CREATING VALUE, EVERY STEP OF THE WAY




ANNUAL REPORT

2017

COVER

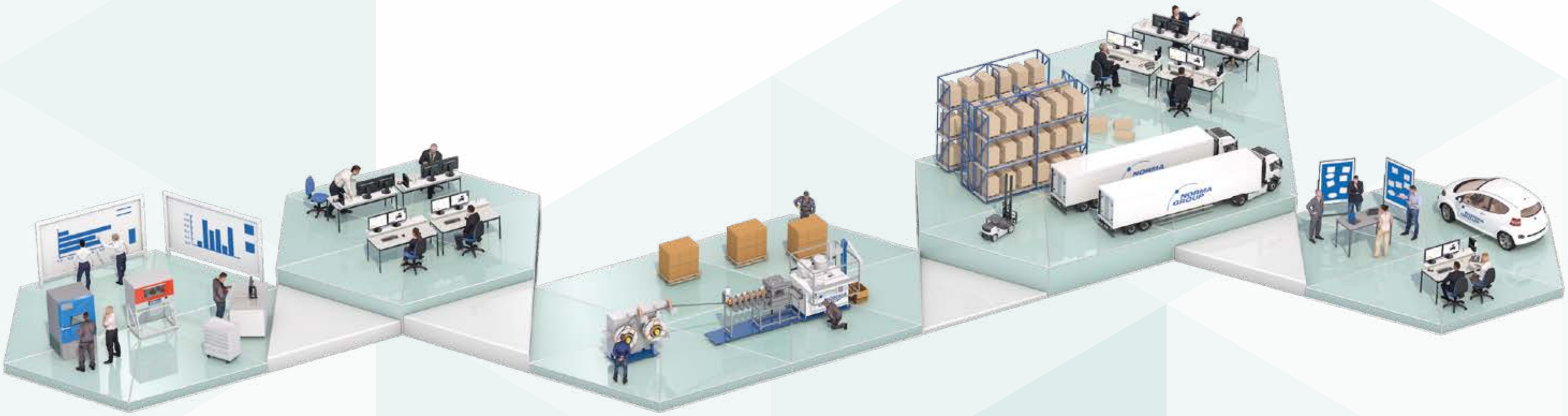
TO OUR SHAREHOLDERS

CONSOLIDATED MANAGEMENT REPORT 2017

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

THE VALUE CHAIN OF NORMA GROUP



NORMA Group is an international market and technology leader in engineered joining technology (joining, connecting and fluid handling technology) and offers more than 40,000 high-quality products and solutions to around 10,000 customers in more than 100 countries. NORMA Group's joining products are used in various industries and can be found in vehicles, ships, trains, aircraft, domestic appliances, engines and plumbing systems as well as in applications for the pharmaceutical and biotechnology industry. From its headquarters in Maintal near Frankfurt, Germany, the Company coordinates a global network consisting of 27 production facilities as well as numerous sales and distribution sites across Europe, the Americas, and Asia-Pacific.

TWO STRONG DISTRIBUTION CHANNELS

Innovative joining technology and the highest quality standards have secured NORMA Group's market position for over 60 years now. The Company offers solutions for many different industries with its advanced products. In fact, NORMA Group ranks as one of the world's market and technology leaders in the area of joining technology thanks to the personal dedication of more than 7,000 employees and an intellectual property rights portfolio that consists of more than 700 patents.

37%

63%

ENGINEERED JOINING TECHNOLOGY (EJT)

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

DISTRIBUTION SERVICES (DS)

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

ABA, NDS (We put water in its place), BREEZE, NORMA, Clamp-All, R.G.RAY, FiveStar, SERFLEX, FISH, Torca, Gemi

FINANCIAL FIGURES 2017

T 001		2017	2016	change in %
Order situation				
Order book (Dec 31)	EUR millions	329.1	302.4	8.9
Income statement				
Revenue	EUR millions	1,017.1	894.9	13.7
Adjusted gross profit [1]	EUR millions	601.3	545.6	10.2
Adjusted EBITA [1]	EUR millions	174.5	157.5	10.8
Adjusted EBITA margin [1]	%	17.2	17.6	n/a
EBITA	EUR millions	166.8	150.4	10.9
Adjusted profit for the period [1]	EUR millions	105.0	94.6	11.0
Adjusted earnings per share [1]	EUR	3.29	2.96	11.0
Profit for the period	EUR millions	119.8	75.9	57.9
Earnings per share	EUR	3.76	2.38	58.0
Cash flow				
Cash flow from operating activities	EUR millions	146.0	149.2	–2.1
Net operating cash flow	EUR millions	132.9	148.5	–10.5
Cash flow from investing activities	EUR millions	–70.8	–133.8	–47.1
Cash flow from financing activities	EUR millions	–77.7	49.6	n/a
		Dec 31, 2017	**Dec 31, 2016**	**change in %**
Balance sheet				
Total assets	EUR millions	1,312.0	1,337.7	–1.9
Equity	EUR millions	534.3	483.6	10.5
Equity ratio	%	40.7	36.2	n/a
Net debt	EUR millions	344.9	394.2	–12.5
Employees				
Core workforce		6,115	5,450	12.2

Share data		
IPO		April 2011
Stock exchange		Frankfurt Stock Exchange, Xetra
Market segment		Regulated Market (Prime Standard), MDAX
ISIN		DE000A1H8BV3
Security identification number		A1H8BV
Ticker symbol		NOEJ
Highest price 2017 [2]	EUR	63.79
Lowest price 2017 [2]	EUR	39.95
Year-end share price as of Dec 31, 2017 [2]	EUR	55.97
Market capitalization as of Dec 31, 2017 [2]	EUR millions	1,783
Number of shares		31,862,400

1_The adjustements are described in the Notes to the Consolidated Financial Statements. → NOTES, P. 139
2_Xetra price

RESEARCH AND DEVELOPMENT

IT ALL STARTS WITH AN IDEA

Solutions for tomorrow’s joining technology

__VPP profile clamp
for usage in turbo charging of hybrid vehicles

A technology company like NORMA Group thrives on ideas. New inspiration, improvements to existing solutions and preparing today for tomorrow's challenges are the foundation of our ongoing successful development. Our products – however inconspicuous they may seem – are mission-critical components. Our customers in all industries depend on us to provide them with innovative and reliable joining solutions.

In the area of Engineered Joining Technology (EJT), we develop tailor-made products and systems for our customers' very specific requirements. Manufacturers involve us closely in their own development activities – our engineers sometimes even join their teams as so-called 'Resident Engineers.' Distribution Services (DS) is another way we provide reliable joining solutions to our markets by offering our standard solutions and products. Their development is constantly inspired by the know-how generated in our EJT business. We are always making waves in the market with our innovative products available on a global scale at all times.

RESEARCH AND DEVELOPMENT MEETING THE NEEDS OF MOBILITY

Electromobility, hybrid drives and diesel vehicles – car manufacturers are currently up against a multitude of challenges. Facing them also depends on the right joining solutions.

Demands on the exhaust aftertreatment of **diesel vehicles** are increasing, driven by legal emission requirements. NORMA Group already supplies most of the world's automotive manufacturers with heated Selective Catalytic Reduction (SCR) lines. These transport the urea solutions necessary for exhaust purification. We further developed this system in light of new requirements: the urea fluid is injected at two different points – close to the engine and in the underbody. Longer, dual lines increase the number of interfaces. This poses technical challenges for which we already have the solutions. We develope connecting systems not only adapted for quick and easy installation, but that also reliably withstand high pressure and extreme temperatures.

The number of **hybrid drives** is growing. Manufacturers have gone every which way in their combinations of internal combustion engine and electric drive – but all of these systems are highly complex, adding many more critical interfaces to vehicles. Optimally adapting our products to limited installation space allows us to develop value-adding solutions for our customers.

Not fuel, but powerful batteries: Car makers around the globe are working on solutions to make **electric vehicles** more efficient. Battery temperature must be optimally regulated to maximize life expectancy. The entire vehicle also needs to be designed to be as light as possible – the weight of every component counts. NORMA Group uses its expertise and existing technical infrastructure to develop new solutions for the electromobility market. Our R&D department is already excellently positioned in thermal management, with the equipment, expertise and global test laboratories for plastics processing and testing.

__ ***V2-XC Quick Connector***
for air intake and crankcase ventilation for trucks and heavy duty vehicles

"Being innovative means not resting on existing products and successes, but working to stay the future technology leader in your field."

__***Stephan Mann***
Director Research & Development

FACTS AND FIGURES

344

Number of R & D employees

12

Number of global test laboratories

33

Number of invention applications 2017

EUR 29.4 M

R & D expenses

4.6 %

R & D ratio in relation to EJT sales

HIGHEST RESISTANCE FOR THE AUTOMOTIVE INDUSTRY

Less weight, more recycled material and greater resistance to high pressure and extreme temperatures. In light of these requirements, NORMA Group is expanding its testing technology and laboratories worldwide. We are putting materials and technologies to the test. The results are leading to optimized products. One recent result of extensive testing is the successful development of a new V2-XC (X-treme conditions) quick connector used in air intake and crankcase ventilation for trucks and heavy commercial vehicles.

STORY: IRRIGATION THAT SAVES WATER

Water is a scarce resource in California. The landscape is dry, and especially slopes and hills are becoming more and more desolate. The usual irrigation systems are inefficient and waste too much water.

How can enough precious water get into a plant's root system so that it can grow and protect the landscape from erosion and forest fire?
A Californian real estate and landscape planning firm asked itself this question, and commissioned NORMA Group's subsidiary NDS with the solution. Engineers, landscape planners and materials scientists teamed up to develop an innovative solution for irrigation technology. A tube system made of new solid material, durable joining technology and precisely controllable water emitters can reach the root system even on high slopes. For the customer, the investment is more than worthwhile. 'Our development saves around 60% water, reduces installation costs by 70%, and has a life expectancy of around 30 years,' says Scott Forsyth, Sustainable Stormwater Product Manager at NDS. And what the numbers don't capture: communities are better protected from drought, erosion and fire by fresh greenery.

“We’re looking for original thinkers”

__Dr. Stefan Stangler
Vice President Research & Development

THE IDEA MANAGEMENT SYSTEM OF NORMA GROUP

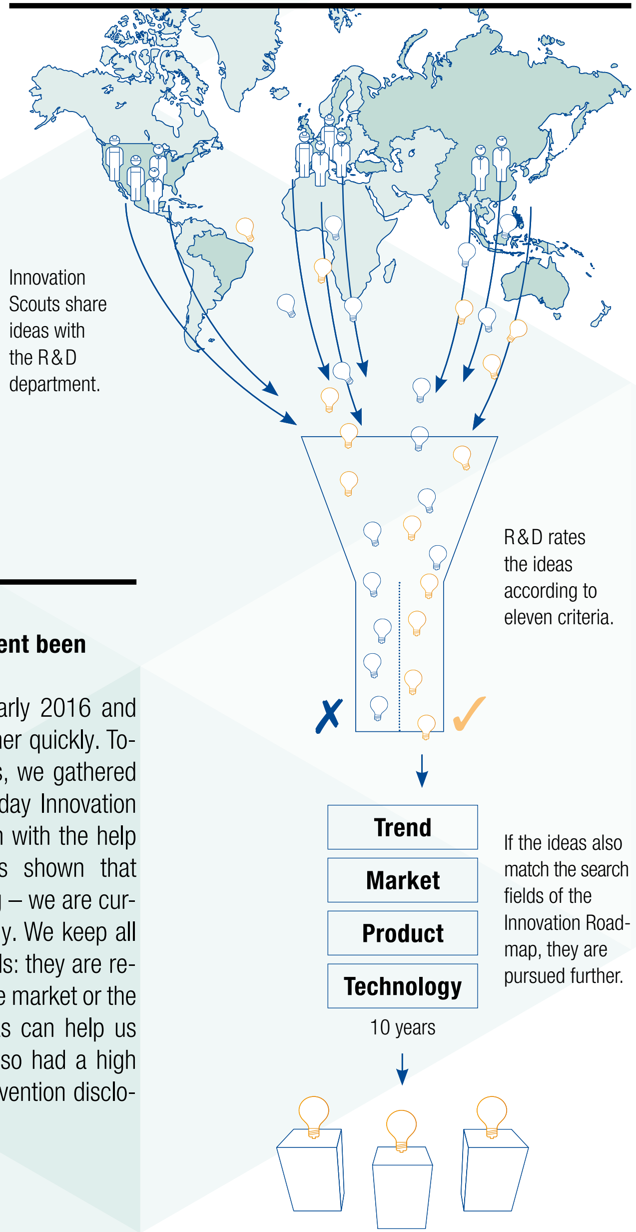
Dr. Stefan Stangler is something like the father of our idea management. The Vice President Research & Development launched the program and is responsible for idea and innovation management, technology scouting and Innovation Scouts. His responsibilities also include foresight management, trend analysis, innovation roadmapping and technology projects in materials, processes, methods and new fields of application.

How does NORMA Group's idea management system work?
We believe that there are people at every site and at every level who are thinking outside the box, questioning current methods and coming up with new ideas. The question is how can they bring these ideas to light and turn them into successful products? Idea management is a structure for exactly that: all employees are encouraged to communicate their ideas – no matter how crazy – directly to the Research and Development (R & D) department. We honor original thinkers by appointing them Innovation Scouts. R & D experts analyze whether proposals can be implemented based on various criteria and what added value they offer our customers. Promising ideas will then be pursued.

Please explain the NORMA Group Innovation Roadmap.
An idea is good if it offers a solution to a specific current or future challenge. The Innovation Roadmap is a kind of coordinate system we use to determine what we can achieve with a particular idea. Based on two of NORMA Group’s key megatrends of climate change and scarcity of resources, forecasts for market development and future requirements are identified. These analyses have helped identify several fields that will be very important in the future, such as electromobility and smart products. This gives us targeted control over developments so we can drive innovations with focus.

How has innovation management been going so far?
The program was launched in early 2016 and has been gaining momentum rather quickly. Together with the Innovation Scouts, we gathered 156 ideas from EMEA at a two-day Innovation Summit in 2017 alone. Evaluation with the help of the Innovation Roadmap has shown that twelve of these are very promising – we are currently researching them intensively. We keep all the others in the back of our minds: they are re-checked at regular intervals. As the market or the environment changes, these ideas can help us move forward. The innovations also had a high proportion of the more than 30 invention disclosures that we had this year.

NORMA GROUP'S INNOVATION SYSTEM
G 001



At the end of the process there is an innovative product, a new process or a new material.

PURCHASING

NORMA GROUP ON SHOPPING TOUR

Transparent and defined processes as well as firm rules make for efficient purchasing

__Wolfgang Geiger (2nd from left),__
Vice President Global Group Purchasing, during a team meeting

NORMA Group purchases production materials on a large scale at its 27 production sites on several continents. Spending on steel, metal components, polyamides, elastomer products and other materials is the Company's largest expense, having a major impact on earnings. This means significant potential can be generated in purchasing to increase value creation.

GLOBALLY COORDINATED PURCHASING WITH LOCAL EXPERTISE

To achieve competitive prices and maximize economies of scale, purchasing is organized in the form of a matrix structure by region and commodity groups for all NORMA Group production sites. While centralized management of all activities takes place from Group headquarters, expert teams at the local and regional level apply their know-how on specific local market conditions. As a result, risks from market-related price fluctuations can be minimized.

In supplier management, we rely on defined procedures and transparent processes in line with our compliance guidelines. This ensures that the same professional standards apply throughout the Company. At the same time, our purchasing structure allows for the necessary flexibility to continuously improve processes.

As we engage in new industries and integrate newly acquired companies, we harmonize systems by helping our new colleagues adapt to existing structures.

SOPHISTICATED SUPPLIER MANAGEMENT

Smooth production heavily depends on the availability, quality and price of raw materials. We select our suppliers very carefully to minimize default risks and control price fluctuations.

Quality:
Before we sign new contracts, a team of employees from the areas of purchasing, application & process engineering, quality management, and logistics ensures the optimal quality of the material. Suppliers with whom we have been working for a long time are also subject to regular quality control.

Availability:
New production material suppliers may undergo on-site auditing of management and process capability, but we may also visit and evaluate proven suppliers as part of regular quality management. We work closely with our logistics department to identify possible default risks and determine alternative options before delivery bottlenecks can occur. We also ensure availability through consignment warehouse agreements with major suppliers, which improves our working capital.

Price control and avoidance of dependencies:
Contract terms of usually up to twelve months make it easier for us to control price fluctuations in production materials. We test alternative materials to further reduce dependence on individual materials. It is particularly important to NORMA Group to ensure a balanced composition of the supplier base: the ten most important suppliers account for less than 32% of the purchasing volume.

DIGITAL SOLUTION FOR GLOBAL PURCHASING

Since 2015, NORMA Group has been using standardized global procurement software to successfully control and manage its global purchasing activities. It encompasses transparent sourcing and ordering processes, supplier management and evaluation. Additionally, it generates reliable analysis and reports anytime upon request. This harmonizes processes and promotes compliance across all divisions. Mismatched agreements in the awarding process are avoided by employing standardized processes. Examining all relevant data and reviewing the activities of all suppliers ensures a transparent decision-making basis for integrating new suppliers or excluding existing ones. The software significantly reduces the administrative tasks, thus enabling purchasing to focus on strategic initiatives resulting in savings, pricing transparency, and a consolidated supplier base. Since 2017, an e-catalog has also been introduced which allows employees at all production sites to order non-production materials and services with the 'push of the button.'

TO UNDERSTAND `WHAT IS GOING ON´ IN THE GLOBAL MARKET

Whether due to political factors or the price of crude oil: commodity markets are volatile. The prices of steel and plastics fluctuate particularly strongly. Accurate knowledge of the development of raw materials in the markets is crucial to purchasing. The better global and regional cost drivers are understood, the more professional the basis for discussion and negotiation with suppliers will be. That is why our Commodity Managers keep a constant eye on the development of raw material prices: they keep up to date with price trends through regular information sessions on key commodity price drivers. This forms the basis for central and regional management to develop strategies for local, regional and global procurement and to negotiate contracts with suppliers. The Commodity Managers additionally share their market expertise with their purchasing colleagues in the plants, exchanging ideas about the best course of action. Crucial knowledge of market development thus reaches those who ultimately make the purchases.

__Metal coils (left) and synthetic granules (right) *two major commodities of NORMA Group*

CORPORATE RESPONSIBILITY IN PURCHASING – FAQ

How does NORMA Group ensure that ethical standards are adhered to throughout its supply chain?
Besides its internal compliance and risk management system, NORMA Group also uses its influence on suppliers to ensure compliance with human rights and appropriate work and social benefits. The Supplier Code of Conduct was introduced in 2015 in support of this effort. It is based on the international regulations ILO, UDHR, UN Global Compact and SA 8000. NORMA Group only considers partnerships with companies that commit to complying with this Code of Conduct.

What requirements does NORMA Group place on its suppliers?
Besides their ability to compete and innovate, we also expect liquidity, well-established logistics and the excellent and legally compliant quality of the material to be delivered. In addition, we set high standards for business practices. This includes recognizing the principles set out in our Supplier Code of Conduct:

- respect for and observance of human rights
- prohibition of forced and compulsory labor
- ban on child labor
- safety at work
- business integrity (anti-corruption)

How does the compliance strategy affect supplier management?
Since the introduction of the Supplier Code of Conduct, all preferred suppliers have signed the commitment. NORMA Group has been cooperating with these partners for a long time and plans to further strengthen this cooperation in the future. Sustainability criteria such as the consideration of environmental and ethical aspects already play an important role in the selection of suppliers. NORMA Group was awarded Gold Status in the EcoVadis rating of its sustainability activities in 2016.

___*Ewa Roch,*
employee from the technical quality department in Pilica, Poland

FACTS AND FIGURES

EUR 433 M

Purchasing turnover 2017
Purchasing turnover is the performance indicator that is used to internally manage global purchasing at NORMA Group. It is calculated in a different way compared to the material costs and is adjusted for currency effects. The purchasing turnover amounted to EUR 433 million in fiscal year 2017. Production material turnover accounted for 68% of this amount.

41.2 %

Adjusted cost of materials ratio
The adjusted cost of materials ratio in fiscal year 2017 amounted to 41.2% of sales revenue (2016: 39.4%). Generally difficult conditions on the international commodity markets and the resulting rise in material prices, particularly for alloy surcharges and engineering plastics, led to an increase in NORMA Group's cost of materials ratio.

PROCESS FOR ASSURING DELIVERY QUALITY

G 002

Whoever is interested in joining NORMA Group's supplier pool must first complete an intensive tender process:

1. A new supplier applies to NORMA Group
2. Registration for 'onboarding' on the central e-procurement platform

   Specification of commodity groups, development of a profile, detailed company description, upload of industry-specific quality certificates such as ISO, TS etc.

   Acceptance of the NORMA Group Supplier Code of Conduct
3. Activation on the e-procurement platform triggers examination by the responsible commodity manager / local purchasing manager

   Group-specific qualification of the new supplier with involvement of cross-functional experts

   Decision on accreditation by the commodity manager / local purchasing manager
4. Financial audit and competitiveness benchmark
5. Activation in the system as a NORMA Group supplier [1]

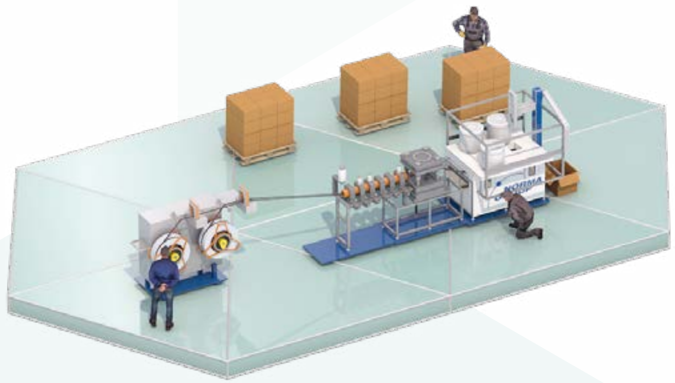
1_If the supplier changes its location – depending on the regulations of the specific industry – re-examination usually takes place.

