	Number of options	Exercise price in EUR	End of vesting 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

On commencement of service from 2015 or in the case of new service contracts for the Management Board from 2015 on, this applies to Mr. Kleinhens (remuneration from 2018 on), Dr. Schneider and Dr. Klein, the variable remuneration of the Management Board consists of the following components:

1. The annual bonus is a variable compensation component, which refers to the average adjusted Group EBITA (earnings before interest, taxes and amortization) of the last three fiscal years. The Management Board receives a percentage of the amount of the three-year average. The annual bonus is limited to a maximum of two and a half times or two times the fixed annual salary. The annual bonus for the previous fiscal year is to be paid after approval of the Consolidated Financial Statements by the Supervisory Board the following year. If the Management Board member has not worked for the Company for a full twelve months in a fiscal year, the annual bonus is reduced accordingly.

The following table gives an overview of the annual bonus:

T 032 ANNUAL BONUS

	Assessment basis	% rate	Cap
Bernd Kleinhens	Adj. EBITA of last three years (arithmetic mean)	0.60	Two and a half times the fixed salary
Dr. Michael Schneider	Adj. EBITA of last three years (arithmetic mean)	0.35	Two and a half times the fixed salary
Dr. Friedrich Klein	Adj. EBITA of last three years (arithmetic mean)	0.25	Two times the fixed salary

2. The Long-Term Incentive Plan is designed as a so-called NORMA Value Added Bonus and represents a part of the variable remuneration of the Management Board aligned toward sustained positive business development. This LTI provides a long-term incentive for the Management Board to work hard to make the Company successful. The LTI is an appreciation bonus that is based on the Group's performance. The Board member receives a percentage of the calculated increase in value. The NORMA Value Added Bonus corresponds to the percentage of the average increase in value from the current and the two previous fiscal years. The annual increase in value is calculated using 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 consolidated earnings before interest and taxes (Group EBIT) for the fiscal year and the average corporate tax rate. The second component is calculated from the Group WACC multiplied by the capital invested. The NORMA Value Added Bonus is limited to a maximum of one and a half times or one time the fixed annual salary. 75% or 90% of the amount attributable to the LTI is to be paid to the respective member of the Management Board the following year. The Company then uses the remaining 25%, resp. 10% attributable to the LTI to

purchase shares of NORMA Group SE in the name and on behalf of the individual Board members. Alternatively, the Company may pay out this balance to the Board member. In this case, the Management Board member obligates himself to purchase shares of NORMA Group SE with the balance of this amount within 120 days after the Annual Financial Statements are approved at the Supervisory Board meeting. The Management Board member may not dispose of the shares for four years. Dividends and subscription rights are to 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 is to 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. Upon termination of his appointment to a body at the request of the Management Board or for another important reason, no future rights to variable components of the LTI shall be granted.

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

T 033 NORMA VALUE ADDED BONUS/LTI

	Assessment basis	% rate	Cap	Payment/ acquisition of shares
Bernd Kleinhens	NOVA of the last three years (arithm. mean)	1.00	One and a half times the fixed annual salary	90%/10%
Dr. Michael Schneider	NOVA of the last three years (arithm. mean)	1.00	One and a half times the fixed annual salary	75%/25%
Dr. Friedrich Klein	NOVA of the last three years (arithm. mean)	0.50	One annual salary	75%/25%

In addition, there is an entitlement to a pension upon commencement of service or signing of the contract as of 2015, which is measured as a percentage of the pensionable income. 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 yearly fixed salary prior to leaving for each completed year of service. The percentage can increase to a maximum of 55%. Furthermore, a survivor's pension is to be provided as well.

In the event of premature termination of the employment contract without an important reason, any payments to the Management Board are not to exceed the value of two annual remunerations and correspond at most to the value of the remuneration for the remaining term of the employment contract (see Section 4.2.3 of the GCGC). If a special right of termination is exercised in the event of a change of control, the Management Board receives compensation of three years' remuneration, but no more than the value of the remuneration for the remaining term of the employment contract (see Section 4.2.3 of the GCGC). The annual remuneration includes the current annual fixed salary as well as short- and long-term variable remuneration components from the past fiscal year.