PRODUCTION

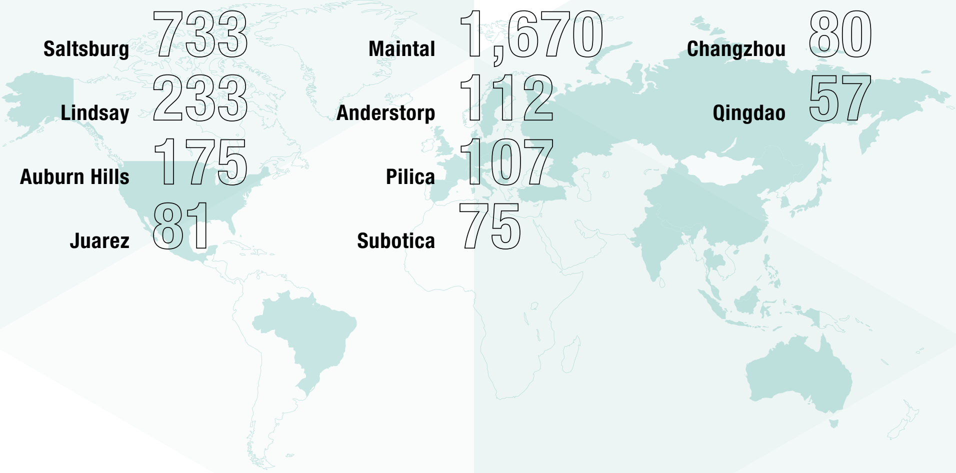
HIGH LEVEL OF VERTICAL INTEGRATION FOR MAXIMUM ADDED VALUE

Optimized production processes at all sites worldwide

NORMA Group has also grown through acquisitions over many decades. Thus its product diversity has risen sharply. Today we produce many thousands of different joining products at 27 sites. There is always potential for improvement in underlying processes. Identifying it and continuously increasing efficiency in production is our defined goal.



NUMBER OF PRODUCED PARTS AT THE BIGGEST NORMA GROUP SITES (IN MILLIONS) G 003



By bringing our products as close to the customer as possible, we minimize delivery and travel time, gain flexibility and reduce lead times and customs costs. We rely on the highest possible level of vertical integration: we create value at our own sites. Our continuous optimization of production processes plays a decisive role. Our Operational Excellence Leaders introduce new methods for streamlining processes at our sites worldwide and ensure their implementation. Whether in stock or ‘just in time’ deliveries: the uninterrupted supply of the market with high-quality products is the focus of our efforts. Economical even with small batches, our production is constantly improving. We orient ourselves in production as well as in our entire value chain to the principles of lean management.

KAIZEN: THE WAY TO BETTER THINGS

'Kaizen' is the guiding principle of lean management. The Japanese term means 'way to better things.' A methodological concept that describes a quest for continuous improvement lies behind it. In business administration, Kaizen has been developed into a management system that focuses on quality improvements and cost reductions. In the NPS, we don't see kaizen as a theoretical measure or workshop, but as an intensive and systematic examination of a particular process step. Each kaizen includes a set of elements, from the definition of a goal over to the tasks for everyone involved to the communication of the successes.

The NORMA Production System (NPS): systematic analysis for continuous improvement of performance

Connectors, lines, clamps – as with any manufacturing company, everything revolves around the product. Production is therefore also at the core of NORMA Group and one of the most important pillars of value creation. Everyday production determines both product quality and production costs. Since 2014, we have introduced a number of tools to streamline production and avoid errors. These were merged in 2014 under the umbrella of the NORMA Production System (NPS). NORMA Group has thus embarked on a new and ambitious path to improving efficiency and quality across all sites. Using selected instruments, the NPS scrutinizes all production processes. Its key objectives: defining processes, avoiding waste and improving results. And it's succeeding: the NPS has now been introduced at almost all production sites worldwide. This is also an important step for us towards permanently expanding our leading role in international competition.

7 + 1 WASTES:

› 1. Overproduction
› 2. Maintenance
› 3. Transport
› 4. Complex processes
› 5. Movement
› 6. Quality defects
› 7. Stocks
› (7+1) Unused creativity

Lean processes that avoid waste in every form – that is the core concern of the NPS. Whether time, manpower, material or energy – waste is always a cost factor. On closer inspection, a number of wasteful processes can be identified in every production: long search paths due to disorder, process fluctuations due to a lack of standardization, too long of set-up times or machine failures due to inadequate maintenance. Improving sub-optimal processes has considerable potential for added value.

Knowing what's going on

Merely looking at processes is not enough. Only analysis and evaluation under certain aspects provide the basis for change. The lean management theory provides more than 100 instruments for this. An intensive review process across all sites evaluated what would work best for NORMA Group production. The result was a set of lean and leadership tools that help achieve process definition and avoid waste, leading to what is known as kaizens. The process closely examined specific steps or production elements for an entire week.

*__**Jörg Möller-Gaden,** Vice President Operational Global Excellence, and **Maximilian Storck**, Mechatronics engineer, during the daily Gemba walk*

__Sébastien Villeneuve,
Operator in production
at NORMA Autoline France

TOOLS IN THE NPS TOOLBOX

G 004

5S organization, safety and ergonomics of the workplace	**SMED** set-up time optimization	**Standard Work** SMARTER working
Kanban material flow optimization	**TPM** total productive maintenance of machinery and equipment	**PSP** problem-solving process for all areas
Poka-Yoke complete error prevention	**VSM** value stream mapping to improve process control in production and service	**TPI** transaction process improvement
Lean Layout layout for existing and newly built plants	**DVM** daily visual management, Gemba walks and KPI visualization	**DIVE Board** problem-solving process that creates long-term solutions for our customers by investigating root causes

TWO SUCCESS STORIES OF THE NPS

Poka-Yoke: zero system errors
Faulty parts are the epitome of waste. More than just valuable material is lost. All other process steps necessary for production are shut down for nothing. It pays to focus on products that often receive customer complaints due to production errors. This tool is called the Poka-Yoke standard. Its aim is nothing short of completely eliminating defects in product manufacturing – sophisticated quality assurance indeed! The O-ring, a sealing ring in our quick connectors, is an example of the tool's successful use. After some products were reported to have sealing problems, Poka-Yoke went into action: all manufacturing steps that could have caused the defect were checked carefully. We were thus able to eliminate the source of the defect, no matter if it was wrong positioning or deviations in ring diameter. An additional automatic final inspection now ensures that only perfectly produced and positioned O-rings are installed. As a result of the measures we've implemented, the number of complaints was reduced within a year from 65 to three.

Making one from two: leaner process in Brazil
At NORMA Brazil, an assembly process involving two employees working in parallel was analyzed with software support. Originally, the process consisted of several steps that were performed in parallel. The process included the employees having to cover ground and wait for each other. There was room for improvement: analysis allowed work steps to be redesigned so that travel and waiting times were virtually eliminated. The result: all work steps are now executed in one line. On top of that, the change saves nearly 20% more space and increases productivity by over 50%.

LOGISTICS

MASTERING COMPLEXITY

Close to our customers with high-performance logistics

__Incoming goods
at NORMA Group's biggest plant at its headquarters in Maintal

Optimized supply chains are essential for a company operating internationally, manufacturing on four continents and covering a wide variety of business areas. Efficient, flexible logistics enables dynamic processes and makes us attractive as a supplier to our customers. They benefit from our ability to tailor our logistics processes to their individual requirements. Just one more thing that makes NORMA Group a reliable partner.

At the right place at the right time: The task of logistics is to make products readily available. NORMA Group relies on localization to achieve ideal timing and maximize added value: our production facilities and distribution centers make us globally present on site – and always close to every customer. Avoiding unnecessary intermediate steps lets us increase our flexibility and reduce logistics costs and supply risks. Automation and standardization help us optimize logistical processes and further increase dynamics.

In line with our two distribution channels, we are also double-tracked in logistics:

In the area of **Distribution Services**, we deliver standardized joining products to customers such as sales representative, the aftermarket segment in the automotive industry or home improvement stores. Some products are packaged in the factory ready for shipment and then kept in stock in the distribution center. As soon as the customer orders, we remove the goods from the warehouse and prepare the shipping documents. Depending on the customer's request, the goods are then sent by delivery service, as general cargo or kept ready for pick-up.

In the area of **Engineered Joining Technology**, we cooperate closely with Original Equipment Manufacturers (OEM). From interfaces for digital data transmission through delivery in specified circulation containers to building consignment warehouses, we tailor our logistics processes to our partners' needs. Our strength: we can supply almost every vehicle manufacturer from all production plants – worldwide. Our customers appreciate the proximity of our production facilities and close dialogue with our logistics experts.

__Admir Dedic,
NORMA Group employee in the automated warehouse at the Swedish plant in Anderstorp

AUTOMATION IN ACTION

Logistics is (almost) self-sufficient on its 2,000 m² of floor space: The highly automated warehouse in Anderstorp, Sweden, is equipped with a packing machine, special warehouse paternoster starters and scanners for selecting ordered goods. This minimizes shipping errors and optimizes delivery times. A study has shown that NORMA Group's automated warehouse works more efficiently than average.

A LOGISTICS SITE IN NUMBERS

From its plant in Subotica, NORMA Serbia supplies almost all European car makers with second-generation UREA lines, fuel transport and tank ventilation line systems and transmission oil cooling lines. Business with OEMs accounts for a large share: in one quarter

165 different delivery locations were served in this area alone, with

6,125 product orders delivered. Of about

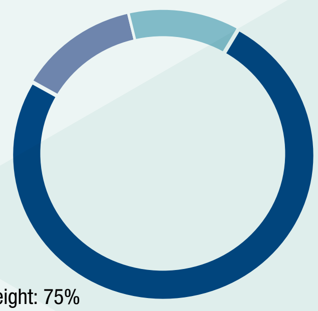
200 to 300 delivery items a day, an average of

94 were to OEMs. In total, NORMA Serbia delivered around

1,400 different products in different packaging variants in 2017. The Logistics division employs

66 permanent NORMA Group employees and is sometimes supported by temporary workers.

DISTRIBUTION OF COSTS FOR TRANSPORT BY TRAFFIC CARRIER[1] G 005



1_Numbers are based on FY 2016 data.

FACTS AND FIGURES

NORMA Group operates 34 distribution centers in 20 countries:

13
in EMEA

12
in Asia-Pacific

9
in Americas

LEAN LOGISTICS

Besides production, the logistics sector has particular potential to make a contribution to increasing company value. It's worth taking a closer look and capitalizing on the potential for improving logistics. Lean management methods have been used at every site since 2016 for precisely this reason. The goal: to eliminate all steps that don't contribute to value creation. This ranges from optimally arranging warehouse shelves to avoiding unnecessary transport routes through local procurement and production. We are gradually streamlining all logistics processes and increasing efficiency. This not only saves us freight, storage and personnel costs, but also conserves resources and improves our carbon footprint.

SECURITY IN THE SUPPLY CHAIN

Changes in customs regulations and foreign trade law, terrorism and piracy threats – the framework conditions of global trade are changing rapidly. This increases demands on securing goods traffic. We are responding by ensuring the compliance of our standards and processes with international standards and participating in various security programs: Five sites of NORMA Group have already been approved as Authorized Economic Operators (AEO) in Europe and Asia, as well as certified by the American initiative 'Customs and Trade Partnership Against Terrorism' (C-TPAT). This is how we create the conditions for secure and reliable logistics worldwide.

TRENDS AND DEVELOPMENTS

Big Data: Height, width, weight – more and more information about the flow of goods will be recorded in our ERP system in the future. The advantage: qualified data uses storage areas more efficiently while optimally loading forwarders.

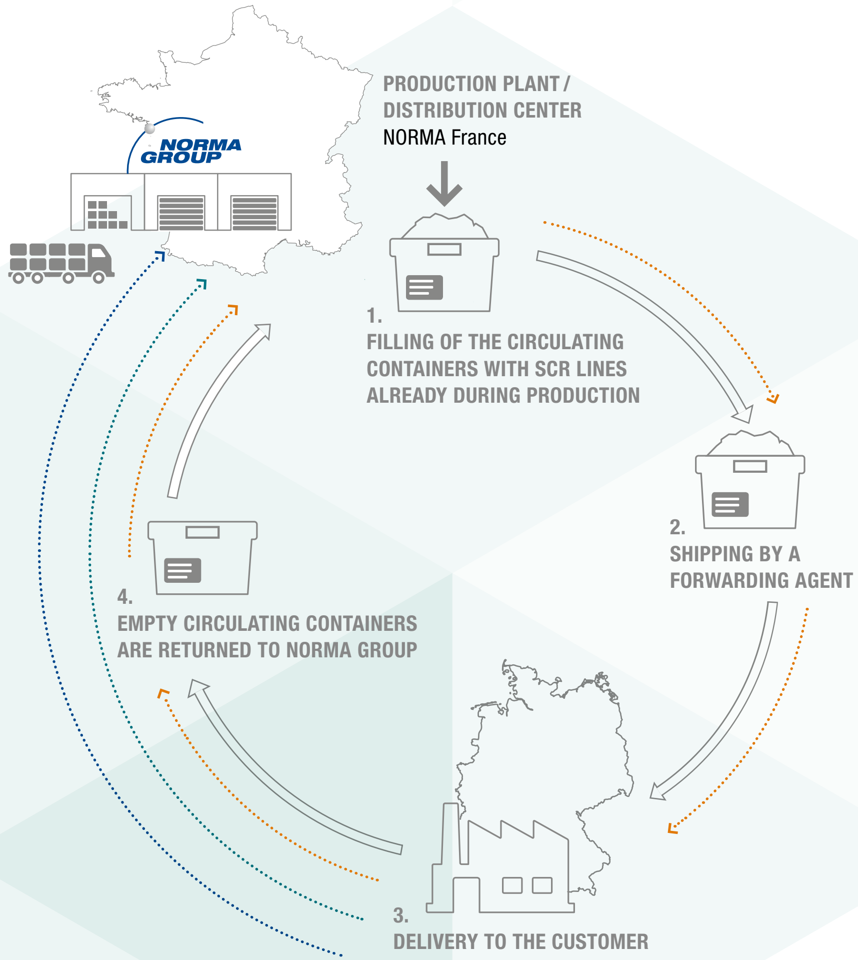
Setting standards: By standardizing packaging and pallets for deliveries to Asia and within Europe, the logistical effort is further reduced.

One barcode, lots of information: Unlike the usual one-dimensional barcodes, the new 2-D barcodes have not just one, but seven to eight pieces of information such as part name, quantity and source. They accompany every shipment throughout the supply chain, ensuring traceability and preventing relabeling and renaming.

Direct line to forwarding: We are working to extend remote data transmission. In the future, an integrated message will automatically be sent to the logistics company for each delivery message to the customer. It includes data relevant to planning such as scope of delivery and weight.

INFORMATION AND MATERIAL FLOW IN THE VEHICLE INDUSTRY

G 006



Forecast
- Advance notice from the customer about his needs in the next six to 18 months
- The quantity ordered may deviate from the forecast by up to 15%.

Order
- Order requests for the next four weeks are accurate to the day.
- Products are picked up every day.
- If not canceled at short notice, the order is considered fixed.

Data transmission
- Announcement of the delivery to the customer and forwarding of the freight data to the forwarding agent
- Notification of the return of empty containers to the warehouse

SALES

IT ALL DEPENDS ON THE CONNECTION

We nurture long-term customer relationships

—Jean-François Surlève,
Global Product Manager FTS, and
***Audrey Vauleon,** Quality Technician*
at NORMA Autoline, in a team meeting

Over 40,000 joining solutions for more than 10,000 customers in over 100 countries. Our sales department thinks in all directions to ensure everyone's satisfaction. We know about fields of application, are familiar with requirements and framework conditions, and have an eye on future developments – always in direct, partnership-based communication with our customers.

If you want to offer good solutions, you have to understand the problems in applications. That is why the Business Development unit was created in 2010, and has since ensured coordinated development and sales activities. Today, NORMA Group has around 350 sales and development employees in close contact with our customers. Intensive exchange keeps them familiar with their current needs. They are also in close coordination with our development engineers, concerned with the megatrends that will shape future industry development: climate change and resource scarcity. The changing conditions of the future mean previously proven solutions will no longer meet our customers' requirements. We are therefore always developing new, tailor-made solutions and adapting them to the requirements of their respective regional markets. We rely on our innovative strength: it is our motivation to penetrate new, future-oriented sectors such as e-mobility and water management.

From reliable standard solutions to new tailor-made developments

We take the diversity of our customers into account: we have sales offices around the world and actively approach our customers. Our broad portfolio of standard applications already offers the right solutions for many applications. Expert advice meets immediate availability.

Innovation-driven industries often demand new solutions. That is why we create products for our customers that are tailored to their needs. We often exceed our customers' requirements: our innovative materials and sophisticated production technology lets us develop particularly lightweight, durable and easy-to-assemble solutions. That's how we start long-term partnerships. Together with our customers, we tackle challenges and develop the future.

Our product portfolio responds to the requirements of our customers

› **Product availability:** our global presence ensures that our customers around the world are supplied as quickly as possible.
› **Weight reduction:** an ongoing trend in many industries – our Fluid products offer solutions.
› **Emission reduction:** legal frameworks are becoming ever stricter. We are already setting standards for tomorrow.
› **Reduction of assembly times:** OEMs are under constant cost pressure. We help with easy-to-assemble solutions, thus shortening assembly times and reducing costs.
› **Leakage reduction:** our secure, leak-free joining solutions help our customers reduce warranty costs.

"Our product portfolio responds to our customers' requirements."

__Florent Pellissier
Vice President Group Marketing

WHY WE KNOW WHAT OUR CUSTOMERS WANT

As Vice President of Group Marketing, Florent Pellissier develops strategies and action plans for regional and local marketing teams. He works closely with the departments Communication, Research and Development and Business Development. His activities focus on brand concept and global brand strategy, product communication and digital marketing infrastructure concepts.

In order to know the expectations of its partners and customers, NORMA Group has systematically asked its customers about their satisfaction since 2009. What is the Customer Satisfaction Survey (CSS) about?
The focus is on how our service is received: are customers satisfied with our products and services? How do they rate their quality? Is product training helpful? Do customer service and sales meet the requirements of the target audience? Do our logistics fulfill customer expectations?

What factors influence customer purchasing decisions?
Our customers are committed to optimizing their processes, adhering to specifications and standards and improving their products. We want to know: are our products helping them to do so? Where can we improve? Emotional aspects and the subjective view of our company also play a part in decisions. These factors can best be grasped by requesting and entering into dialogue.

How are the results of the CSS used?
The CSS is an important indicator of further developments in various business areas for us. We have steadily developed the CSS since its first implementation and established processes to implement the improvements derived from the survey. Keeping track of what moves our customers lets us not only keep pace, but also think ahead.

___***Claudia Lemos,*** *Sales Manager,*
and ***Carlos Almeida,*** *Production Supervisor at Lifial*

Developing the future

Seven years after the creation of the new Business Development unit, the evidence is clear: our strategy is working. The unit is a bridge between the market and development. It enables us to optimally tailor our products to customer requirements and market development. The successes we have achieved in the automotive industry are the result of many years of preparatory work and intensive networking. We are continuing to grow and open up new areas on this solid foundation.

Our focus is particularly on the Asia-Pacific region: cities in this region are booming, the middle class is growing and mobility is increasing. At the same time, we can see that emission protection, water management and innovative mobility solutions are needed for sustainable development in the region. A future market with enormous potential is forming. NORMA Group is in a perfect position to benefit from it.

KNOWLEDGE TRANSFER: SCR TECHNOLOGY FOR OFF-ROAD VEHICLES

We've been there from the start: NORMA Group has extensive experience in the development of components for exhaust purification in diesel engines. We have been supplying numerous large car makers and suppliers with heated SCR (Selective Catalytic Reduction) lines for cars and trucks since 2008. These lines are strong and durable – they are used in exhaust aftertreatment and contribute significantly to climate protection. New emissions regulations in 2017 also confronted manufacturers of off-road vehicles with the challenge of adapting their technologies to the new requirements. Our experience in road vehicles also offers solutions to manufacturers of agricultural and construction machinery. Our proven standard products have helped us develop a modular kit for SCR lines. It is tailored to production conditions for off-road vehicles and allows a large variety even in small quantities – elaborately developed special solutions aren't needed. This active approach has seen us very successfully and quickly open up a new market.

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COVER

TO OUR SHAREHOLDERS

CONSOLIDATED MANAGEMENT REPORT 2017

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

THE MANAGEMENT BOARD

A

TO OUR SHAREHOLDERS

BERND KLEINHENS

CHIEF EXECUTIVE OFFICER (CEO)

—

Member of the Management Board since 2011
Appointed until December 31, 2022

DR . MICHAEL SCHNEIDER

CHIEF FINANCIAL OFFICER (CFO)

—

Member of the Management Board since 2015
Appointed until June 30, 2023

LETTER FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, CUSTOMERS AND BUSINESS PARTNERS,

‘Creating value, every step of the way’ is the title of this year’s Annual Report – and this is also our aspiration when it comes to directing our entrepreneurial activities. Our goals for growth, profitability, innovation and sustainability are high, and we are working to exceed them every year.