The members of the Management Board are additionally compensated with a company car, which they can also use for personal purposes. Furthermore, Management Board members are reimbursed for any expenses and travel costs incurred while performing their duties for the Company in accordance with the Company's respectively applicable guidelines. Inventor's bonuses are also granted. The members of the Management 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 Managing Directors of NORMA Group.

REMUNERATION OF THE MANAGEMENT BOARD IN FISCAL YEAR 2018

The Management Board's remuneration for fiscal year 2018 is reported in accordance with the applicable accounting principles (DRS 17) and the recommendations of the German Corporate Governance Code.

T 034 MANAGEMENT BOARD REMUNERATION IN 2018

	Bernd Kleinhens		Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Werner Deggim (until Dec 31, 2017)		John Stephenson (until Jan 31, 2018)		Total	
IN EUR THOUSANDS	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed components	524	320	387	341	83	0	234	471	24	294	1,252	1,426
Performance-related components	1,011	90	590	0	106	0	0	135	0	84	1,707	309
Long-term incentive effect	591	1,256	591	861	74	0	64	1,462	8	629	1,330	4,208
Total remuneration	**2,126**	**1,666**	**1,568**	**1,202**	**263**	**0**	**298**	**2,068**	**32**	**1,007**	**4,289**	**5,943**

Management Board remuneration in 2018 according to the accounting standard DRS 17

The total remuneration of the Management Board pursuant to Section 315e in connection with Section 315a (2) and Section 314 (1) no. 6a sentence 5 of the German Commercial Code (HGB) is distributed among the individual members of the Management Board as shown in ▶ TABLE 034.

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

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

The benefits promised to the members of the Management Board in the event of the regular termination of their employment (cf. Section 315e in connection with Section 315a (2) and Section 314 (1) no. 6a sentence 6 HGB) are distributed among the individual members of the Management Board as shown in ▶ TABLE 035.

T 035 OVERVIEW OF THE PROMISED PENSIONS OF THE BOARD MEMBERS

	Bernd Kleinhens		Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Total	
IN EUR THOUSANDS	2018	2017	2018	2017	2018	2017	2018	2017
Present value of pension	371	0	1,005	479	53	0	1,429	479
Expended/accrued amount	371	0	526	248	53	0	950	248

Remuneration of the Management Board in 2018 in accordance with the German Corporate Governance Code

In accordance with the German Corporate Governance Code in its version dated February 7, 2017, which draws a distinction between remuneration that is being granted for the year under review and inflow in or for the year under review, the remuneration of the Management Board is shown as follows (models recommended in the Code are being used):

T 036 REMUNERATION GRANTED TO THE MANAGEMENT BOARD

	Bernd Kleinhens				Dr. Michael Schneider				Dr. Friedrich Klein (since Oct 1, 2018)			
IN EUR THOUSANDS	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017
Fixed remuneration	504	504	504	300	360	360	360	314	81	81	81	0
Benefits	20	20	20	20	27	27	27	27	2	2	2	0
Total	**524**	**524**	**524**	**320**	**387**	**387**	**387**	**341**	**83**	**83**	**83**	**0**
One-year variable remuneration	1,011	0	1,260	75	590	0	990	547	106	0	162	0
Multi-year variable remuneration												
LTI tranche 2017 – 2019	0	0	0	267	0	0	0	0	0	0	0	0
MSP 2017 – 2021	0	0	0	464	0	0	0	0	0	0	0	0
Other perennial remuneration	591	0	756	0	591	0	594	314	74	0	81	0
Sum	**1,602**	**0**	**2,016**	**806**	**1,181**	**0**	**1,584**	**861**	**180**	**0**	**243**	**0**
Pension expenses	473	473	473	0	225	225	225	197	65	65	65	0
Total remuneration	**2,599**	**997**	**3,013**	**1,126**	**1,793**	**612**	**2,196**	**1,399**	**328**	**148**	**391**	**0**

	Werner Deggim (until Dec 31, 2017)				John Stephenson (until Jan 31, 2018)				Total			
IN EUR THOUSANDS	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017	2018	2018 (Min)	2018 (Max)	2017
Fixed remuneration	230	230	230	450	23	23	23	280	1,198	1,198	1,198	1,334
Benefits	4	4	4	21	1	1	1	14	54	54	54	82
Total	**234**	**234**	**234**	**471**	**24**	**24**	**24**	**294**	**1,252**	**1,252**	**1,252**	**1,426**
One-year variable remuneration	0	0	0	113	0	0	0	70	1,707	0	2,250	805
Multi-year variable remuneration												
LTI tranche 2017 – 2019	0	0	0	0	0	0	0	0	0	0	0	267
MSP 2017 – 2021	0	0	0	242	0	0	0	0	0	0	0	706
Other perennial remuneration	0	0	0	0	0	0	0	0	1,256	0	1,350	314
Sum	**0**	**0**	**0**	**355**	**0**	**0**	**0**	**70**	**2,963**	**0**	**3,600**	**2,092**
Pension expenses	0	0	0	0	0	0	0	0	763	763	763	197
Total remuneration	**234**	**234**	**234**	**826**	**24**	**24**	**24**	**364**	**4,978**	**2,015**	**5,615**	**3,715**

T 037 INFLOW FROM MANAGEMENT BOARD MEMBER REMUNERATION

	Bernd Kleinhens		Dr. Michael Schneider		Dr. Friedrich Klein (since Oct 1, 2018)		Werner Deggim (until Dec 31, 2017)		John Stephenson (until Jan 31, 2018)		Total	
IN EUR THOUSANDS	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed remuneration	504	300	360	314	81	0	230	450	23	280	1,198	1,344
Benefits	20	20	27	27	2	0	4	21	1	14	54	82
Total	**524**	**320**	**387**	**341**	**83**	**0**	**234**	**471**	**24**	**294**	**1,252**	**1,426**
One-year variable remuneration	1,011	90	590	547	106	0	0	135	0	84	1,707	856
Multi-year variable remuneration												
LTI tranche 2015 – 2017	230	0	0	0	0	0	348	0	217	0	795	0
LTI tranche 2014 – 2016	0	186	0	0	0	0	0	281	0	175	0	642
MSP 2014 – 2018	718	0	0	0	0	0	1,080	0	670	0	2,468	0
MSP 2013 – 2017	0	741	0	0	0	0	0	1,116	0	692	0	2,549
Other perennial remuneration	591	0	591	300	74	0	0	0	0	0	1,256	300
Sum	**2,550**	**1,017**	**1,181**	**847**	**180**	**0**	**1,428**	**1,532**	**887**	**951**	**6,226**	**4,347**
Pension expenses	473	0	225	197	65	0	0	0	0	0	763	197
Total remuneration	**3,547**	**1,337**	**1,793**	**1,385**	**328**	**0**	**1,662**	**2,003**	**911**	**1,245**	**8,241**	**5,970**

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration for the Chairman and the Vice Chairman of the Supervisory Board was calculated separately in accordance with the recommendations of the German Corporate Governance Code in the version dated February 7, 2017. The Chairman is paid double the remuneration of the other members of the Supervisory Board, and the Vice Chairman is paid one and a half times this amount. In addition, the Chairman and members of the Supervisory Board's committees are remunerated separately.