In 2017, we managed to achieve this to the greatest possible extent, and so we look back on a successful fiscal year in which we continued to lay important foundations for the future development of NORMA Group and consistently pursued our strategic objectives. The increase in Group sales to more than EUR 1 billion for the first time makes us proud and represents an important milestone in the Company’s history. Sales growth of 13.7% to EUR 1,017.1 million once again demonstrated the very strong position of our product portfolio and services, and that we have the expertise needed to benefit from current growth trends.

Due to the positive conditions on the end markets relevant to us and, in particular, the rapid recovery of the US market for commercial vehicles and agricultural machinery, last year’s organic growth of 8.6% was significantly higher than we forecast in the 2016 Annual Report. As a result, we revised our sales forecast upwards in July 2017 and specified it again in January 2018.

Besides organic growth, the companies Lifial and Fengfan that we acquired last year also contributed to the increase in sales. The acquisition of the joining specialists continued our acquisition strategy in fiscal year 2017 as we purchased two companies whose products contribute to the further diversification of our portfolio and sustainably strengthen our Distribution Services business. The two companies acquired in 2017, together with the Autoline business acquired in late 2016, contributed EUR 57.3 million or 6.4% to sales growth.

In fiscal year 2017, we were able to increase our adjusted EBITA by 10.8% to EUR 174.5 million compared to the previous year. With an adjusted EBITA margin of 17.2%, we stayed sustainably above the sector average despite the challenging environment on the international commodity markets and increased raw material prices. We are very satisfied with the adjusted earnings for the period, amounting to EUR 105.0 million, and our adjusted earnings per share of EUR 3.29.

The end of fiscal year 2017 also marked the end of the term of office of our former CEO, Werner Deggim, who retired on December 31 after more than 10 years at the head of NORMA Group. Mr. Deggim played a key role in the development of the Company since 2006. He guided NORMA Group onto the stock market in 2011 and has since developed it into what it is today: a globally active, financially sound and successful Group. We would like to take this opportunity to thank Mr. Deggim once again for his many years of commitment.

Our thanks also go to our former Board member colleague and COO, John Stephenson, who left NORMA Group at his own request at the end of January. Mr. Stephenson, too, made a significant contribution to the success of the Group with his energetic commitment. His position is to be filled in the coming months.

The new Management Board structure under the new Chairman and former Board member for Business Development Bernd Kleinhens gives us cause to be optimistic about the future. While the composition of the Management Board has changed, our strategic objectives remain the same: we want to continue to grow profitably and further expand our market and technology leadership in the field of advanced joining technology. In order to achieve these objectives, we are already preparing for the challenges of tomorrow.

The current debate on the further reduction of nitrogen oxide emissions and a potential ban on diesel vehicles as well as the efforts of automobile manufacturers to develop alternative drive systems worldwide determine our product strategy and our activities in the area of research and development. Particular emphasis is placed on the development of product and system solutions for electromobility, for example in the field of thermal management, concerning the temperature regulation of the powertrain and the batteries in hybrid and electric vehicles. We already offer many solutions for this that we can manufacture for the most part with our current technical equipment and machines.

But we are not only positioning ourselves in the original equipment segment. The water management industry has also become more important in recent years, particularly since the acquisition of NDS. Here, too, our job is to provide our customers with modern, reliable joining products and to solve current problems.

Our product portfolio and strategic orientation address global challenges such as climate change and the scarcity of resources and emphasize the sustainability of our products. This is also reflected in our development, purchasing and manufacturing processes. In all divisions and across the entire value chain, we attach great importance to the responsible use of the resources available to us, sustainable product solutions and a safe working environment for our employees. In doing so, we also create value, every step of the way.

Since 2013, we have been reporting extensively on our sustainability efforts and objectives in our own Corporate Responsibility Report. As of this year, it will be published annually and at the same time as the Annual Report and will also contain the non-financial statement required by the CSR Directive since 2017, as well as comprehensive information on important sustainability aspects.

Dear shareholders, we would like to thank you for the trust you have shown us in the past. We will do our utmost to continue developing your Company successfully in the future, continuing NORMA Group's growth history. Of course, we want you to play your part in the Company's success again this year. For this reason, we will be proposing a dividend of EUR 1.05 per share for fiscal year 2017 at the Annual General Meeting to be held in Frankfurt on May 17, 2018. We will thus be increasing the dividend for the sixth year in a row and distributing 31.9% of our adjusted net profit for the period.

We also owe our thanks to our more than 7,000 employees worldwide for their commitment in 2017, whose dedication and inventiveness contribute to the success of NORMA Group every day. Furthermore, we would like to thank our customers and business partners. We are looking forward to continuing our good collaboration and to a successful 2018.

Sincerely,

Bernd Kleinhens

Dr. Michael Schneider

NORMA GROUP ON THE CAPITAL MARKET

A

TO OUR SHAREHOLDERS

› NORMA Group share beats MDAX performance

› Dividend of EUR 0.95 resolved at the Annual General Meeting

› 2016 Annual Report and Investor Relations work win several awards

POSITIVE BALANCE ON THE CAPITAL MARKETS WORLWIDE

2017 was a very strong year for global stock markets. Nearly all of the world's stock markets ended the year with significant gains. This was aided by the continued loose monetary policy of central banks worldwide, strong global growth, the approval of the tax reform in the US and a lively M&A market. The US interest rate turnaround was not enough to slow down the stock market. Thus the Dow Jones closed the year up 25.1%, and the S&P 500 also ended the year with a substantial gain of 19.4%.

The leading German index DAX reached a new high of 13,526 points in November, closing at 12,917 points at the end of the year, an increase of 12.5% compared to the end of 2016. The MDAX ended the year at 26,201 points, an increase of 18.1%.

PERFORMANCE OF THE NORMA GROUP SHARE

2017 was also a positive year on the stock market for the NORMA Group share. The good performance of the first half of the year accelerated further as a result of the increase in the sales forecast in July 2017. In November 2017, the NORMA Group share achieved a new all-time high of EUR 63.79 and ended the year with a year-on-year increase of 38.0% at EUR 55.97 (2016: EUR 40.55). This result saw NORMA Group's share clearly outperform the benchmark index MDAX.

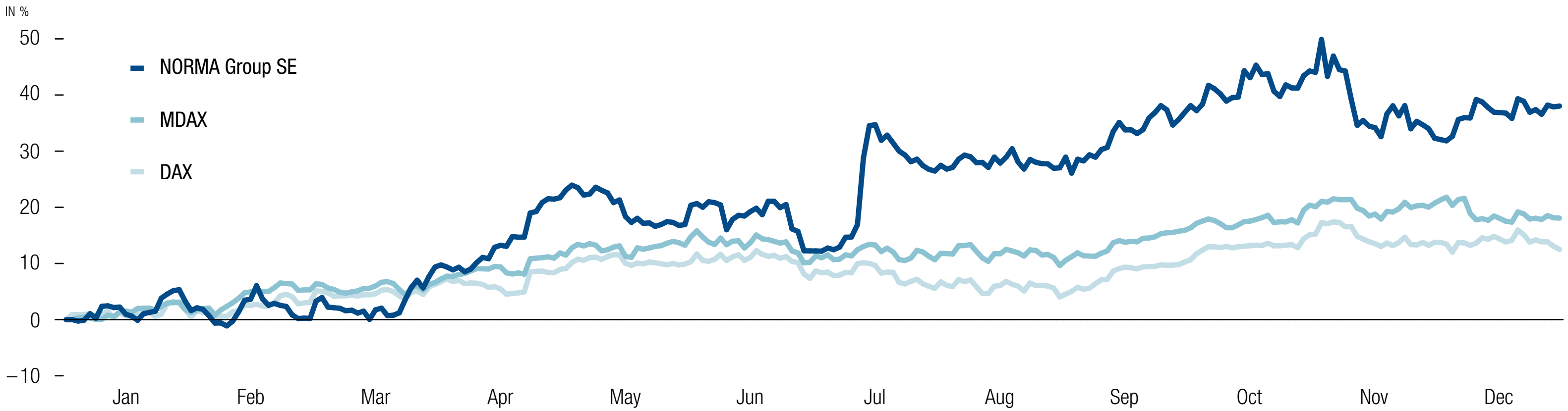
Market capitalization as of December 31, 2017, was EUR 1.78 billion (2016: EUR 1.29 billion). This is based on an unchanged number of shares as in the previous year of 31,862,400 shares.

In terms of free float market capitalization that is of relevance in determining index membership, which has been at 100% since 2013, the NORMA Group share ranked 42nd out of 50 in the MDAX in December 2017 (Dec. 2016: 46th place).

TRADING VOLUME INCREASED

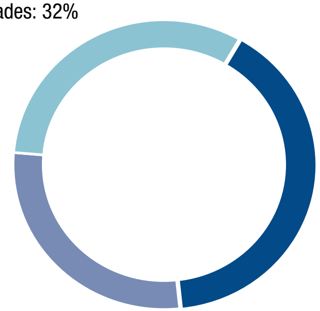
The average Xetra trading volume of the NORMA Group share increased from last year to 96,906 shares per day (2016: 73,571 shares). The NORMA Group share thus ranked 46th out of 50 (2016: 48th) in the MDAX in December 2017 based on trading volume. This represents an increased average trading volume per day compared to the previous year of EUR 4.7 million (2016: EUR 3.2 million).

G 007 **INDEX-BASED COMPARISON OF NORMA GROUP'S SHARE PRICE PERFORMANCE IN 2017 WITH THE MDAX AND DAX**



The total average number of shares traded per day in 2017 was 235,939 (2016: 223,983). Trading on the various trading platforms can be broken down as follows:

G 008 DISTRIBUTION OF TRADING ACTIVITY IN 2017

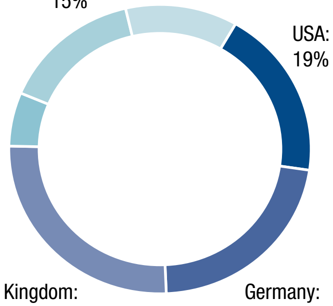


The percentage of shares traded on the official market increased from 33% to 40% compared to the previous year. By contrast, the percentage of trading on alternative platforms decreased slightly from 30% to 28%. The percentage of shares traded via block trades fell to 32% compared to the previous year (2016: 37%).

BROADLY DIVERSIFIED SHAREHOLDER STRUCTURE

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

G 009 FREE FLOAT BY REGION



as of December 31, 2017

At the end of the reporting year, 95.7% of NORMA Group shares were held by institutional investors, 2.3% (2016: 2.3%) by management (including legacy management) and 2.0% (2016: 3.0%) by private investors. The number of private investors (excluding management) declined from 4,231 to 3,356 in the course of fiscal year 2017.

VOTING RIGHTS NOTIFICATIONS IN 2017

Based on the voting rights notifications received by the end of 2017, shares of NORMA Group designated as free floating and amounting to over 3% are held by the following institutional investors:

T 002 OVERVIEW OF VOTING RIGHTS NOTIFICATIONS

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

As of December 31, 2017. Please refer to the → APPENDIX TO THE NOTES ON PAGE 191 for further information on the voting rights notifications received. All voting rights notifications are published on the Company's website HTTPS://INVESTORS.NORMAGROUP.COM.

2017 ANNUAL GENERAL MEETING

The Ordinary Annual General Meeting of NORMA Group SE was held on the premises of the German National Library in Frankfurt/Main on May 23, 2017. 24,215,140 of the 31,862,400 shares with voting rights, i.e. 76.0% of the share capital was represented. The participating shareholders resolved a dividend of EUR 0.95 per share. This corresponded to a distribution rate of 32.0% based on NORMA Group's adjusted net profit for the fiscal year of EUR 94.6 million in 2016 and was therefore within the scope of the dividend strategy with an annual distribution rate of approximately 30% to 35% of adjusted consolidated net profit. All other items on the agenda were also approved by clear majorities. The voting results are available on the website HTTPS://INVESTORS.NORMAGROUP.COM/HV.

DIRECTORS' DEALINGS

In fiscal year 2017, one transaction was reported as Directors' Dealings. It can be found in the Corporate Governance Report. → CORPORATE GOVERNANCE REPORT, P. 38

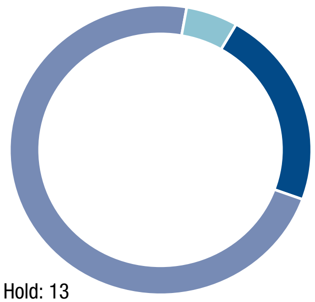
COVERAGE INITIATED BY SOCIÉTÉ GÉNÉRALE

18 analysts from various banks and research firms currently follow NORMA Group. As of December 31, 2017, four analysts recommended buying the share, 13 analysts advised to hold the share and one analyst recommended selling the share. The average price target was EUR 57.83 at the end of December 2017 (2016: EUR 45.72).

T003 ANALYSTS COVERING NORMA GROUP

Baader Bank	Peter Rothenaicher
Bankhaus Lampe	Christian Ludwig
Bankhaus Metzler	Jürgen Pieper
Bank of America Merrill Lynch	Kai Müller
Berenberg Bank	Philippe Lorrain
Commerzbank AG	Ingo-Martin Schachel
Deutsche Bank AG	Tim Rokossa
DZ Bank AG	Thorsten Reigber
equinet Bank	Tim Schuldt
Hauck&Aufhäuser	Christian Glowa
HSBC	Jörg-André Finke
Jefferies	Omid Vaziri
Kepler Cheuvreux	Dr. Hans-Joachim Heimbürger
Macquarie	Christian Breitsprecher
MainFirst Bank AG	Tobias Fahrenholz
NordLB	Frank Schwope
Société Générale	Sebastian Ubert
Warburg Research GmbH	Alexander Wahl

G010 ANALYST RECOMMENDATIONS



as of December 31, 2017

SUSTAINABLE INVESTOR RELATIONS ACTIVITIES

NORMA Group's investor relations activities seek to further increase awareness of the Company on the capital market, strengthen long-term confidence in its share and achieve a realistic and fair valuation. Therefore, the management and those responsible for investor relations hold many discussions with institutional investors, financial analysts and private shareholders over the course of the year.

The Management Board and the Investor Relations team of NORMA Group conducted 27 roadshows in the world's most important financial centers in 2017. Furthermore, NORMA Group attended the following conferences:

› Oddo Forum, Lyon
› Commerzbank German Investment Seminar, New York
› Kepler Cheuvreux German Corporate Conference, Frankfurt/Main
› Banhkhaus Lampe Deutschlandkonferenz, Baden-Baden
› Commerzbank Boston and New York Conference, Boston and New York
› db Access German, Swiss&Austrian Conference, Berlin
› Commerzbank Sector Conference, Frankfurt/Main
› UBS Best of Germany Conference, New York
› Berenberg&Goldman Sachs German Corporate Conference, Munich
› Baader Investment Conference, Munich
› DZ Bank Equity Conference, Frankfurt/Main
› Berenberg European Conference, Surrey

SERVICE FOR SHAREHOLDERS

Shareholders and those interested can register in the investor relations section of the Company website HTTPS://INVESTORS.NORMAGROUP.COM to receive the circular letter for investors from NORMA Group. They will be informed promptly by e-mail of any developments within the Group and automatically receive the regular publications.

Furthermore, comprehensive information on the NORMA Group share is published on the website. Besides financial reports and presentations that can be downloaded, all important financial market dates and details on how to reach the contact partners can be found there. The teleconferences on the quarterly and annual financial statements are recorded and offered in audio format.

NORMA GROUP RECEIVES NUMEROUS AWARDS

NORMA Group's IR activities and the 2016 Annual Report excelled in several competitions and received the following awards:

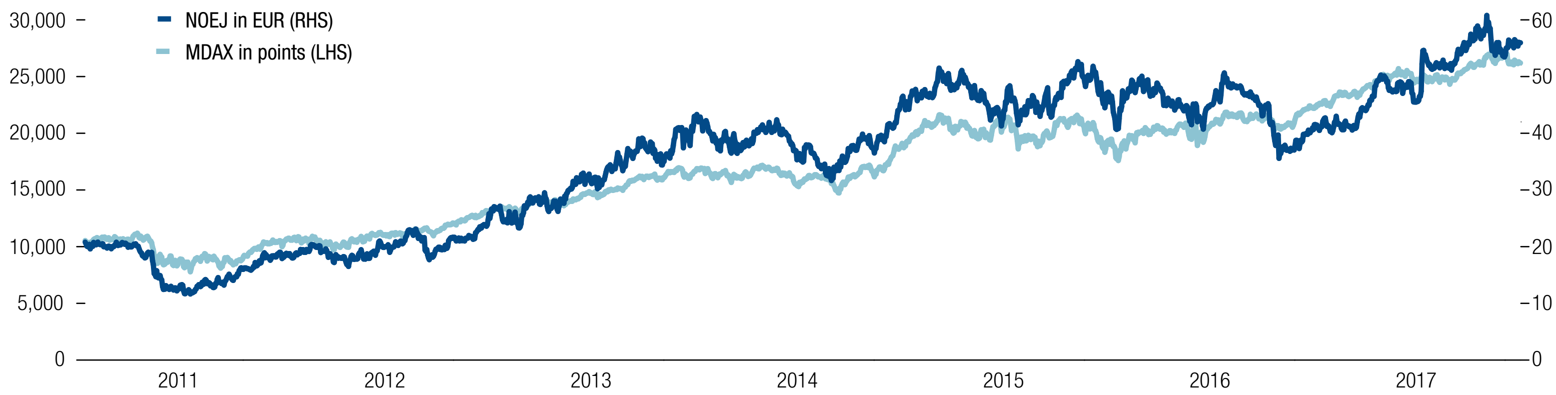
› **Investors' Darling**: 1st place in the MDAX segment, 6th place in the overall ranking
› **The Best Annual Report 2016**: 3rd place in the MDAX segment, 5th place in the overall ranking

T004 KEY FIGURES FOR THE NORMA GROUP SHARE SINCE THE IPO

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

1_IPO and first trading day of the NORMA Group share.
2_Issuing price
3_In accordance with the Management Board's proposal for the appropriation of net profit, subject to approval by the Annual General Meeting on May 17, 2018.
4_Related to the unadjusted earnings per share. The price-earnings ratio related to the adjusted earnings per share is 17.0.

G011 SHARE PRICE DEVELOPMENT OF THE NORMA GROUP SHARE SINCE THE IPO IN 2011 COMPARED TO THE MDAX



SUPERVISORY BOARD REPORT

COLLABORATION BETWEEN THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

The Supervisory Board of NORMA Group SE has monitored and advised on the activities of the Management Board in fiscal year 2017 in accordance with the legal regulations, the German Corporate Governance Code and NORMA Group SE's Articles of Association.

The Management Board reports on a regular monthly basis to the Supervisory Board in written form on the business development of NORMA Group SE and the Group and provides a forecast for the current fiscal year. The development of sales and earnings, incoming orders and order backlog are described in detail compared to the previous year and as compared to planning. Besides monthly reporting and Supervisory Board meetings, the Chairman of the Management Board and the Chairman of the Supervisory Board engaged in regular exchanges on matters of significance in fiscal year 2017.

The Management Board began each Supervisory Board meeting by reporting on the overall economic situation and sector-specific economic expectations, with particular attention paid to the vehicle industry and its framework conditions, such as the introduction of stricter emission standards. The Management Board then reported on the respective business performance of NORMA Group and explained the earnings situation based on key indicators and their development compared to the previous year, budget and guidance. The Management Board discussed sales and the order situation for both the regions and the distribution channels. Accidents at work and countermeasures that have been introduced to improve work safety as well as quality and delivery were also discussed at each meeting. The Management Board regularly reported on the most important commodity prices. The focus in fiscal year 2017 was on the development of alloy surcharges. The Supervisory Board and Management Board also discussed NORMA Group's long-term strategic orientation and current M&A projects. The Management Board repeatedly informed the Supervisory Board on the strategies and initiatives of NORMA Group for the supply of parts for electric and hybrid drive vehicles. Besides organic growth, the Management Board and Supervisory Board discussed the development of the companies acquired in the past twelve months, particularly the integration of the Autoline business acquired from Parker Hannifin in late 2016, the Portuguese clamp manufacturer Lifial – Indústria Metalúrgica de Águeda, Lda. and the Chinese company Fengfan. The Management Board regularly presented the planning and current state of implementation of the Microsoft AX software to both the Supervisory Board and the Audit Committee. The Supervisory Board also accompanied the preparations for CSR reporting.

The Chairman of the Audit Committee reported to the other Supervisory Board members after Audit Committee meetings.

At each regular meeting of the Supervisory Board, the Management Board also presents a risk report in which the probability of occurrence and potential effects of all relevant risks, including any countermeasures, are assessed. This regular risk reporting provides the Supervisory Board with a clear picture of which possible risks could have a negative impact on the Company's assets, financial and earnings position. Moreover, compliance topics are also discussed at every Supervisory Board meeting (including possible fraud).

*__ **Dr. Stefan Wolf,***
Chairman of the NORMA Group Supervisory Board

The Supervisory Board convened internally before or after each meeting with the Management Board.