The Supervisory Board members will be remunerated for their activities on the day after the 2019 Annual General Meeting as follows:

T 038 REMUNERATION OF THE SUPERVISORY BOARD 2018

Supervisory Board member	Membership/Chairman of a committee	Remuneration in EUR
Lars M. Berg	Chairman of the Supervisory Board (since May 17, 2018)	
	Chairman of the General and Nomination Committee (since May 17, 2018)	
	Vice Chairman of the Supervisory Board (until May 17, 2018)	
	Member of the Audit Committee (until May 17, 2018)	
	Member of the General and Nomination Committee (until May 17, 2018)	104,410.96
Erika Schulte	Vice Chairwoman of the Supervisory Board (since May 17, 2018)	
	Member of the Audit Committee	75,684.93
Rita Forst (since May 17, 2018)	Member of the Audit Committee	37,643.84
Günter Hauptmann	Member of the General and Nomination Committee (since May 17, 2018)	56,273.97
Dr. Knut J. Michelberger	Chairman of the Audit Committee	
	Member of the General and Nomination Committee (since May 17, 2018)	91,273.97
Mark Wilhelms (since August 29, 2018)	Not a member of a Committee	17,123.29
Dr. Christoph Schug (until May 17, 2018)	Member of the General and Nomination Committee	22,520.55
Dr. Stefan Wolf (until May 17, 2018)	Chairman of the Supervisory Board	
	Member of the General and Nomination Committee	41,287.67
Total		**446,219.18**

No remuneration was paid to Supervisory Board members in fiscal year 2018 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.

OTHER LEGALLY REQUIRED DISCLOSURES

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

SECTION 315A (1) NO. 1 HGB

NORMA Group SE's share capital totalled EUR 31,862,400.00 on December 31, 2018. This is divided into 31,862,400 registered shares with no par value. Each share entitles the bearer to one vote. There are no other classes of shares. NORMA Group SE holds no treasury shares.

SECTION 315A (1) NO. 2 HGB

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

SECTION 315A (1) NO. 3 HGB

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

SECTION 315A (1) NO. 4 HGB

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

SECTION 315A (1) NO. 5 HGB

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

SECTION 315A (1) NO. 6 HGB

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

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

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

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

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

SECTION 315A (1) NO. 7 HGB

Authorized Capital

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

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

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

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

Conditional Capital

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

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

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

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

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

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

Authorization to acquire own shares

Pursuant to the resolution of the Annual General Meeting on May 20, 2015, NORMA Group SE is authorized to acquire up to a total of 10% of its own share capital at the time at which the resolution was adopted or – in the event that this value is lower – at the time that the authorization is exercised via the stock exchange or via a public purchase offer on or before May 19, 2020, for any permissible purpose. This authorization may be exercised by NORMA Group SE in whole or in partial amounts, once or repeatedly, in pursuit of one or more purposes, but also be carried out by companies that are dependent on NORMA Group SE or in which NORMA Group SE holds a majority of the shares, or on its or their account. If the shares are acquired on the stock exchange, the equivalent value per share that is paid (without ancillary acquisition costs) may not exceed the price of the share in NORMA Group SE in the Xetra trading system (or a com-

parable successor system), as determined on the trading day in Frankfurt/Main by the opening auction, by more than 10% and not fall below it by more than 20%. If the acquisition is effected by way of a public purchase offer, the purchase price offered or the threshold values of the purchase price margin (excluding ancillary acquisition costs) may not exceed the closing price of the NORMA Group SE share in the Xetra trading system (or a comparable successor system) on the third trading day in Frankfurt/Main prior to the day of the public announcement of the offer by more than 10% and not fall below it by more than 20%. Should the relevant price vary by a not inconsiderable extent following the publication of the public purchase offer, the offer may be adjusted. In this case, the closing price on the third trading day in Frankfurt/Main prior to the public announcement will be based on any adjustment that has been made.

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

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

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

SECTION 315A (1) NO. 8 HGB

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

SECTION 315A (1) NO. 9 HGB

NORMA Group SE has no agreements in place that provide compensation for members of the Management Board or employees in the event of a takeover bid. Please see the Remuneration Report for further details. ▶ REMUNERATION REPORT, P. 91

REPORT ON TRANSACTIONS WITH RELATED PARTIES

In fiscal year 2018, there were no significant transactions with related companies or persons besides the minority activities of members of the Management Board described in the Corporate Governance Report.