For transactions requiring approval, the Management Board sought the decisions of the Supervisory Board well in advance and presented the Supervisory Board with sufficiently detailed information in written form.

Besides the regularly recurring topics, the Supervisory Board also dealt with the following issues in fiscal year 2017:

Supervisory Board meeting held on March 20, 2017, in Maintal
The Management Board and the Supervisory Board discussed the 2016 annual financial statements of NORMA Group SE with the auditors and the Annual Report including the 2016 Consolidated Financial Statements of NORMA Group as well as the audit process. The Management Board once again explained the reasons that led to organic growth being lower in 2016 than expected at the beginning of the year. The Management Board and the Supervisory Board discussed the guidance for 2017. Other topics of the meeting included the acquisition of the Chinese company Fengfan, a labor law class action procedure in the US and the preparation of the 2017 Annual General Meeting.

Supervisory Board meeting held on May 23, 2017, in Frankfurt/Main
In addition to the regular agenda items, the Supervisory Board and the Management Board discussed the course of the Annual General Meeting, which had taken place on the same day, as well as contracts with a bank as the central banking partner in the US. The Supervisory Board also set new targets for the proportion of women on the Supervisory Board and Management Board of NORMA Group SE.

Supervisory Board meeting held on September 15, 2017, in Maintal
The Supervisory Board discussed with the Management Board the increased legal requirements for corporate responsibility reporting and the review of the Corporate Responsibility Report, agreeing that this report was prepared separately and not as part of the Annual Report and should be audited by an external auditor and published on the NORMA Group website. The Supervisory Board also approved adjustments to the financing agreements and factoring program as well as the relocation of the Australian regional headquarters to a new building in Melbourne. The Management Board informed the Supervisory Board in detail about the procedure for new product developments, in particular for vehicles with electric drives and hybrid technology as bridge technology. After the meeting, members received the report following the EMIR audit of the treasury derivatives process by PwC, which found no deficiencies.

Supervisory Board meeting held on November 30, 2017, in Maintal
Besides the usual agenda items, the Supervisory Board also discussed the 2018 budget and medium-term planning. The Management Board explained the assumptions and basics of budget planning and the detailed planning that resulted. The Supervisory Board approved the budget on this basis. Financing issues and a possible M&A project were also discussed.

The Supervisory Board also met for a closed meeting on October 10-11, 2017, in Wiesbaden. Besides the multi-year strategy presented by Mr. Kleinhens, the subjects of this meeting were the digitalization processes within the Holding, the IT structures at the Maintal site, a site analysis and Management Board matters. Telephone conferences were held with the Supervisory Board on July 25, 2017, and October 25, 2017. The topics discussed were Management Board matters, in particular finding a replacement for the position of Chairman of the Management Board and the division of functions.

MAIN TOPICS OF THE AUDIT COMMITTEE IN 2017

The Audit Committee of NORMA Group convened three times in 2017. It also held four additional telephone conferences. CFO Dr. Michael Schneider took part in every meeting and telephone conference. Other participants included departmental managers of the second management level to advise on technical issues in their areas of responsibility, particularly Accounting & Reporting, Treasury, Compliance and Internal Auditing.

The Audit Committee discussed the main focuses, procedure and results of the audit of the individual and consolidated financial statements of NORMA Group SE with the auditors and prepared recommendations for the Supervisory Board's resolutions. One focus of the work of the Audit Committee in 2017 was also on NORMA Group Good Practice Controls. These rules are part of the internal control system that were bindingly introduced at all NORMA Group sites in 2015. The Audit Committee also discussed the quarterly reporting with the CFO.

At the beginning of each meeting, the Audit Committee was informed in detail about the current business situation and financial position of NORMA Group. Other topics for the Audit Committee included the budget planning for 2018 and medium-term planning through 2022. The Audit Committee monitored the effectiveness of the internal control system, the risk management system, the internal auditing system and the compliance management system. The Audit Committee approved the audit plan for internal revision for 2018. The Audit Committee also discussed treasury matters, timing and cost planning for the launch of Microsoft AX 2012 and the status of digitalization at NORMA Group. Corporate responsibility reporting was also discussed in great detail for the first time.

The Audit Committee also approved certain individual allowable non-audit services that may be provided by the PwC statutory auditors, such as e.g. standard evidence about the leverage, which has to be provided to the financing banks in accordance with the financing agreements of NORMA Group.

Outside of the Audit Committee meetings, the Chairman of the Audit Committee was in regular personal and telephone contact with the CFO and the auditors to discuss possible areas of emphasis for the audit of the 2017 annual financial statements as well as the focus of the work of the Audit Committee in the coming year 2018.

CHANGES IN MANAGEMENT BOARD, NEW DEPARTMENTAL ALLOCATION

One focus of the activities of the Supervisory Board in 2017 was changes in the Management Board of NORMA Group SE. CEO Werner Deggim retired on January 1, 2018, because he had reached retirement age. Management Board member for Supply Chain and Operations, John Stephenson, decided to accept a position outside NORMA Group and to not renew his contract. On September 15, 2017, the Supervisory Board therefore declared that the terms of office of Management Board members Bernd Kleinhens and CFO Dr. Michael Schneider will be extended and Bernd Kleinhens is to be offered the position of Chairman. The number of Management Board positions will be reduced to three. Mr. Kleinhens' former position will not be filled. The position of departing Board member for Supply Chain and Operations John Stephenson, however, is to be filled.

The Supervisory Board decided on November 30, 2017, that the term of office of Mr. Kleinhens, which was to end on July 4, 2018, will be extended through December 31, 2022, and that he would be appointed Chairman of the Management Board effective January 1, 2018, and that a new Management Board employment contract with Mr. Kleinhens is to be concluded with effect from January 1, 2018, after terminating his previous Management Board employment contract. Furthermore, the Supervisory Board decided that the term of office of the CFO Dr. Michael Schneider, which was to end on June 30, 2018, will be extended through June 30, 2023, and the existing Management Board employment contract of Dr. Michael Schneider will continue to run from July 1, 2018, but will be adjusted as of July 1, 2018. The Supervisory Board noted with approval that Mr. Werner Deggim resigned from his duties as a member and Chairman of the Management Board and his other offices at NORMA Group effective December 31, 2017, and was released from his duties as of January 1, 2018. Incidentally, the employment contract with Mr. Deggim remained unaffected. The Supervisory Board also noted with approval that Mr. Stephenson resigned from his position as a member of the Management Board and his other NORMA Group positions effective January 31, 2018, and approved the conclusion of a termination agreement with Mr. Stephenson.

The new Management Board service contract with Mr. Kleinhens was signed on December 27/28, 2017.

As a result of these changes in the Management Board, the business allocation plan has been revised. Mr. Kleinhens took on responsibility for Personnel, Group Development and Group Communications on January 1, 2018, in his new role as Chairman. The regional presidents also report directly to him. Business Development, including Sales, Marketing, Research & Development, Product Development, Price Development and Product Management, remain his responsibility. CFO Dr. Michael Schneider will assume additional responsibility for the areas of Legal and M&A, Risk Management, Compliance & Internal Auditing and Corporate Responsibility which were previously in the area of responsibility of the CEO. Finance, Controlling, Treasury and Insurance, Investor Relations and IT remain his responsibility.

Environmental, Social, Governance (ESG) has fallen under the responsibility of the Chairman of the Management Board since Mr. Stephenson's resignation.

John Stephenson was responsible for Production, Purchasing, Supply Chain Management, the Global Excellence Program and Quality Assurance as the Management Board member for Supply Chain and Operations until he left the Management Board on January 31, 2018. Until the appointment of a new Management Board member for Supply Chain and Operations, Chairman Bernd Kleinhens has assumed responsibility for these areas as well.

ATTENDANCE OF ALL MEETINGS, NO CONFLICT OF INTEREST

All Supervisory Board members, Dr. Stefan Wolf (Chairman), Lars Berg (Vice-Chairman), Günter Hauptmann, Dr. Knut Michelberger, Dr. Christoph Schug and Erika Schulte, participated in all Supervisory Board meetings, the closed meeting and the telephone conferences in 2017.

All members of the Audit Committee, Dr. Knut Michelberger (Chairman of the Audit Committee), Lars Berg and Erika Schulte, participated in all meetings and telephone conferences of the Audit Committee.

The General and Nomination Committee did not convene in 2017. Personnel matters were prepared by the Chairman of the Supervisory Board and discussed with all of its members.

There were no conflicts of interest between the members of the Supervisory Board and the Company in fiscal year 2017.

INFORMATION ON THE AUDITOR

The 2017 annual financial statements for NORMA Group SE presented by the Management Board were audited by the auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft along with the Management Report and the corresponding Consolidated Financial Statements and Group Management Report. The audit mandate was issued on October 9, 2017.

The auditors Thomas Tilgner and Richard Gudd took part in the Supervisory Board meeting held to formally adopt the financial statements as well as in Audit Committee meetings on the respective agenda items and a conference call with the Audit Committee.

APPROVAL OF THE 2017 ANNUAL FINANCIAL STATEMENTS AND THE SEPARATE NON-FINANCIAL STATEMENT FOR THE GROUP

The Consolidated Financial Statements of NORMA Group SE were prepared in accordance with section 315e of the German Commercial Code (Handelsgesetzbuch, HGB) on the basis of International Financial Reporting Standards (IFRS) as adopted in the EU. The auditor issued an unqualified opinion for the 2017 Annual Financial Statements and Management Report of NORMA Group SE as well as for the Consolidated Financial Statements and Group Management Report. The documents pertaining to the financial statements, the Management Board's proposal for the appropriation of net profit and both auditors' reports were submitted to the Supervisory Board. The Audit Committee and the Supervisory Board in its entirety thoroughly examined the reports and discussed and scrutinized them in detail together with the auditor. The Supervisory Board accepted the auditor's findings and had no objections.

The Supervisory Board then approved the Annual Financial Statements of NORMA Group SE and the 2017 Consolidated Financial Statements together with their respective Management Reports at its meeting on March 19, 2018. The Supervisory Board approved the proposal on the appropriation of profits by the Management Board. NORMA Group SE's Annual Financial Statements are thereby adopted in accordance with section 172 AktG.

The Audit Committee and Supervisory Board also dealt with the separate Non-Financial Group Report for NORMA Group prepared by the Management Board as of December 31, 2017. The auditing firm PricewaterhouseCoopers GmbH has conducted a limited assurance test and issued an unqualified audit opinion. The Management Board explained the documents in detail during the meetings, the representatives of the auditor reported on the main findings of their audit and answered further questions from the members of the Supervisory Board. The Supervisory Board had no objections after auditing these results.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board and Management Board dealt with the requirements of the German Corporate Governance Code and ratified the following Declaration on January 31, 2018: 'NORMA Group SE has complied with the recommendations of the German Corporate Governance Code as amended on February 7, 2017 (published on April 24, 2017), by the Federal Ministry of Justice in the official section of the Federal Gazette ('Bundesanzeiger') since its last Declaration was submitted and will continue to comply with the recommendations.' The Corporate Governance Declarations made by NORMA Group SE are available on the Company's website at HTTPS://INVESTORS.NORMAGROUP.COM.

The Supervisory Board would like to thank all employees of NORMA Group all around the world along with the Management Board for their personal efforts and successful work once again in fiscal year 2017. The Supervisory Board is confident that NORMA Group will continue to grow successfully in fiscal year 2018.

Dettingen/Erms, March 19, 2018

Dr. Stefan Wolf
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

The following is the Management Board's Declaration of Conformity in accordance with article 289f of the German Commercial Code (Handelsgesetzbuch, HGB) and section 3.10 of the German Corporate Governance Code (GCGC).

The management of NORMA Group is dedicated to achieving sustained economic success while complying with the Company's social responsibility. Transparency, responsibility and sustainability are the principles that determine its actions.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board and Management Board of NORMA Group SE have thoroughly examined which of the German Corporate Governance Code's recommendations and suggestions NORMA Group SE should follow and explains deviations from the recommendations and the reasons for deviating from the Code. The current Declaration dated January 31, 2018, as well as all the other Declarations are published on NORMA Group's website. HTTPS://INVESTORS.NORMAGROUP.COM

The Declaration dated January 31, 2018, is presented below:

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

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

2. **Under service agreements with members of the Management Board, the remuneration of the Management Board is not capped, either in total or in terms of its variable compensation elements (section 4.2.3 para. 2 sentence 7 GCGC).**
The Supervisory Board may grant at its sole discretion a special bonus for extraordinary achievements which is not limited by a maximum amount. The Supervisory Board does not believe such a maximum amount to be required because the Supervisory Board can ensure by specifically exercising its discretion that the requirement of adequacy under section 87 para. 1 of the German law on stock corporations is complied with.

Apart from that, the agreement with Mr. Kleinhens that was entered into in late 2017 as well as the agreement with Dr. Schneider comply with the recommendations pursuant to section 4.2.3 para. 2 sentence 7 of the German Corporate Governance Code.

In addition, the management service agreements that were entered into prior to 2015 depart from the recommendations pursuant to section 4.2.3 para. 2 of the German Corporate Governance Code as follows: The maximum gross option profit from the Matching Stock Program for the Management Board is limited in total to a percentage of the average annual EBITA during the vesting period; therefore, a relative maximum limit that is dependent on the Company's success is applied rather than a maximum monetary amount.

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

3. **Two members of the Supervisory Board have already reached, or will before the end of their tenure reach, the regular age limit (section 5.4.1 para. 2 sentence 2 half sentence 4 GCGC).**
The tenure of a Supervisory Board member shall not be extended beyond his or her 70th birthday. Mr. Berg is already older than 70 years; Dr. Michelberger will also be older than 70 years before the end of his tenure. The Supervisory Board is of the opinion that there is currently no reason to prematurely end these terms of office prior to the end of the tenure. The membership of the Supervisory Board should mainly depend on abilities and actual capacities.

4. During the transformation of NORMA Group AG into an SE, the members of the Supervisory Board were not chosen in a separate election (section 5.4.3 GCGC).
All members of the first Supervisory Board of NORMA Group SE were elected as part of the transformation pursuant to Article 40 para. 2 sentence 2 SE VO in accordance with the Articles of Association to ensure that the resolution on the election of the members of the Supervisory Board could not be challenged separately. Otherwise, the risk could not be ruled out that the Company would have no Supervisory Board or that the board would have an insufficient number of members after the transformation was entered in the commercial register. Elections of future members shall be managed as separate elections.

STATEMENT ON CORPORATE GOVERNANCE

Allocation of competences between the Management and the Supervisory Board

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

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

The Chairman of the Supervisory Board and the Chairman of the Management Board coordinate the collaboration of the two Boards. They also stay in regular contact between Supervisory Board meetings and discuss current corporate governance issues.

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

Management Board and Regional Management

The Management Board of NORMA Group SE is currently composed of two members: Bernd Kleinhens (Chairman) and Dr. Michael Schneider (CFO). The position of Chief Operating Officer is to be filled following the departure of John Stephenson. The allocation of responsibilities and internal order of the Management Board are based on relevant legislation, NORMA Group SE's Articles of Association and the Management Board by-laws enacted by the Supervisory Board as well as the internal guidelines, including the compliance documents and the business allocation plan.

T 005 RESPONSIBILITIES OF THE MANAGEMENT BOARD

Bernd Kleinhens, Chairman of the Management Board (CEO)	› Personnel › Group Development › Group Communications › Business Development including Sales, Marketing, Research & Development, Product Development, Price Development and Product Management › Production › Purchasing › Supply Chain Management › Operational Global Excellence › Quality Assurance › ESG (Environmental, Social, Governance)
Dr. Michael Schneider, Chief Financial Officer (CFO)	› Finances & Reporting › Controlling › Insurance › Treasury › Investor Relations › ICT › Legal and M&A › Risk Management › Compliance & Internal Auditing › Corporate Responsibility

John Stephenson was the Management Board member Supply Chain and Operations responsible for Production, Purchasing, Supply Chain Management, Operational Global Excellence and Quality Assurance until he stepped down from the Management Board on January 31, 2018. Until the appointment of a new member of the Management Board for Supply Chain and Operations, Chairman Bernd Kleinhens will also assume responsibility for these areas.

The CEO is responsible for the topics Environment, Social and Governance (ESG). The CFO takes care of the corporate responsibility activities of NORMA Group.

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

Every Board member is obliged to inform the Supervisory Board immediately, but also the other members of the Management Board, of any conflicts of interest. No such conflicts of interest arose for a Board member in 2017.

The Supervisory Board must approve any transactions between NORMA Group companies on the one hand and a member of the Management Board, related parties or businesses on the other hand. No such transactions took place in 2017.

The Supervisory Board must also approve any secondary activities by a member of the Management Board. It had already agreed in 2015 and 2016 that CFO Dr. Schneider may continue to be a member of the Supervisory Boards of two German companies. It also agreed to Mr. Stephenson (Board member for Supply Chain and Operations), who retired at the end of January 2018, holding shares in a family-owned English company. Mr. Kleinhens does not have any secondary activities that are subject to approval.

The rules of procedure of the Supervisory Board provide that the term of office of a member of the Management Board should not be extended beyond his or her 65th birthday. Former CEO Werner Deggim left the Management Board on December 31, 2017. This date was before his 65th birthday.

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

Supervisory Board: Members, election and independence

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

- Dr. Stefan Wolf (Chairman of the Supervisory Board)
- Lars M. Berg (Vice-Chairman of the Supervisory Board)
- Günter Hauptmann
- Dr. Knut J. Michelberger
- Dr. Christoph Schug
- Erika Schulte

They are all representatives of the shareholders, in other words elected by the Annual General Meeting. NORMA Group SE is not a codetermined Company; therefore, worker representatives are not represented on its Supervisory Board.

In fiscal year 2017, Dr. Konrad Erzberger requested a court ruling by the Frankfurt/Main Regional Court concerning the composition of the Supervisory Board of NORMA Group SE (‘Status Procedure’). Dr. Erzberger was of the opinion that a codetermined Supervisory Board must be formed at NORMA Group SE in accordance with the provisions of the German Codetermination Act, meaning that employee representatives should also be elected to the Supervisory Board. He said that at the time of the conversion of NORMA Group AG into today’s NORMA Group SE in 2013, the employees of the foreign subsidiaries would have had to be included in the calculation of the thresholds of employee numbers on which codetermination depends. The Regional Court of Frankfurt/Main dismissed Dr. Erzberger’s claim on December 21, 2017, as unfounded. It justified its decision with the fact that the Supervisory Board would have had to be composed in compliance with the last applied legal regulations following conversion into an SE. The process is determined by actual handling rather than abstract legal requirements. At NORMA Group AG, there was no codetermined Supervisory

Board prior to conversion into NORMA Group SE. No status procedure was pending in 2013 either, therefore the court ruling left open the question of including employees of foreign subsidiaries in calculating the thresholds of employee numbers on which codetermination depends. On February 22, 2018, the Frankfurt Regional Court decided not to remedy the complaint and to bring it to the Higher Regional Court Frankfurt for decision.

All members of the Supervisory Board are independent as defined in section 5.4.2 of the German Corporate Governance Code. Furthermore, no Supervisory Board member has ever served as a member of the Management Board of NORMA Group SE or been a member of management of any of its predecessor companies.

Five of the six members of the Supervisory Board of NORMA Group SE and NORMA Group AG , Dr. Wolf, Mr. Berg, Mr. Hauptmann, Dr. Michelberger and Dr. Schug, have been members of the Supervisory Board since 2011. Mrs. Schulte has been a member of the Supervisory Board since 2012. The term of all members of the Supervisory Board began in 2013 and lasts until the Annual General Meeting that resolves on discharging the Supervisory Board for the fourth fiscal year after commencement of the term (whereby the fiscal year 2013 in which the term began is not counted) at the very longest and no later than six years after officially taking office. This is expected to be until the next Ordinary Annual General Meeting on May 17, 2018, but no later than May 2019.

The rules of procedure of the Supervisory Board provide that the term of office of a member of the Supervisory Board should not be extended beyond his or her 70th birthday. Mr. Berg and Dr. Michelberger have already reached this age limit.

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

All members of the Supervisory Board are obligated to report any conflicts of interest. Significant and not merely temporary conflicts of interest for members of the Supervisory Board should lead to the termination of the mandate. No such conflicts of interest arose in 2017.

All members of the Supervisory Board attended all meetings, the closed meeting and participated in all telephone conferences in 2017. Four ordinary meetings of the Supervisory Board were held in fiscal year 2017. All members of the Supervisory Board and the Management Board participated in these meetings. In October 2017, the Supervisory Board met for a closed meeting in which Mr. Kleinhens partly participated and that otherwise took place without the Management Board. All members of the Supervisory Board attended this closed meeting. Two telephone conferences were also held without the Management Board, in which all Supervisory Board members also participated.

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

The Supervisory Board formed two committees: the Audit Committee and the General and Nomination Committee.

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

Dr. Michelberger is Chairman of the Audit Committee. The other members are Lars M. Berg and Erika Schulte. Dr. Michelberger is an independent financial expert within the meaning of section 100 (5) AktG. Due in large part to his many years as CFO and Managing Director, he has particular knowledge and experience in the application of accounting principles and internal guidelines.

The Audit Committee of NORMA Group convened three times in fiscal year 2017 and held four telephone conferences. All Audit Committee members as well as CFO Dr. Michael Schneider took part in each.

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

AktG and proposing suitable candidates to the Annual General Meeting when there is a vote on Supervisory Board members.

The General and Nomination Committee was chaired by Supervisory Board Chairman Dr. Stefan Wolf in 2017 and included Dr. Christoph Schug and Lars M. Berg as its other members. The General and Nomination Committee did not convene in 2017. All personnel-related matters were prepared by the Chairman of the Supervisory Board and discussed directly with the entire Supervisory Board.

Other mandates of the Supervisory Board members

Exercised professions and other mandates on Supervisory Boards or comparable Supervisory Bodies of the members of NORMA Group's Supervisory Board in fiscal year 2017 are shown in → TABLE 006.

Targets for the Share of Women

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

The target for the share of women on the Supervisory Board was increased from one female member to two (out of a total of six members). The Management Board again set a target of zero.

The top management of NORMA Group SE was still set at a target of 25%.

The aforementioned new targets are expected to be valid until June 30, 2022.

The Supervisory Board currently has one female member. The target value newly set in 2017 could not yet be achieved because no new election of a member of the Supervisory Board took place from 2013 to 2018.

The Management Board is currently exclusively comprised of men. It currently has only two members. In the future, after replacing the Supply Chain and Operations position, the Management Board should have only three members. In accordance with the rules of procedure of the Supervisory Board, the Supervisory Board should consider diversity in the composition of the Management Board. The Supervisory Board does not consider it in the interest of the Company to set higher targets for the share of women on the Management Board. Therefore, the target for the share of women on the Management Board is still zero. This target was achieved without any changes in 2017.

At NORMA Group SE, the first management level comprises everyone who reports directly to the Management Board, who in turn assumes management functions and bears responsibility for personnel. In view of the share of women in first-tier leadership of 50% in decision-making in 2017 (as in 2015), the Management Board has again set the target for the share of women in the first management level under the Management Board to be fulfilled by June 30, 2022, to at least 25%, meaning at least one woman. Neither a reduction in the share of women is intended nor ruled out by the share of women increasing to over 50%. The Management Board has proven with the current appointment of management positions that it has succeeded in attracting qualified women to leadership positions at NORMA Group SE and will continue to succeed in the future. NORMA Group SE does not have a second management level for which the Management Board would also have to set targets. Among the four people who form the first management level below the Management Board, there are two women. The target of 25% has thus been exceeded.

T 006 OTHER MANDATES OF THE SUPERVISORY BOARD MEMBERS

Supervisory Board member, exercised office	Other mandates on Supervisory Boards and comparable committees
Dr. Stefan Wolf (Chairman of the Supervisory Board), Chairman of the Management Board (CEO) of ElringKlinger AG	› Member of the Supervisory Board of Allgaier Werke GmbH, Uhingen, Germany
Lars Berg (Vice-Chairman of the Supervisory Board), Consultant	› Chairman of the Supervisory Board of Greater Than AB, Stockholm, Sweden › Chairman of the Supervisory Board of Net Insight AB, Sweden › Chairman of the Supervisory Board of BioElectric Solutions AB, Stockhom, Sweden (until May 12, 2017)
Günter Hauptmann, Consultant	› Chairman of the Advisory Board of Atesteo GmbH (formerly GIF GmbH), Alsdorf, Germany (until February 14, 2018) › Member of the Advisory Board of Moon TopCo GmbH (Schlemmer Group), Poing, Germany
Dr. Knut J. Michelberger, Consultant	› Member of the Advisory Board of Rena Technologies GmbH, Gütenbach, Germany › Member of the Supervisory Board (raad van commissarissen) of Weener Plastics Group, Ede, Netherlands › Managing Director of Formel D GmbH, Troisdorf, Germany, as well as associated companies; His membership in the Advisory Board of parent company Racing TopCo GmbH (Deputy Chairman) is suspended for the duration of his Managing Director mandate › Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany › Chairman of the Board of Baltic Coffee Holding, Riga, Latvia (until October 31, 2017)
Dr. Christoph Schug, Entrepreneur	› Member of the Advisory Board of Bomedus GmbH, Bonn, Germany › Member of the Advisory Board of MoebelFirst GmbH, Cologne, Germany
Erika Schulte, Managing Director of Hanau Wirtschaftsförderung GmbH	› No seats on other boards or comparable committees

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TO OUR SHAREHOLDERS

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

Competence Profile, No Separate Diversity Concept

The objectives for the composition of the Supervisory Board include that all members be independent, no member works for a competitor of NORMA Group, no member who is on the Management Board of a listed company has more than two Supervisory Board mandates in listed companies, no member of the Supervisory Board has significant conflicts of interest and each member complies with the 15-year limit. These goals have all been met. Four of the members of the Supervisory Board are younger than 70 while two have exceeded this age limit. Besides five male members, the Supervisory Board has one female member, Mrs. Schulte. The Supervisory Board also intends to pay attention to international activities and diversity in proposals for the election of new members. The Supervisory Board has one Swedish member while the other members are German citizens. The current members satisfy the competence profile for the Supervisory Board as a whole. For example, some members have special knowledge of the industry and NORMA Group's markets, in particular the automotive industry, and NORMA Group's business model. They also have ample time to carry out their tasks. Several members have experience as executives or members of Supervisory Boards as well as international experience. At least one member has expertise in accounting, auditing and controlling. Other areas in which members of the Supervisory Board have special knowledge include risk management, internal control systems and compliance, capital market experience and knowledge of IT systems, including ERP systems.

No separate diversity concept within the meaning of section 289f (2) No. 6 HGB has been prepared for the Supervisory and Management Boards of NORMA Group SE. The rules of procedure of the Supervisory Board already stipulate that certain aspects, which the law cites as an example of a concept of diversity, should be taken into consideration in the case of nominations for the elections to the Supervisory Board and the appointment of Management Board members. Diversity should be taken into account in the composition of the Management Board as well as in election proposals for the election of Supervisory Board members. Further requirements for the Supervisory Board already arise from the goals and rules of the procedure described above. The Management Board also has an age limit of 65, which is met by its two members. The Supervisory Board focuses on the selection of candidates primarily according to their qualifications. In view of the small number of positions to be filled, six on the Supervisory Board and three on the Management Board, a diversity concept that goes beyond the current requirements hardly seems to offer any advantages.

Compliance

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

Group-wide compliance activities are managed by the Chief Compliance Officer of NORMA Group, who reported directly to the CEO until the end of 2017 and to the Chief Financial Officer since the beginning of 2018. Besides the existing Compliance department at Group level, there are Compliance Officers at the level of the regions and the individual companies. For instance, the three regional Compliance Officers of the EMEA, Americas and Asia-Pacific regions report to the Chief Compliance Officer. Furthermore, each operational Group company has its own local Compliance Officer who reports to the respective Regional Compliance Officer. The Supervisory Board monitors compliance with the compliance rules vis-à-vis the Management Board.

The compliance organization performs risk analysis together with the relevant units, functions and specialist departments in order to determine and monitor the risk profile of countries, subsidiaries and functions. On the basis of this, it identifies the respective need to take action and initiates corresponding measures. Special training courses are held regularly on specific risk areas and important current topics or developments. In 2017, for example, as part of a 'train-the-trainer' approach, global classroom training on 'anti-corruption' was developed for employees with special risk exposure. Besides these training courses on specific focus topics, all employees worldwide (on-site in personal training or online training) are trained on the basic compliance rules and important contents of the compliance guidelines. Furthermore, employees receive important, up-to-date compliance information on a regular basis on the intranet page, brochures, emails and posters.

The compliance guidelines of NORMA Group are an important means of communicating to employees the compliance understanding of NORMA Group and of demonstrating their ethical and legal obligations. All compliance documents are reviewed regularly and, if necessary, adapted to new legal or social requirements and thus always kept up to date. Suppliers have their own 'Supplier Code of Conduct.' It is intended to help ensure that laws and ethical rules are observed within the NORMA Group supply chain. A compliance manual also defines in detail the specific areas of responsibility and regulatory areas, describes basic compliance processes, and provides a summary of key compliance issues related to the corresponding compliance guidelines. The compliance manual, as well as the compliance guidelines, are reviewed regularly for changes and updated, if necessary.

NORMA Group encourages its employees to report breaches of regulations and internal policies for all hierarchies. Besides directly approaching superiors, the personnel department or Compliance Officers, an Internet-based 'whistleblower system' is available for this purpose. With this whistleblower system, company-internal and external parties can report suspicious cases to the compliance organization of NORMA Group and, if necessary, preserve their anonymity.

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

Shareholders and Annual General Meeting

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

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

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

SHAREHOLDINGS OF THE MANAGEMENT AND SUPERVISORY BOARD

On December 31, 2017, the Management Board and Supervisory Board jointly held 729,986 (2.3%) of the total of 31,862,400 shares of NORMA Group SE. This figure includes the shares held by former CEO Werner Deggim, who retired on December 31, 2017, and Board member John Stephenson, who left the Company on January 31, 2018. Members of the Supervisory Board held 87,083 (0.3%), and members of the Management Board, including Mr. Deggim and Mr. Stephenson, 642,903 (2.0%).

At the time of publication of this report, the Management Board (the two remaining Management Board members Bernd Kleinhens and Dr. Michael Schneider) and the Supervisory Board jointly held 285,853 shares in NORMA Group SE (0.9%). 198,770 (0.6%) of these were attributable to the members of the Management Board and an unchanged 87,083 (0.3%) to the Supervisory Board.

No member of the Supervisory Board or the Management Board held more than 1% of the shares in NORMA Group SE in fiscal year 2017 or at the time of publication of this report.

DIRECTORS' DEALINGS

Members of the Management Board and the Supervisory Board and related parties are obliged to disclose Directors' Dealings in NORMA Group SE shares if the value of these transactions reaches or exceeds EUR 5,000 within a calendar year.

In 2017, the following transactions were reported as Directors' Dealings:

T007 DIRECTORS' DEALINGS

Buyer / Seller	Dr. Michael Schneider, Chief Financial Officer
Type of financial instrument	NORMA Group SE Share ISIN: DE000A1H8BV3
Type of transaction	Purchase
Date of transaction	April 3, 2017
Place of transaction	Quotrix, Düsseldorf
Average price per share	EUR 45.00
Total value	EUR 50,760.00

STOCK OPTION PLANS AND EQUITY-BASED INCENTIVE PROGRAMS

The principles of management remuneration are described in the remuneration report which is part of the management report. → REMUNERATION REPORT, P. 97

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

INFORMATION ON THE AUDITOR AND INTERNAL ROTATION

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt/Main, audited the financial statements of NORMA Group SE and its predecessor companies as well as the Consolidated Financial Statements for the fiscal years 2010 to 2016. Furthermore, PwC retroactively audited the years 2009 and 2010 for the prospectus as part of the IPO in 2011.

After an internal rotation at PwC, Mr. Thomas Tilgner exercised the position of the left undersigned auditor and Mr. Richard Gudd the right undersigned auditor for fiscal year 2016 for the first time.

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COVER

TO OUR SHAREHOLDERS

CONSOLIDATED MANAGEMENT REPORT 2017

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

CONSOLIDATED MANAGEMENT REPORT 2017

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 27 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 and delivery reliability.

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 for Legal and M&A, Compliance, Risk Management and the 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. 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 (Europa, Middle East and Africa) and Asia-Pacific (APAC).

As of December 31, 2017, NORMA Group SE holds shares in 47 companies that belong to NORMA Group either directly or indirectly and are fully consolidated. → NOTES, P. 132

Acquisitions and changes of legal structure

In January 2017, NORMA Group acquired the clamp manufacturer Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial'). NORMA Group Holding GmbH holds a majority share, while NORMA Verwaltungs GmbH holds a minority. Lifial, based in Águeda, Portugal, produces metal clamps for use in industry and agriculture. The company employs around 100 people and markets its trademarked products to customers in Europe and North Africa. Lifial was included in the scope of consolidation effective January 1, 2017. These corporate changes will have no impact on the operational business.

In the second quarter of 2017, NORMA Group acquired 80% of the shares of the newly founded company Fengfan Fastener (Shaoxing) Co., Ltd. ('Fengfan') based in Shaoxing City, China via its holding company in Asia-Pacific (NORMA Group Asia Pacific Holding Pte.). The remaining 20% of the shares are held by Handan City Feixiang District Yuelang Enterprise Management Consulting Centre (Limited Partnership). Before this transaction was completed, Fengfan Fastener (Shaoxing) Co., Ltd. acquired the primary assets of Zhejiang Fengfan Electrical Fittings Co., Ltd. through an asset deal. Fengfan manufactures joining products made of stainless steel, nylon and special material. Its portfolio includes cable ties, fasteners and specially coated fireproof textiles. Fengfan was included into the scope of consolidation from May 18, 2017, on.

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 2018, the following changes have taken place in the composition of the Management Board: Former Chairman Werner Deggim left the Management Board at his own request as of December 31, 2017. Chief Operating Officer John Stephenson also resigned from the Management Board at the end of January 2018 on his own request. Bernd Kleinhens, who previously held the position of Board member responsible for Business Development, took over as Chairman of the Management Board effective January 1, 2018.

The terms of office of Mr. Kleinhens and Dr. Michael Schneider, who will continue as Chief Financial Officer, were extended by five years each. As Mr. Kleinhens' previous position will not be filled, the number of members of the Management Board has been reduced to three. The position of John Stephenson is to be filled soon. → CORPORATE GOVERNANCE REPORT, P. 38

The Supervisory Board consists of six members who have been elected by the shareholders at the Annual General Meeting. 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. 38 The curriculum vitae of the Supervisory and Management Board members are published on NORMA Group's website. HTTPS://INVESTORS.NORMAGROUP.COM

G012 NORMA GROUP (SIMPLIFIED STRUCTURE)[1]

NORMA Group SE

NORMA Group Holding (Germany)		NORMA Pennsylvania (USA)		NORMA Group APAC Holding (Singapore)	
NORMA Germany	NORMA Serbia	Craig Assembly (USA)	NORMA Michigan (USA)	NORMA EJT (Wuxi)	NORMA Thailand
NORMA Distribution Germany	NORMA Polska	R. G. Ray (USA)	NORMA Group Mexico	NORMA Australia	NORMA EJT (China)
NORMA Group DS Polska	Groen BV (The Netherlands)	National Diversified Sales (USA)	NORMA DS Mexico	Fengfan (China)	Guyco (Australia)
NORMA Czech	NORMA Italy	NORMA Brazil		NORMA Korea	NORMA Products Malaysia
NORMA Turkey	NORMA France			NORMA Japan	NORMA India
NORMA Distribution France	NORMA Spain				
NORMA Sweden	NORMA UK				
Connectors Verbindungstechnik AG (Switzerland)	NORMA Russia				
NORMA China[2]	NORMA Autoline France				
Lifial (Portugal)	NORMA Netherlands				

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, 2017, can be found in the → NOTES ON PAGE 132.
2_NORMA China is organizationally assigned to the Asia-Pacific segment. In terms of company law, it belongs to NORMA Group Holding GmbH.

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CONSOLIDATED MANAGEMENT REPORT

Operative segmentation by regions

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

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.

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. In addition, the FLUID division's product range 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.

G013 ORGANIZATIONAL STRUCTURE OF NORMA GROUP

NORMA Group SE			PARENT COMPANY UNDER COMPANY LAW
EMEA	Americas	Asia-Pacific	SEGMENTS
Engineered Joining Technology (EJT)	Distribution Services (DS)		DISTRIBUTION CHANNELS

Two complementary distribution channels

NORMA Group supplies its customers via two different sales channels,

- **Engineered Joining Technology – EJT** and
- **Distribution Services – DS.**

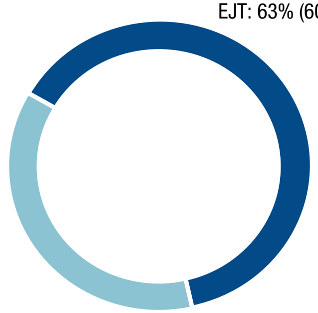
The two distribution channels differ in terms of the degree of specification of the products, while having intersections in production and development that enable cost benefits and ensure highest quality standards.

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®, 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.

G014 SALES BY DISTRIBUTION CHANNELS 2017[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. These products are available on short notice, therefore the dealer is always in a position to meet his delivery obligations even with uncommon applications or if demand fluctuates.

GOALS AND STRATEGY

NORMA Group's strategic goal is the sustainable increase of the Company's value. In each regional seg-

T 008 OVERVIEW OF END MARKETS AND BRANDS BY SEGMENT

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®, CONNECTORS®, Five Star®, Gemi®, NDS®, NORMA®, 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®, CONNECTORS®, FISH®, Gemi®, NORMA®

ment and both distribution channels (EJT and DS) the focus lies on the continuous extension of business activities and the increase in market shares. In addition, NORMA Group also seeks to make targeted acquisitions that will contribute to the diversification of the business and strengthen growth. By focusing on innovations, sustainability and high service quality, NORMA Group creates added value for its customers and thus ensures its competitiveness and future viability.

Robust business model through broad diversification

Broad diversification with respect to the products, regions and end markets that the Company operates in represents the core of NORMA Group's growth strategy. The Company is able to expand and strengthen its business activities and international presence by constantly adding application solutions for existing EJT customers, identifying and signing up new EJT customers, extending and deepening its customer base in the area of Distribution Services and entering new markets with attractive growth potential. NORMA Group sees immense growth potential especially in the emerging markets where demand for advanced engineered joining technology is on the rise in all industries due to the ongoing industrialization and increasing quality requirements. To benefit from this growth trend, NORMA Group has positioned itself in the major Asian growth markets of India and China as well as in the emerging economies of South and Central America in recent years. In order to meet the increasing long-term demand in these regions, the sites in Asia and South America will be expanded even further in the mid-term.

In identifying new end markets, NORMA Group places a strategic focus on niche markets with attractive margins, sophisticated products, fast-growing sales opportunities and a fragmented competition environment. By engaging in strategic knowledge transfer to new, fast-growing industries, the Company seeks to achieve broad diversification with respect to the end markets. This also strengthens the sustainable earnings profile, independence from economic trends and contributes to the stability of the business. The large number of relevant growth trends in the end markets that NORMA Group serves offer the Company attractive growth potential. → PRODUCTS AND END MARKETS, P. 49

Furthermore, NORMA Group focuses on expanding in new application areas of existing customers in which no NORMA Group components are being used yet. The goal here is to achieve high market penetration within the various individual technical applications.

Focus on high-quality joining technology and sustainable product solutions

The technological requirements that end products for NORMA Group's customers must meet constantly change. Increasing environmental consciousness, rising fuel costs and growing cost pressure also play key roles for virtually every industry. Other factors include binding targets by lawmakers that place special requirements on the materials used, particularly in the automotive and commercial vehicle industry, due to more stringent emission regulations or special requirements. → LEGAL AND REGULATORY INFLUENCING ASPECTS, P. 60

This marks the starting point for the development of new products. NORMA Group therefore focuses on value-added solutions that assist its customers in reducing emissions, leakages, weight, space and assembly time. Innovations play an important role in meeting customer requirements, which increase with each new production cycle. Therefore, NORMA Group employs more than 300 engineers who constantly work on developing new solutions and optimizing existing systems. NORMA Group plans around 5% of its EJT sales for investments in research and development activities to sustainably strengthen its power of innovation. → RESEARCH AND DEVELOPMENT, P. 55

Highest quality standards and strong brands

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 a stringent quality management therefore play a crucial role for NORMA Group. → QUALITY MANAGEMENT, P. 73

The area Distribution Services which offers and sells more standardized brand products is based on a specific, regionally-driven brand strategy that is based on the respective performance parameters of the well-known brands. → MARKETING, P. 78 In this business unit, the focus is on ensuring high-quality service and the availability of products at all times. NORMA Group ensures this through its worldwide distribution network.

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. NORMA Group has acquired twelve 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. For example, NORMA Group expanded its activities in the lucrative water business quite significantly by acquiring National Diversified Sales in 2014 and is thus driving its growth and increasing the diversification of its business. Through the acquisition of the Autoline business in November 2016, NORMA Group has strengthened its market position in the area of quick connectors for the automotive industry and thus contributed to market consolidation. The latest acquisitions, Lifial and Fengfan, strengthen DS growth, complement the product portfolio and allow access to new customer groups.

Ongoing efficiency improvements

In order to increase NORMA Group's profitability, the focus is on continuously improving processes in all functional areas and regions. The Global Excellence Program serves as an important tool for achieving this. As part of this program, all internal operative processes are continuously optimized. Projects on increasing efficiency are systematically recorded and monitored using a web-based program. This makes it possible to quantify the monetary savings that result from a specific measure fairly accurately at the end of the 12-month project cycles. Senior management reviews the current status of all projects once a month and a steering committee does so once a quarter. The aim of the program is to be able to absorb and minimize both the unexpected negative cost developments and inflationary cost increases.

Sustainable and responsible action in all areas of the Company

NORMA Group considers reconciling the effects of its business activities with the needs of society as part of its corporate responsibility. The management therefore takes the principles of responsible management and sustainable conduct into consideration in making company decisions. Corporate Responsibility (CR), NORMA Group's responsibility to society and the environment, is therefore an integral component of the corporate strategy. The CR steering committee is responsible for setting and formulating long-term goals for CR and coordinates the respective cross-divisional activities and the dialogue with the stakeholder representatives.

NORMA Group pursues a comprehensive CR strategy and focuses its CR goals and measures on the following five areas of activity:

- Responsible Management
- Business Solutions
- Employees
- Environment
- Community

NORMA Group has published a biennial comprehensive Sustainability Report since 2013 detailing long-term goals and strategic measures for the fields of action mentioned above. From 2017 on, the Sustainability Report will be published annually based on the standards set by the Global Reporting Initiative (GRI). The Sustainability Report for fiscal year 2017 also includes the non-financial declaration that the CSR Directive now requires. The Sustainability Report will be published concurrently with the annual report from now on.

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 most important financial control parameters for NORMA Group include the following value-oriented indicators that are directly related to value creation at NORMA Group: sales growth, profitability (adjusted EBITA margin) and net operating cash flow.

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. Due to the heterogeneous 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).

The adjusted EBITA (EBITA before special influences) is the most important internal and external valuation figure 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, such as those that are related to acquisitions. → ADJUSTMENTS P. 139

The 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 usual high level, NORMA Group continuously works on optimizing its purchasing and production processes with the aim of limiting the increase in expenses in relation to sales to a large extent. To determine the EBITA target margin, both past 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 when necessary.

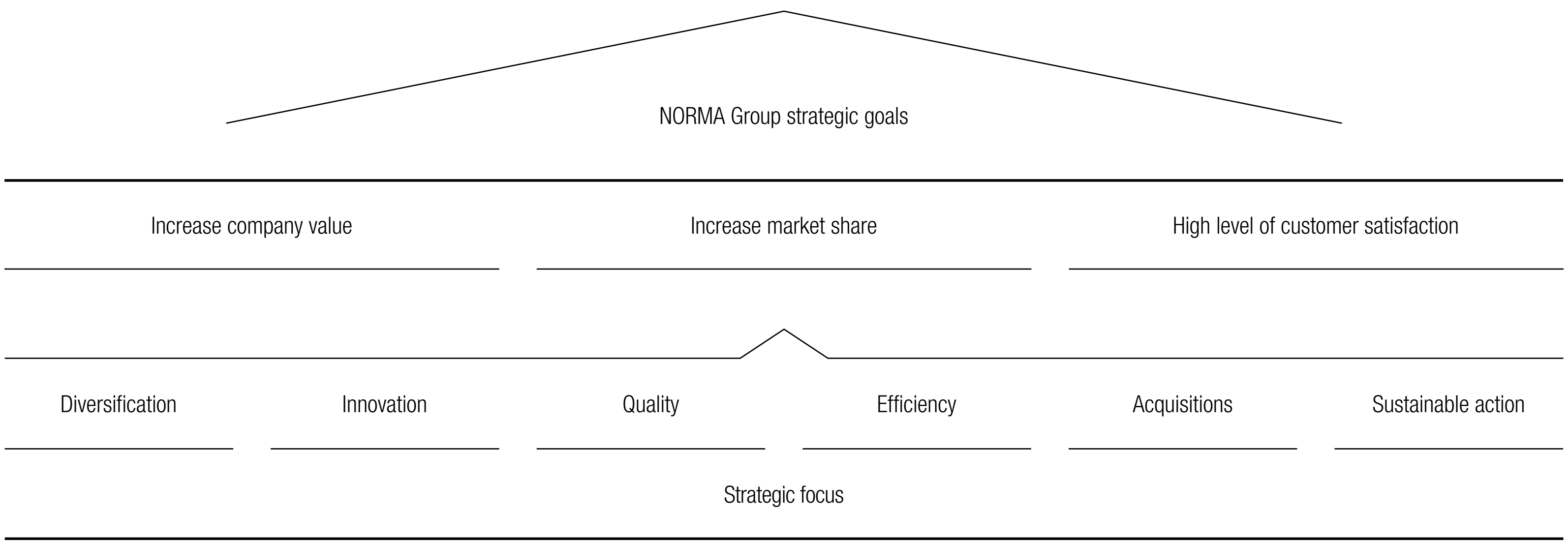
In order to maintain the Group's financial independence and solvency at all times, NORMA Group is guided by net operating cash flow in addition to the aforementioned key figures. The net operating cash flow includes the most important cash-effective items that can be influenced by the individual business 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, engage in sustained value-enhancing investment activity and to improve the operating result adjusted for special effects (EBITDA). In addition, consistent management of working capital also has a positive effect on net operating cash flow.

All financial control variables are planned and monitored on an ongoing basis at Group, regional and Group company levels. Deviations between forecasted and actually achieved targets are measured on a monthly basis in all local companies and aggregated at the level of regional segments within the monthly reporting for the Management Board. Detailed business plans are regularly projected on the basis of current monthly and quarterly results and may include 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, problem-solving behavior and the sustainable overall development of NORMA Group as a whole.

G 015 STRATEGIC GOALS OF NORMA GROUP



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.

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. NORMA Group promotes its employees' innovation by establishing targeted internal incentive systems.

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. 73

Other non-financial performance indicators include employee and environmental indicators and indicators on occupational safety and healthcare within the Group. More information can be found in the CR Report 2017. → CR REPORT 2017

The target figures for the financial and non-financial control parameters for 2018 and the assumptions underlying the forecast are presented in the Forecast Report. → FORECAST REPORT, P. 80

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 finance 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 the fiscal year 2017, are described in detail in the notes on the financial position → FINANCIAL MANAGEMENT, P. 68

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.

T 009 **FINANCIAL CONTROL PARAMETERS**

	2017	2016	2015	2014	2013	2012
Group sales (in EUR millions)	1,017.1	894.9	889.6	694.7	635.5	604.6
Adjusted EBITA margin (in %)	17.2	17.6	17.6	17.5	17.7	17.4
Net operating cash flow (in EUR millions)	132.9	148.5	134.7	109.2	103.9	81.0

T 010 **NON-FINANCIAL CONTROL PARAMETERS**

	2017	2016	2015	2014	2013	2012
Number of invention applications[1]	33	n/a	n/a	n/a	n/a	n/a
Defective parts per million (PMP)	16	32	21	17	24	34
Quality-related customer complaints per month	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 As the number of invention applications was recorded for the first time in fiscal year 2017, there are no comparative figures for 2016.

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, 2017, only around 8% 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 audited in 2017 for the year 2016 by PricewaterhouseCoopers 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 innovation power and detecting and addressing technological trends as early as possible. The focus is on opening up new markets, for example the market for e-mobility or water management, tapping into new groups of customers and developing new products and system solutions.

As part of the restructuring of the R&D department in 2015, its responsibilities were also redefined and have been systematically implemented since 2016. Since then, the focus has increasingly been on evaluating new technologies, in particular with respect to their ability to optimize existing processes, minimize the materials used, and improve the functionalities of the end products. The research focus is on solutions to the global industrial challenges of the respective end markets. By concentrating on the megatrends of importance to its customers, NORMA Group is able to initiate technology developments at an early stage and serve the market by offering the appropriate product solutions and services.

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 in 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 Innovation Council 'E-Mobility' is responsible for coordinating all information and global activities on electromobility, as well as developing and implementing a strategy geared to all regions and business sectors.

The Innovation Scouts also intensified their work in fiscal year 2017 and are now even more closely involved in the innovation process. These NORMA Group employees collect ideas on future trends throughout the Group and examine them in terms of their feasibility during their regular meetings.

NORMA Group has been measuring the number of invention applications submitted by its employees since the 2017 reporting year 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 CEO Award. Thanks to these new 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

NORMA Group's EJT unit 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 2017. This allows for the global trends to be identified immediately and be seamlessly turned into new technologies and ideas for products. 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 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. 78

Development focuses in 2017

Besides e-mobility, the focus of R&D activities in 2017 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.

Another focus during the reporting year was on improving the Company's profile clamps. The goal here was to further optimize the performance of its profile clamps by using appropriate simulations and calculations in order to increase the durability and reliability of the connections, especially under high pressure.

Assessment of plastic materials was yet another R&D focus. Here, special test methods have been developed with which the materials used can be optimally evaluated for their technical and commercial usability for specific customer solutions.

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, 2017, 913 patents and utility models (2016: 843) were held. In 2017, 51 new patent rights (2016: 52) were filed.

R&D expenses

Research and development expenses in the area of EJT totaled EUR 29.4 million in 2017 (2016: EUR 28.8 million). This represents approximately 4.6% (2016: 5.4%) of sales in this area. The capitalization ratio, which is the proportion of own work capitalized in relation to R&D expenses, during the reporting year amounted to 13.3% (EUR 3.9 million).

R&D employees

As of December 31, 2017, 344 employees (2016: 305) worldwide worked for NORMA Group in the R&D department, which represents approximately 5.6% of all permanent employees of the Group (2016: 5.6%). Most of the employees who work in R&D are engineers, technicians and technical draftsmen.

Innovative product launches and new business

NORMA Group constantly develops new innovative products for a variety of applications. The Company records two different key figures as measures for its ability to innovate: the number of new product developments per year and sales with new business.

New product developments include all products developed by NORMA Group itself and launched on the market for the first time in the year under review. These also include developments based on an existing product, but with new functionalities that give customers a significant economic advantage. Eight new product developments were launched on the market in the year under review. These are listed in the → TABLE 011.

Besides new product developments, NORMA Group also records new product sales. This is the sum of sales revenue generated by the first sale of products to customers in the year under review (acquisitions are not taken into account within the first three years after the transaction has been closed). New product sales in 2017 amounted to around 10% to 15% of total sales.

T011 MAJOR PRODUCT DEVELOPMENTS IN 2017

Product	Application	Sector
V2-XC quick connector	High-performance applications	Vehicle industry
GEMI RSGU retaining clips	Joining tubes and hoses	Mechanical engineering
NORMA Group Smart-Thaw system: efficient thawing system for SCR systems	Selective Catalytic Reduction (SCR systems)	Vehicle industry
Integrated sealing function for AdBlue® pressure lines	Selective Catalytic Reduction (SCR systems)	Commercial vehicle industry
VPP clamp with a bridge and a pre-positioning clip	Turbocharger catalyst connections	Vehicle industry
VPP profile clamp for joining turbocharger housings	Connection of turbine housings (particularly center/bearing and turbine housings); suited for applications in confined spaces	Vehicle industry
V2PP for high-temperature applications	Turbocharger catalyst connections	Vehicle industry
AccuLock clamp for mounting SCR catalytic converters	Selective Catalytic Reduction (SCR systems)	Vehicle industry

T012 R&D KEY FIGURES[1]

	2017	2016	2015	2014	2013	2012	2011
Number of R&D employees	344	305	271	250	205	190	174
R&D employee ratio in relation to permanent staff (in %)	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)	29.4	28.8	25.4	25.7	21.9	22.1	16.8
R&D ratio in relation to EJT sales (in %)	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.

B

CONSOLIDATED MANAGEMENT REPORT

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 with broad growth revival in 2017

The global economy accelerated on a broad basis in 2017. Almost all industrialized countries experienced a strong upswing and world trade gained momentum. At the same time, the economic situation improved in important emerging markets, partly due to higher commodity and oil prices. According to the International Monetary Fund (IMF), the global economy grew by 3.7% in 2017 (2016: 3.2%). High uncertainties were superimposed on the economy such as the new government in the US and Brexit negotiations, as well as geopolitical crises such as in North Korea and Iran. The US Federal Reserve (Fed) continued its course of cautious rate hikes and the ECB's monetary policy remained expansionary. Nevertheless, the euro strongly appreciated to the US dollar in particular.

The Chinese economy expanded strongly in 2017 with growth of 6.9% according to official figures. The People's Republic benefited from the global bustle of demand, and government measures bolstered the economy. Besides construction, stimulus came from industrial production, which rose by 6.6% year-on-year (2016: 6.0%). Double-digit growth was achieved by machine and vehicle manufacturers as well as makers of IT products. Southeast Asia's emerging markets (ASEAN 5) expanded at an accelerated rate of 5.3% (2016: 4.9%) influenced by China, industrialized countries and high infrastructure investments. In India, economic expansion temporarily slowed to 6.7% through reforms (cash restrictions, VAT) (2016: 7.1%). Brazil (+1.1%) and Russia (+1.8%) overcame recessions. Emerging and developing countries grew by a total of 4.7% (2016: 4.4%).

The US economy grew by 2.3% in 2017 according to initial official data. After a moderate start to the year, the recovery gained momentum, especially in the summer. While construction activity grew moderately and exports increased, stimulus came primarily from private consumption and investment. According to Fed data, industrial production accelerated, increasing by 1.8% (2016: –1.2%). Final-quarter growth was 3.5% (excluding energy sector: 2.4%). Computer and semiconductor manufacturers increased production while automobile manufacturers decreased theirs. US capacity utilization stood at 77.9% in December (Dec 2016: 76.0%), but was well below the long-term average of 79.9% (1972–2016).

Japan's economy grew strongly by 1.8% (2016: 0.9%), according to the IMF, and the UK's momentum was below the global trend (2017: 1.7%). According to IMF figures, established economies grew at a more pronounced rate of 2.3% in 2017 than in the previous year (2016: 1.7%).

T013 GDP GROWTH RATES (REAL)[1]

IN %	2017	2016	2015
World	+3.7	+3.2	+3.2
USA	+2.3	+1.5	+2.9
China[2]	+6.9	+6.7	+6.9
Euro zone[3]	+2.5	+1.8	+2.1
Germany[4]	+2.2	+1.9	+1.7

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

Euro zone in a stronger upswing thanks to buoyant industrial activity

The euro zone economy enjoyed a powerful upswing in 2017. Low interest rates and moderate inflation laid the foundation for this. Growth accelerated markedly to 2.5% (EU statistical office Eurostat). Political and Brexit-related uncertainties hardly affected the real economy in the euro zone. All member states recorded positive economic development. Although Greece, Italy and Belgium grew only moderately, Ireland and Spain were very buoyant. France recorded higher economic growth, but the annual rate was still lower than the euro zone average. The Netherlands, Austria and Finland grew by more than 3%. The EU's and euro zone's Eastern European members also recorded high growth rates. Besides sustained buoyant private consumption and construction activity, continued high investment and increased exports provided important stimulus for growth in Europe.

Industrial production in the euro zone rose sharply in 2017, especially from the early summer. Year-on-year production was 3.0% above the previous year's level. Capacity utilization of companies increased by 150 basis points within a year to 83.9% in the fourth quarter of 2017. The IfW estimates that investment in this field increased by 4.1% in real terms.

Germany's economy booming, giving tailwind to the industry

The German economy experienced a strong, maturing economic boom in 2017. An increase of 2.2% (as much as 2.5% adjusted for the calendar) saw the eight-year upswing continue with strong domestic demand (Destatis). The positive development on the job market contributed to this. Nearly 44.3 million people were gainfully employed (+1.5%) on an annual average. Private consumption increased significantly by 2.0% (2016: 2.1%). Construction investment also remained dynamic by posting an increase of 2.6% (2016: 2.7%). Foreign demand grew rapidly, with exports rising at an accelerated rate of 4.7%. Imports grew at a higher rate of 5.2% in the wake of high domestic demand. Services and transport were particularly buoyant according to Destatis figures. The manufacturing sector, which accounts for around a quarter of total value outside the construction industry, generated growth of 2.5%. Industrial production picked up noticeably again in 2017. According to Eurostat data, capacity utilization in German industry rose to a high of 87.3% in the fourth quarter (Q4 2016: 85.8%). Equipment investment increased significantly by 3.5% in this environment (2016: 2.2%).

Exchange rate fluctuations

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. 85 In fiscal year 2017, NORMA Group generated more than 40% of its sales in US dollars. The development of the US dollar against the euro resulted in a slightly negative sales effect in fiscal year 2017. 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, Turkish lira, Chinese renminbi, Japanese yen and Malaysian ringgit.

Changes in personnel and material costs

With respect to costs, the development of wages and salaries in particular has an effect on NORMA Group, as do changes in material costs.

Because the majority of the companies that make up NORMA Group are not bound by a collective agreement, personnel costs are based mainly on the country-specific development of the cost of living. For companies that have collective agreements, for example in Germany and Sweden, personnel costs are influenced by the cost levels in the collective agreements or by the outcomes of local collective pay negotiations. Changes in collective wage agreements can lead to an increase in personnel costs at the respective sites.

NORMA Group is a manufacturing Company that requires a wide variety of different raw materials to manufacture its products and therefore depends on the price developments on the global commodity markets. Fiscal year 2017 was characterized by a very volatile environment on the international commodity markets overall. In fact, some of the key commodity groups for NORMA Group experienced massive price increases. This also led to an increased material cost ratio. → PURCHASING AND SUPPLIER MANAGEMENT, P. 73

Industry-specific factors

Engineering on a global upswing, German manufacturers with strong growth

Global improvement in the industrial economy saw demand in engineering pick up noticeably in 2017, with pronounced regional differences. According to the industry association VDMA, global industry sales grew by 6% in real terms. The US increased by 3%. Asian markets expanded very strongly. Sales in China and Japan rose by 8% each, and by 9% in India. Double-digit growth was achieved in South Korea and Singapore. The picture was mixed for the ASEAN 5 countries, weak in the Gulf region and only moderate in Latin America (+1%). Europe saw a strong upswing thanks to buoyant investment activity (+4%). Strong growth was also reported in Turkey (+8%). Furthermore, Russia (+4%), Switzerland (+2%) and the United Kingdom (+5%) developed positively, while Scandinavia was mixed. Sales increased by 4% in the euro zone and the EU, with the Netherlands and the EU's Eastern members generating double-digit growth.

The German engineering sector in this internationally positive environment was on the upswing in 2017 after five weak years. According to the VDMA, the industry's capacity utilization rose above the long-term average of around 86% (Jan 2018: 87.9%). Production and sales increased by 3% in real terms. Exports rose sharply by 6.4% in real terms in the first ten months (imports: +4.0%). After Europe (share of about 50%), the US and China (each about 10%) were the largest markets. Exports to these two markets, especially China, grew by double digits. The order situation markedly improved. New orders increased by 8% in real terms by the end of December (domestic: +5%). Boosts came from abroad (+10%), although demand from the euro zone also picked up strongly (+11%).

Automotive industry on a moderate growth path – sharp regional differences

Despite growing criticism of the established automotive industry and customer uncertainty in some regions, the industry still grew in 2017. According to LMC Automotive (LMCA), global sales of light vehicles (LV, up to 6 tons) only increased by 2.5% to EUR 95.4 million. Global production also increased by 2.5%. For the more narrowly defined global passenger car market, the industry association VDA announced an increase in sales of 2% to 84.6 million passenger cars. Global commercial vehicle sales rose sharply by 17.3% (LMCA), by 30.0% in Asia alone. Regional differences remained significant. Sales of LV (LMCA: +3%) and passenger cars (VDA: +2%) were only modestly higher in China. But the recovery of the local commercial vehicle market accelerated. Production and sales of commercial vehicles in China increased by 14% (CAAM, China Automobile Association). In the US, the record volume of the previous year could not be maintained. LV sales fell by 1.9% in the US, but sales of commercial vehicles rose by nearly 3%. Car sales in Japan (+5.8%) and India (+8.8%) grew strongly. Car sales in Russia and Brazil jumped significantly following recessions.

The upturn in the European automotive industry continued in 2017. According to the industry association ACEA, car sales increased by 3.3% to 15.6 million units (EU28 + EFTA). Sales growth in Eastern Europe was once again in the double digits at 12.8%, with moderate growth of 2.5% in Western Europe. Car production in Europe increased by 3.4%, according to LMCA data. Demand was positive in all volume markets with the exception of the UK (-5.7%). According to ACEA data, passenger car sales in Italy and Spain increased by almost 8% and by almost 5% in France. Sales in Germany increased by 2.7%. According to the VDA, domestic production of all manufacturers declined by 2% to just over 5.6 million cars and German production increased by 7% to 10.8 million.

Development on the European commercial vehicle market was positive in 2017. According to ACEA data, overall sales of buses and trucks of all weight classes in Europe rose moderately by 3.2% to almost 2.5 million commercial vehicles (West: +3.3%, East: +2.6%). Growth in Spain (+13.5%) and France (+6.9%) was once again very strong. Commercial vehicle sales in Germany (+3.3%) posted average growth. Italy suffered losses (–2.3%) following the strong increase in the previous year, as did the UK (–4.4%) in light of Brexit uncertainties. The light truck segment up to 3.5 tons drove market growth (+3.9%). Other truck segments leveled and bus sales dipped slightly.

Strong upswing for the European construction industry, construction boom continues in Germany

The European construction industry continued to accelerate in its upswing in 2017. According to analysis by the Euroconstruct industry network (including the Ifo Institute), construction output in the 19 core markets increased by 3.5% in real terms (2016: 2.5%). This equates to the highest growth since 2006. All countries without exception contributed to the positive trend in the industry. The most important boost came from housing construction. Commercial construction and civil engineering also increased. The strong overall economic situation, low interest rates, both internal and external migration, as well as the infrastructure investment backlog contributed to strong expansion. Construction output in this sector rose by 3.3% in Western Europe (2016: 3.0%), and Eastern Europe also benefited from new EU subsidized projects by posting 8.6% growth (2016: –7.1%).

Construction spending in Germany in 2017 grew by 2.6% in real terms, after 2.7% the previous year (Destatis). Besides the high-flying housing construction segment, commercial construction also started to recover due to higher investments by companies, according to the IfW. By contrast, public-sector construction grew only marginally after the surge in the previous year. The German Institute for Economic Research (DIW) estimates that the total volume of housing construction grew by 7.4% to close to EUR 215 billion in nominal terms (2016: 6.0%), and by 12.9% in the new housing construction segment. Construction work on existing buildings (renovation/remodeling, modernization, maintenance), which accounts for two-thirds of the total housing construction volume, increased by 4.7% (2016: 3.7%). In other building construction (excluding housing), the construction volume rose by 3.1%, and in civil engineering by 8.7%.

Legal and regulatory influencing aspects

Due to the international focus of the business and against the background 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. 85

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 → T 014: REGULATION OF AVERAGE EMISSIONS (CO_2) OF VEHICLE FLEETS, P. 61 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.

Due to the acquisition of National Diversified Sales (NDS) at the end of 2014, the various regulatory initiatives in the area of water management are of greater relevance for NORMA Group. As a result of increasing water scarcity and water pollution, households and companies in various regions of the US, California, for example, are urged to limit their water consumption. Since existing infrastructure is often obsolete, in most cases technical conversion is inevitable. NDS offers a wide variety of solutions with its efficient products for water supply and infrastructure. NORMA Group therefore assumes that stricter regulations regarding the consumption and use of water will have a positive effect on its business.

SIGNIFICANT DEVELOPMENTS IN FISCAL YEAR 2017

Strategic company acquisitions

NORMA Group SE made two acquisitions in fiscal year 2017. In January 2017, it acquired 100% of the shares in the Portuguese company Lifial, a manufacturer of metal clamps for use in industry and agriculture.

In May 2017, NORMA Group completed the acquisition of 80% of the shares in the Chinese company Fengfan. Fengfan manufactures joining products made of stainless steel, nylon and special material, including cable ties, fasteners and specially coated fireproof fabrics. → ACQUISITIONS AND CHANGES OF LEGAL STRUCTURE, P. 47

These two acquisitions have expanded NORMA Group's product range in its Distribution Services business and strengthened its market position in Europe, particularly on the Iberian Peninsula and the Chinese market.

COMPARISON OF TARGET AND ACTUAL VALUES

NORMA Group published a forecast in the 2016 Annual Report on the development of the Group's most important financial figures for fiscal year 2017. Better than expected revenue development in the first half of the year alongside a positive forecast for the second half gave reason for the Management Board to raise the annual sales forecast for the segments and the Group in July 2017.

The following report provides an overview of the forecast adjustments and a comparison of the predicted values with the Group's actual results.

Adjustments to the forecast during the year

NORMA Group raised the sales forecast for both the Group and the individual segments in July 2017. Instead of organic Group sales growth of around 1% to 3%, the Management Board ever since expected Group sales growth of around 4% to 7% for the full year. In addition, the Management Board expected sales of around EUR 55 million from the acquisitions. Sales expectations for the full year were raised for all three regions and for both sales channels. Additional short-term orders in the EMEA region, a faster recovery of the US commercial vehicle and agricultural machinery market and faster localization effects, particularly in China, were the main reasons for raising the forecast.

T014 REGULATION OF AVERAGE EMISSIONS (CO_2) FOR VEHICLE FLEETS [1]

Region	Target year 1	Target year 2	Duration in years	Fleet goal year 1: under national laws	Fleet goal year 1: converted into g/km [2]	Fleet goal year 2: under national laws	Fleet goal year 2: converted into g/km [2]	Change in %	CAGR in %
EU	2015	2021	6	130 g/km	130	95 g/km	95	−27	−5.1
USA	2016	2025	9	37.8 mpg	139	56.2 mpg	88	−37	−5.0
China	2015	2020	5	6.9 l/100 km	161	5.0 l/100 km	117	−27	−6.2
Japan	2015	2020	5	16.8 km/l	139	20.3 km/l	115	−17	−3.7
India	2016	2021	5	130 g/km	130	113 g/km	113	−13	−2.8

1_Emission regulation schedule for cars adapted to the consumption of gasoline engines (source: European Union, ICCT, NORMA Group).
2_Fuel consumption data is normalized as g CO_2/km in accordance with the NEDC.

B

CONSOLIDATED MANAGEMENT REPORT

T015 ACTUAL BUSINESS DEVELOPMENT COMPARED TO THE FORECAST

	Results in 2016[1]	Mar 2017	May 2017 (Q1)	Jul 13, 2017	Aug/Nov 2017 (Q2/Q3)	Jan 22, 2018	Results 2017[1]
Group sales (in EUR millions)	894.9	n/a	n/a	n/a	n/a	n/a	1,017.1
Growth of Group sales	0.9% organic growth, additionally EUR 3.5 million from acquisitions	moderate organic growth of around 1% to 3%, additionally EUR 45 million from acquisitions	no adjustment	around 4% to 7% organic growth, additionally EUR 55 million from acquisitions	no adjustment	around 8,5% organic growth, additionally EUR 55 million from acquisitions	8.6% organic growth, additionally EUR 57.3 million from acquisitions
Sales growth EMEA	4.3% organic	moderate organic growth	no adjustment	organic growth in mid-single digit per cent	no adjustment	no adjustment	6.2% organic
Sales growth Americas	–3.8% organic	moderate organic growth	no adjustment	organic growth in mid-single digit per cent	no adjustment	no adjustment	8.4% organic
Sales growth Asia-Pacific	5.8% organic	organic growth in the high single-digit range	no adjustment	organic growth in double digit per cent	no adjustment	no adjustment	22.7% organic
Sales growth EJT	–0,9 %	moderate growth	no adjustment	growth in mid-single digit percentage range	no adjustment	no adjustment	19,1%
Sales growth DS	3,0 %	moderate growth	no adjustment	growth in mid-single digit percentage range	no adjustment	no adjustment	5,0%
Adjusted cost of materials ratio	39.4%	roughly at the same level as in previous years	no adjustment	no adjustment	no adjustment	no adjustment	41.2%
Adjusted personnel expense ratio	27.3%	roughly at the same level as in previous years	no adjustment	no adjustment	no adjustment	no adjustment	26.5%
Adjusted EBITA margin	17.6%	sustainable at the same level as in previous years of more than 17.0%	no adjustment	no adjustment	no adjustment	slightly above 17.0%	17.2%
Financial result (in EUR millions)	–14.6	up to EUR –13.0 million	no adjustment	no adjustment	no adjustment	no adjustment	–16.1
Adjusted tax ratio	28.9%	around 31% to 33%	no adjustment	no adjustment	no adjustment	no adjustment	30.0%
Earnings per share (in EUR)	2.96 (adjusted) 2.38 (unadjusted)	moderate increase	no adjustment	no adjustment	no adjustment	no adjustment	3.29 (adjusted) 3.76 (reported)
Net operating cash flow (in EUR millions)	148.5	around EUR 130 million	no adjustment	no adjustment	no adjustment	no adjustment	132.9
Investments in R&D (related to EJT sales)	5.4%	5% of EJT sales	no adjustment	no adjustment	no adjustment	no adjustment	4.6%
Investment rate (without acquisitions)	5.4%	operational investments of around 5% of Group sales	no adjustment	no adjustment	no adjustment	no adjustment	4.7%
Dividend (in EUR) Payout ratio (in %)	0.95 32.0	approx. 30% to 35% of adjusted annual Group earnings	no adjustment	no adjustment	no adjustment	no adjustment	1.05[2] 31.9
Number of invention applications	n/a[3]	more than 20 per year	no adjustment	no adjustment	no adjustment	no adjustment	33
Number of defective parts per million (PMP)	32	less than 20	no adjustment	no adjustment	no adjustment	no adjustment	16
Average number of quality-related customer complaints per month	8	less than in previous year	no adjustment	no adjustment	no adjustment	no adjustment	9

1_The adjustments refer to one-off effects. → NOTES, P. 139
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 17, 2018.
3_From reporting year 2017 onwards, the number of invention applications is used as a new indicator for measuring and managing the Company's innovative strength and replaced the number of new patent applications which lost significance due to the transition of the patent strategy. → 2016 ANNUAL REPORT, P. 55 As the number of patent applications was recorded for the full year for the first time in 2017, there are no comparable figures for 2016.

In January 2018, NORMA Group's Management Board once again raised its organic sales growth forecast to around 8.5% (previously: around 4% to 7%) due to higher than expected growth in all three regions, particularly in the Americas region. Furthermore, the Management Board specified the expected adjusted EBITA margin at slightly above 17% (previously: sustainable at the level of previous years of over 17%).

The forecast for other target values in reporting year 2017 remained unchanged. → TABLE 015 ON P. 62 provides an overview of target and actual values as well as forecast adjustments during the year.

Deviations from the target values

NORMA Group achieved the organic growth in sales in fiscal year 2017 that was revised in January 2018 and even slightly exceeded it at 8.6%. In addition, there were acquisition-related revenues in the amount of EUR 57.3 million, which are within the scope of the forecast of approx. EUR 55 million that was adjusted in July 2017.

With respect to costs, the development was divergent. While the adjusted personnel cost ratio was reduced to 26.5% (2016: 27.3%) despite the higher number of employees, the adjusted material cost ratio increased from 39.4% to 41.2% due to the difficult conditions on the world commodity markets and increased prices for important raw materials of NORMA Group. → PURCHASING AND SUPPLIER MANAGEMENT, P. 73 This also resulted in a lower adjusted EBITA margin of 17.2% compared to the previous year (2016: 17.6%), which, however, remains at a high level and in the forecasted range of more than 17.0%.

The financial result in fiscal year 2017 was EUR −16.1 million, slightly higher than forecast (2016: EUR −14.6 million). This was due to currency effects and expenses from the valuation of derivatives, which resulted from the hedging of US dollar borrowings and the development of the US dollar compared to the previous year. → NOTES, P. 143

At 30.0%, the adjusted tax rate was slightly below the forecast range (2016: 28.9%). The unadjusted tax rate was significantly influenced by the reduction in the US tax rate. This one-time effect resulted in an unadjusted tax rate of 1.6% (2016: 28.0%).

The other key financial figures were all within the scope of the forecast published in the 2016 Annual Report.

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

NORMA Group ended fiscal year 2017 by achieving organic growth of 8.6% – significantly higher than originally forecast. The considerably faster than expected recovery of the US market for commercial vehicles and agricultural machinery, a generally good economic environment and high demand for joining solutions in NORMA Group's key end markets were the reasons for this growth.

The newly acquired companies Autoline, Lifial and Fengfan also performed well during the fiscal year, contributing EUR 57.3 million to sales.

The development of sales was very good in all segments, however the significant increase in the costs of materials compared with the previous year had an impact on the development of margins. Consequently, the adjusted EBITA margin for fiscal year 2017 was 17.2% (2016: 17.6%).

In fiscal year 2017, the Management Board continued to implement its acquisition strategy, acquiring two more companies that specialize in joining products, Lifial and Fengfan. They optimally complement the existing product portfolio and at the same time provide access to new customers.

With adjusted profit for the period of EUR 105.0 million – an increase of 11.0% over the previous year – and adjusted earnings per share of EUR 3.29, the Management Board is satisfied with how the business developed in 2017 and is optimistic for the current year 2018.

An order backlog of EUR 329.1 million as of December 31, 2017 (2016: EUR 302.4 million), a stable economic environment and high global demand for reliable joining solutions point to a good start to fiscal year 2018. The Management Board therefore assumes that NORMA Group's growth will continue in the current fiscal year.

EARNINGS, ASSETS AND FINANCIAL POSITION

Adjustments

NORMA Group adjusts certain expenses for operational management purposes. Hence, the following results which are adjusted by these expenses, reflect the management perspective.

In fiscal year 2017, net expenses amounting to EUR 3.5 million were adjusted within EBITDA (earnings before interest, taxes, depreciation on tangible assets and amortization of intangible assets) (2016: EUR 4.8 million). These relate to costs of materials (2017: EUR 1.1 million; 2016: EUR 0.6 million), which are a result of the remeasurement of acquired inventories within the purchase price allocation for the acquisition of the Autoline business as well as that of Lifial and Fengfan. Furthermore, expenses for the integration of the acquired Autoline business were included in other operating expenses (2017: EUR 2.2 million, 2016: EUR 0.2 million) and in employee benefit expenses (2017: EUR 0.7 million; 2016: EUR 0.2 million). In addition, an adjustment of income from a refund of transaction taxes paid in connection with the acquisition of the Autoline business in the amount of EUR 0.5 million was recognized in other operating income and expenses (2016: expenses of EUR 1.7 million).

Moreover, acquisition-related expenses in the amount of EUR 2.1 million were adjusted within other operating expenses in 2016.

Besides the adjustments described above, depreciation on property, plant and equipment amounting to EUR 4.2 million (2016: EUR 2.3 million) and intangible assets amounting to EUR 20.5 million (2016: EUR 20.6 million), in each case from purchase price allocations, are shown as adjusted figures.

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

Income tax expense also included a streamlining of non-cash deferred tax income of EUR 33.9 million in fiscal year 2017, which resulted from the one-time reduction in the US tax rate.

Sales and earnings performance

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. In some cases, the adjustments are discussed separately for comparative purposes. The adjustments made in the comparative year 2016 are explained in the Notes to the Consolidated Financial Statements. → NOTES, P. 139

Sales development

Strong Group sales growth, additional revenue from acquisitions

For the first time, NORMA Group's sales surpassed EUR 1 billion in fiscal year 2017, amounting to EUR 1,017.1 million (2016: EUR 894.9 million). The relative growth over the previous year was 13.7%. This includes organic sales growth of 8.6% (2016: 0.9%) and acquisition-related growth of 6.4% (2016: 0.4%). Changes in exchange rates, including those relating to the US dollar, the British pound, the Swedish krona, the Turkish lira, the Chinese renminbi, and the Malaysian ringgit, had a negative effect of a total of – 1.4% (2016: – 0.7%).

The increase in the Group's sales was primarily the result of the increase in the global vehicle production of passenger cars and commercial vehicles and high demand for reliable joining products in all three regions and across numerous industries.

Growth in all three segments, high double-digit growth in Asia-Pacific

NORMA Group posted significant year-on-year sales growth in all three regions.

In the EMEA region, sales increased by a total of 12.5% to EUR 485.9 million (2016: EUR 432.0 million) due to the good order situation in the European automotive industry as well as the acquisitions of Lifial and Autoline.

In the Americas, sales rose to EUR 411.3 million in fiscal year 2017 as a result of the recovery of the US commercial vehicle and agricultural machinery market, slight growth in the DS segment and additional revenue from the acquisition of the Mexican Autoline business. This corresponds to growth of 7.8% compared to the previous year (2016: EUR 381.6 million).

The Asia-Pacific region reported the highest relative growth in sales of 47.6% by generating revenue of EUR 119.9 million (2016: EUR 81.3 million). This was positively impacted by strong demand for joining technology in the Asian automotive industry. Furthermore, the recent acquisition of the Chinese joining specialist Fengfan and the Chinese Autoline business contributed to this sales growth.

T016 ADJUSTMENTS[1]

IN EUR MILLIONS	2017 adjusted	Adjustments	2017 reported
Group sales	1,017.1	0	1,017.1
EBITDA	199.7	3.5	196.3
EBITDA margin (in %)	19.6	n/a	19.3
EBITA	174.5	7.7	166.8
EBITA margin (in %)	17.2	n/a	16.4
EBIT	166.0	28.2	137.8
Financial income	–16.1	0	–16.1
Profit for the period	105.0	–14.8	119.8
EPS (in EUR)	3.29	–0.47	3.76

1_Deviations may occur due to commercial rounding.

T017 EFFECTS ON GROUP SALES

	in EUR millions	Share in %
Sales 2016	894.9	
Organic growth	77.0	8.6
Acquisitions	57.3	6.4
Currency effects	–12.1	–1.4
Sales 2017	**1,071.1**	**13.7**

Strong EJT growth, DS grows solidly

EJT sales in fiscal year 2017 amounted to EUR 638.2 million (2016: EUR 535.9 million), an increase of 19.1% over the previous year. The reason for this was the generally high demand for reliable joining solutions, which was positively influenced in particular by good production and sales figures of the vehicle industry in important end markets of NORMA Group. An important growth driver in the EJT business is also the ever stricter international emissions standards and the increasing demands on the complexity and resilience of the individual components in the vehicle. Furthermore, additional revenue from the Autoline business contributed to growth for EJT.

Sales in the Distribution Services segment amounted to EUR 372.3 million in 2017, up 5.0% on the previous year (2016: EUR 354.5 million). Growth in the DS segment mainly resulted from sales of the two newly acquired companies Fengfan and Lifial. In addition, all three regions grew moderately organically. The US water business was adversely affected by heavy rains in California at the beginning of the year and the devastating hurricanes in the middle and east of the US in fiscal year 2017, but improved again over the course of the year and showed slight organic growth over the year.

Development of earnings

Adjusted material cost ratio and gross margin negatively impacted by higher raw material prices

A volatile environment on the global commodity markets and price increases for NORMA Group's important raw materials, especially in the area of metals and engineering plastics (→ PURCHASING AND SUPPLIER MANAGEMENT, P. 73) increased 18.6% year-on-year in fiscal year 2017 to EUR 418.6 million (2016: EUR 352.9 million). In relation to sales, this resulted in a higher adjusted material cost ratio of 41.2% in fiscal year 2017 (2016: 39.4%).

After taking into account changes in inventories (EUR –1.1 million) and other own work capitalized (EUR 3.9 million) and after deducting the cost of materials, adjusted gross profit for fiscal year 2017 amounted to EUR 601.3 million (2016 : EUR 545.6 million). This represents an increase of 10.2% over the previous year. However, the gross margin fell to 59.1% (2016: 61.0%) due to higher material prices.

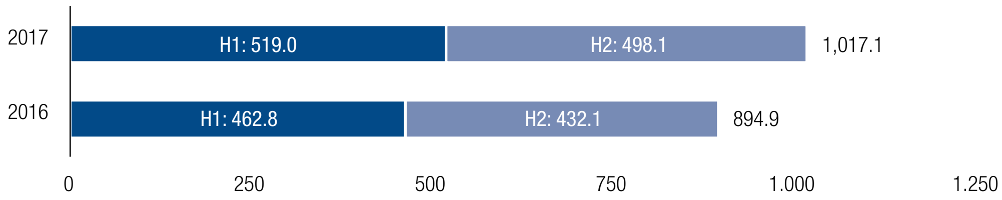
Higher adjusted operating income

Adjusted personnel expenses amounted to EUR 269.6 million in fiscal year 2017, an increase of 10.5% compared to the previous year (2016: EUR 243.9 million). The increase is attributable to the acquisition-related and growth-related increase in the average number of employees to 5,791 full-time employees (2016: 5,266) in the fiscal year. → EMPLOYEES, P. 75 The adjusted personnel cost ratio resulting from the ratio of adjusted personnel expenses and sales amounted to 26.5% in fiscal year 2017, an improvement over the previous year (2016: 27.3%).

Adjusted other operating income and expenses increased by 7.9% to EUR 132.0 million in the reporting year (2016: EUR 122.3 million) due to the increased business activity. However, in relation to sales, the balance of adjusted other operating income and expenses fell to 13.0% from the previous year (2016: 13.7%). → OTHER OPERATING INCOME, P. 142 and → OTHER OPERATING EXPENSES, P. 143

G016 DEVELOPMENT OF SALES 2017

IN EUR MILLIONS



T018 DEVELOPMENT OF SALES CHANNELS

	EJT		DS	
	2017	2016	2017	2016
Group sales (in EUR millions)	638.2	535.9	372.3	354.5
Growth (in %)	19.1	–0.8	5.0	3.0
Share of sales (in %)	63	60	37	40

In fiscal year 2017, NORMA Group generated adjusted operating earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) of EUR 199.7 million. This represents an increase over the previous year (2016: EUR 179.4 million) of 11.4% and a slightly lower adjusted EBITDA margin of 19.6% (2016: 20.0%).

NORMA Group's main control parameter, adjusted EBITA, amounted to EUR 174.5 million in 2017, an increase of 10.8% compared to the previous year (2016: EUR 157.5 million). The adjusted EBITA margin is below the previous year's level (2016: 17.6%) at 17.2%. The reason for the slightly lower profitability in fiscal year 2017 was mainly the increase in material costs, which could not be offset by achieving improvements in other cost items.

Financial result

The financial result for 2017 was EUR –16.1 million (2016: EUR –14.6 million). This was mainly influenced by higher interest expenses in connection with the financing of the acquisition of the Autoline business in 2016 and a negative currency result from financing activities. In addition, the financial result included income from derivative valuation. → NOTES, P. 143

Revised and adjusted income taxes

Income taxes adjusted for the one-off effects of the reduction in the US tax rate amounted to EUR 44.9 million in fiscal year 2017 (2016: EUR 38.5 million). This results in a revised and adjusted tax rate of 30.0% (2016: 28.9%). Unadjusted income taxes amounted to EUR –1.9 million (2016: EUR –29.5 million) and resulted in an unadjusted tax rate of 1.6% (2016: 28.0%).

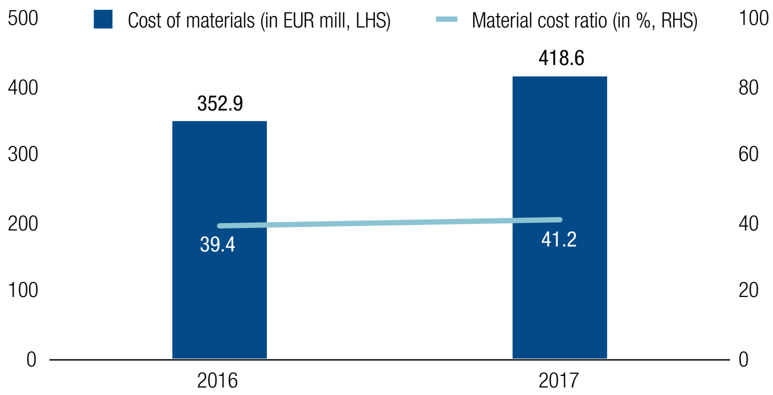
Adjusted profit for the period increased

Adjusted profit for the period after taxes amounted to EUR 105.0 million in fiscal year 2017 and thus increased by 11.0% compared to the previous year (2016: EUR 94.6 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 3.29 (2016: EUR 2.96).

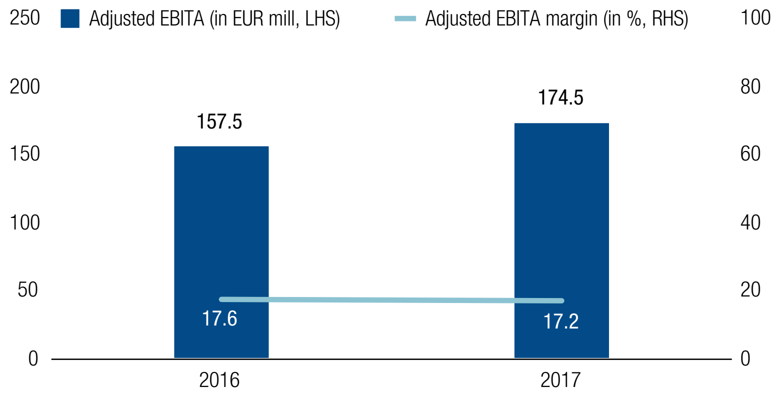
The unadjusted profit for the period amounted to EUR 119.8 million and is 57.9% above the previous year's level (2016: EUR 75.9 million) due to non-cash one-time tax effects in connection with the reduction of the US tax rate. Unadjusted earnings per share for 2017 amounted to EUR 3.76 (2016: EUR 2.38).

Overall, the after-tax adjustment effect amounted to EUR –14.8 million (2016: EUR 18.7 million). → T016: ADJUSTMENTS, P. 64

G017 **COST OF MATERIALS AND COST OF MATERIALS RATIO (ADJUSTED)**



G018 **ADJUSTED EBITA AND ADJUSTED EBITA MARGIN**



Asset position

Total assets

Total assets as of December 31, 2017, amounted to EUR 1,312.0 million and were therefore a slight 1.9% lower compared to the previous year (Dec 31, 2016: EUR 1,337.7 million).

Assets impacted by acquisitions and currency effects

NORMA Group's non-current assets amounted to EUR 825.5 million as of December 31, 2017, down 5.7% on the previous year (Dec 31, 2016: EUR 875.0 million). Changes in non-current assets were impacted by the acquisitions of the two companies Lifial and Fengfan and currency effects, particularly in relation to the US dollar. → NOTES, P. 148

Current assets amounted to EUR 486.6 million as of the balance sheet date, up 5.2% on the previous year (Dec 31, 2016: EUR 462.7 million). The increase is mainly attributable to the increase in inventories of EUR 11.3 million and a EUR 28.5 million increase in trade and other receivables.

Cash and cash equivalents amounted to EUR 155.3 million as of December 31, 2017, down 6.2% on the previous year (Dec 31, 2016: EUR 165.6 million).

The share of non-current assets to total assets amounted to 62.9% as of the balance sheet date. Consequently, current assets accounted for a share of 37.1%.

Working Capital

(Trade) working capital (inventories plus receivables less liabilities, both primarily from trade payables and trade receivables) amounted to EUR 158.2 million as of December 31, 2017, which was 9.5% higher than in the previous year (Dec 31, 2016: EUR 144.5 million). This was mainly influenced by an increase in all three metrics, which resulted in particular from the good business development in the fourth quarter of 2017. In addition, NORMA Group conducts active working capital management and participates in reverse factoring and an Asset Backed Securities (ABS) program. As a result and due to ongoing optimization, the working capital ratio improved to 15.6% (Dec 31, 2016: 16.1%).

Increased equity ratio

Consolidated equity amounted to EUR 534.3 million as of December 31, 2017, an increase of 10.5% compared to the previous year (Dec 31, 2016: EUR 483.6 million). The increase in equity was largely due to the result for the period of EUR 119.8 million. Negative currency translation differences of EUR 35.8 million and the dividend payment of EUR 30.3 million in the second quarter of 2017 reduced equity. At the end of fiscal year 2017, total assets were nearly the same as in the previous year, while the equity ratio was higher at 40.7% (2016: 36.2%).

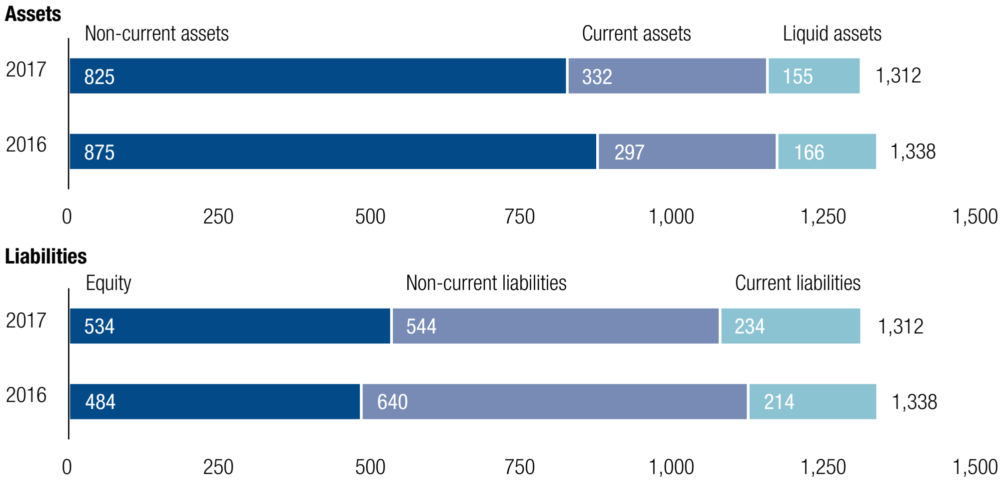
Lower net debt

Net debt (financial liabilities, including derivative hedging instruments in the amount of EUR 1.4 million, less cash and cash equivalents) amounted to EUR 344.9 million at the end of the reporting period and thus fell by 12.5% compared to the previous year (Dec 31, 2016: EUR 394.2 million).

Financial liabilities amounted to EUR 500.2 million as of the balance sheet date and thus fell by 10.7% compared to the previous year (Dec 31, 2016: EUR 559.8 million). The decline in loans is partly due to exchange rate effects on the US dollar tranches of syndicated loans and promissory note loans and scheduled repayments. The increase in other financial liabilities without leasing by EUR 8.3 million to EUR 10.4 million (2016: EUR 2.1 million) is mainly the result of recognition of a purchase price liability as well as the recognized liabilities for the option to acquire the remaining minority interests in connection with the acquisition of Fengfan.

G 019 ASSET AND CAPITAL STRUCTURE

IN EUR MILLIONS



Gearing (net debt in relation to equity) was 0.6 and thus below the level of the previous year (2016: 0.8) due to the effects described above. Leverage (net debt excluding hedging derivatives in relation to the adjusted EBITDA of the last 12 months) also declined to 1.7 at the end of the year (Dec 31, 2016: 2.1).

Non-current and current liabilities

Non-current liabilities decreased by 15.0% to EUR 544.0 million in the reporting period (Dec 31, 2016: EUR 640.3 million) and amounted to 41.5% of total assets as of the balance sheet date (Dec 31, 2016: 47.9%). This was mainly due to the partial reclassification of the promissory note loan according to its maturity to the current loan liabilities as well as the previously described currency effects. In addition, deferred income tax liabilities declined by EUR 41.3 million or 40.6% to EUR 60.5 million (Dec 31, 2016: EUR 101.8 million), mainly due to the tax reform in the US.

Due to the reclassification of loans described above, current liabilities increased by 9.3% to EUR 233.8 million compared to the end of the year (Dec 31, 2016: EUR 213.8 million). They accounted for 17.8% of total assets (2016: 16.0%).

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 management

Financial measures

NORMA Group monitors risks from changes in exchange and interest rates on a regular basis and aims at limiting them by using derivative structures among others. 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, 2017, the revolving line of credit in the amount of EUR 50 million in the syndicated loan had not been used. Furthermore, a so-called accordion facility was also negotiated in the loan agreement, which had also not been used. This enables NORMA Group to take out loans from other banks up to a maximum volume of EUR 250 million and thus extend its overall credit line.

NORMA Group initiated further measures to optimize its financing structure in fiscal year 2017. It made use of the second extension option of the syndicated credit line and postponed the maturity date until 2022. The originally contracted reduction of the accordion facility was also cancelled by a contract amendment. The accordion facility therefore continues to have a maximum volume of up to EUR 250 million, while the term of the syndicated credit facility will remain identical until 2022. This will provide the highest level 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. → NOTES, P. 158

As of December 31, 2017, the average interest rate on total gross debt was 2.36%. 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, 2017, was as shown in the → GRAPHICS 020 AND 021 ON P. 69.

As of the balance sheet date in 2017, 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.

Development of cash flow

Net operating cash flow

In 2017, NORMA Group generated net operating cash flow (adjusted EBITDA less changes in working capital and operating expenses) of EUR 132.9 million (2016: EUR 148.5 million).

Cash flow from operating activities

Cash flow from operating activities, which is derived indirectly from the profit for the period, amounted to EUR 146.0 million in fiscal year 2017 (2016: EUR 149.2 million). This was mainly influenced by the increase of the working capital, which is attributable to the increased business activity. By contrast, the higher profit for the period had a positive effect.

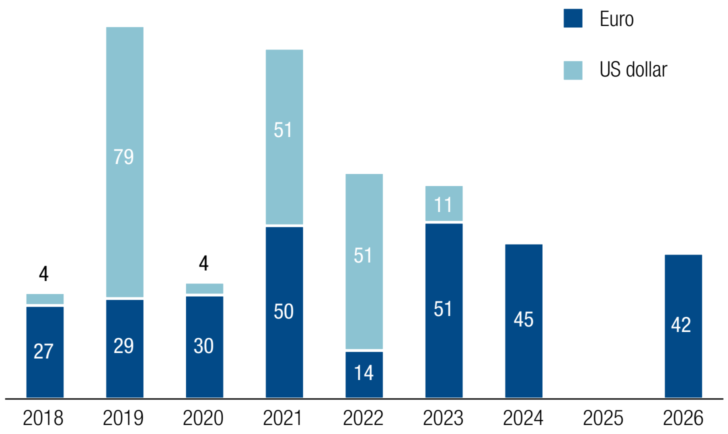
NORMA Group participates in a reverse factoring program, a factoring program and an ABS program.

B

CONSOLIDATED MANAGEMENT REPORT

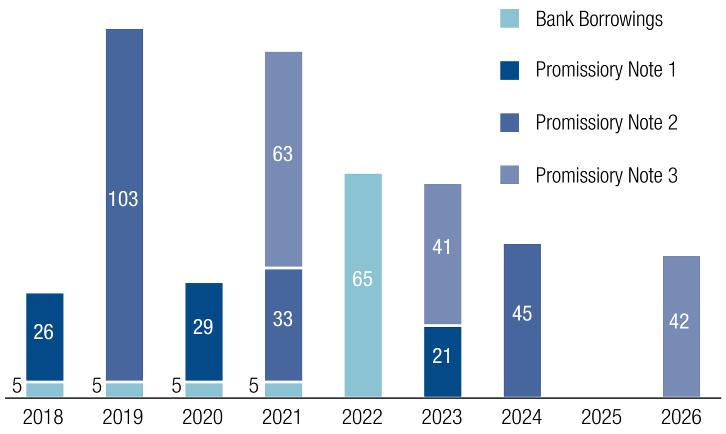
G 020 MATURITY PROFILE BY CURRENCY

IN EUR MILLIONS



G 021 MATURITY PROFILE BY FINANCIAL INSTRUMENTS

IN EUR MILLIONS



The corresponding cash flows are presented under cash flow from operating activities as this reflects the economic substance of the transactions. The total amount of trade receivables sold within the factoring and ABS programs amounted to EUR 24.2 million in the fiscal year (2016: EUR 24.4 million). → NOTES, P. 160 and P. 161

Cash flow from operating activities is corrected by non-cash income from the valuation of hedging derivatives in the amount of EUR –4.6 million (2016: expenses of EUR 2.4 million) relating to the change in the fair value of foreign currency derivatives and financing activities and interest expense from the application of the effective interest method in the amount of EUR 0.4 million (2016: EUR 0.4 million).

In addition, other cash expenses and income include expenses of EUR 5.9 million (2016: income of EUR –1.6 million) from the currency translation of external financing liabilities as well as intercompany monetary items.

The payments for share-based payments amounting to EUR 4.0 million (2016: EUR 2.5 million) reported in cash flow from operating activities result from the cash remuneration of the 2013 tranche of the Management Board's Matching Stock Program and the Long-Term Incentive Program (LTI) for employees.

Cash flow from investing activities

In fiscal year 2017, cash outflow from investing activities amounted to EUR 70.8 million (2016: EUR 133.8 million). This includes net payments for acquisitions amounting to EUR 23.7 million (2016: EUR 87.6 million).

These relate to payments for the acquisition of Fengfan (EUR 12.2 million), the acquisition of Lifial (EUR 11.9 million) and payments related to the acquired Autoline business (EUR 1.1 million).

In addition, cash flow from investing activities was influenced in particular by the cash outflow for the acquisition of non-current assets in the amount of EUR 47.9 million (2016: EUR 47.0 million). This figure includes the change in liabilities for the acquisition of intangible assets and tangible assets in the amount of EUR 0.2 million (2016: EUR –0.6 million).

The investments made for property, plant and equipment and intangible assets in the fiscal year in the amount of EUR 47.7 million (2016: EUR 47.6 million) include expenditures for expansion (EUR 28.5 million) as well as expenses for the extension and improvement of operating capacities (EUR 19.1 million).

NORMA Group's investing activities in fiscal year 2017 (tangible and intangible assets) in the amount of EUR 47.7 million (2016: EUR 47.9 million) represents an investment ratio of 4.7% (2016: 5.4%) of sales.

NORMA Group is investing the funds from operating cash flow in further growth. The investments made in the 2017 reporting year related to production facilities and capacity expansion, mainly in the US, Mexico, Poland, Serbia, Germany, the United Kingdom and China. → PRODUCTION AND LOGISTICS, P. 71

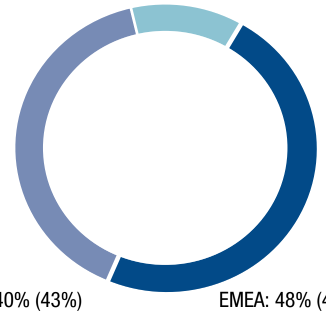
Cash flow from financing activities

Cash flow from financing activities amounted to EUR –77.7 million in 2017 (2016: EUR 49.6 million). This mainly includes net repayments of loans (EUR –42.3 million), payments for dividends to the shareholders of NORMA Group SE (EUR –30.3 million), interest payments (EUR –13.7 million) as well as payments from derivatives (EUR 4.9 million). As part of the acquisition of Fengfan, contributions from the existing shareholders from outstanding capital contributions to a newly acquired subsidiary in the amount of EUR 3.9 million were also shown under cash flow from financing activities.

Segment reporting

As a result of acquisitions and developing new markets in line with NORMA Group's continuing strategy of internationalization, the share of sales realized internationally increased from 78.8% to 80.3%.

G022 BREAKDOWN OF SALES BY SEGMENT[1]



1_Previous year's values in brackets.

Due to the fact that financing as a whole is controlled centrally and financing is exclusively 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. 54

EMEA

External sales in the EMEA region amounted to EUR 485.9 million in 2017, up 12.5% on the previous year (2016: EUR 432.0 million). Organic growth was 6.2%, mainly due to the good development of the EJT business and the high demand of the European automotive industry for joining products. The Portuguese company Lifial that was acquired in January 2017 and the French Autoline business, acquired at the end of 2016, contributed EUR 29.3 million to the growth in sales. In addition, there were slightly negative currency effects of –0.5%.

T019 DEVELOPMENT OF SEGMENTS

	EMEA			Americas			Asia-Pacific		
IN EUR MILLIONS	2017	2016	Δ in %	2017	2016	Δ in %	2017	2016	Δ in %
Total segment sales	527.9	459.0	15.0	423.1	390.3	8.4	124.2	84.1	47.7
External sales	485.9	432.0	12.5	411.3	381.6	7.8	119.9	81.3	47.6
Contribution to consolidated sales (in %)	48	48	n/a	40	43	n/a	12	9	n/a
Adjusted EBITDA [1]	105.5	93.7	12.6	84.5	83.1	1.8	19.1	11.7	63.6
Adjusted EBITDA margin (in %) [2]	20.0	20.4	n/a	20.0	21.3	n/a	15.4	13.9	n/a
Adjusted EBITA [1]	93.9	83.5	12.5	75.6	75.2	0.6	15.7	9.0	74.1
Adjusted EBITA margin (in %) [2]	17.8	18.2	n/a	17.9	19.3	n/a	12.6	10.7	n/a

1_The adjustments are described in the Notes. → NOTES, P. 139
2_In relation to segment sales.

The EMEA region's share of total sales in fiscal year 2017 remained constant at 48% compared to the previous year.

Adjusted EBITDA in the EMEA region improved by 12.6% to EUR 105.5 million (2016: EUR 93.7 million). The adjusted EBITDA margin of 20.0% was slightly lower than in the previous year (2016: 20.4%). Adjusted EBITA amounted to EUR 93.9 million (2016: EUR 83.5 million), an increase of 12.5%. At 17.8%, the adjusted EBITA margin was slightly below the previous year's level (2016: 18.2%). The main reason for this was the higher cost of materials. → PURCHASING AND SUPPLIER MANAGEMENT, P. 73

Assets rose by 8.0% to EUR 601.3 million compared to the previous year (2016: EUR 556.9 million), partly due to the acquisition of Lifial.

Investments amounted to EUR 22.9 million (2016: EUR 20.0 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 increased by 7.8% to EUR 411.3 million in fiscal year 2017 (2016: EUR 381.6 million). The significant recovery of the US commercial vehicle and agricultural machinery business and the good performance of the passenger car business contributed to organic growth of 8.4% in the Americas. In addition, the Mexican Autoline business contributed 1.5% to sales growth. Currency effects related to the US dollar had a negative impact of 2.1%.

Adjusted EBITDA for the Americas region was EUR 84.5 million in 2017, up 1.8% on the previous year (2016: EUR 83.1 million). The adjusted EBITDA margin amounted to 20.0% (2016: 21.3%). Adjusted EBITA increased by 0.6% to EUR 75.6 million (2016: EUR 75.2 million), while the adjusted EBITA margin was 17.9% (2016: 19.3%). Here, too, higher material costs for metal and engineering plastics were the reasons for the decline in margins.

Assets decreased by 10.9% year-on-year to EUR 599.9 million (2016: EUR 673.2 million) mainly as a result of currency effects.

At EUR 16.3 million, investments were slightly below the level of the previous year (2016: EUR 16.9 million). Investment focuses included the plants in the US and Mexico. → PRODUCTION AND LOGISTICS, P. 71

Asia-Pacific

External sales in the Asia-Pacific region amounted to EUR 119.9 million in 2017, up 47.6% on the previous year (2016: EUR 81.3 million). Organic growth was 22.7%, mainly driven by strong EJT sales growth fueled by stringent emission standards and strong demand for joining technology in the Asian automotive industry. In addition, the recent acquisition of Fengfan and the Chinese Autoline business contributed 27.5% to sales growth. Currency effects had a negative impact on growth at 2.6%.

Adjusted EBITDA in the Asia-Pacific region rose by 63.6% to EUR 19.1 million (2016: EUR 11.7 million). The adjusted EBITDA margin improved again and stood at 15.4% (2016: 13.9%). Adjusted EBITA increased to EUR 15.7 million (2016: EUR 9.0 million), which resulted in a higher adjusted EBITA margin of 12.6% (2016: 10.7%).

Assets increased by 33.3% to EUR 159.1 million in the year under review (2016: EUR 119.3 million). This is attributable in particular to the continued growth of the operating business and the acquisition of Fengfan.

Investments, which amounted to EUR 7.0 million in 2017 (2016: EUR 5.5 million), were mainly used to expand the sites in China. → PRODUCTION AND LOGISTICS, P. 71

PRODUCTION AND LOGISTICS

NORMA Group manufactures and markets more than 40,000 different products and has 27 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 2017, NORMA Group acquired the business of the Portuguese clamp manufacturer Lifial and the Chinese company Fengfan that specializes in joining products.

Production and capacity utilization

The capacity utilization of NORMA Group's manufacturing and storage facilities varies from site to site. In markets such as the emerging countries of Asia and South America (excluding China), where NORMA Group's business is still being developed, the area-related utilization of production plants is currently 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. This was also the focus in the reporting year 2017.

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 has again invested in expanding its capacity during the reporting year. The main investments are shown in the → TABLE 020.

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 throughout the Group. The objective of the NPS is to increase productivity and enable further cost savings. NORMA Group also uses lean methods of process optimization. These include, for example, the 5S methodology for optimizing workplaces, the introduction of standardized work, the visualization of various KPIs and the daily Gemba walk. Furthermore, methods for optimizing the material flow (KANBAN) and set-up time (SMED) are used. → PRODUCTION, P. 14

Software-based support for important business transactions is provided by a uniform ERP system. The use of a standardized system enables NORMA Group to harmonize and integrate all processes, which is of particular importance in the context of rapid Group growth and the many acquisitions in recent years.

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 and reduces negative impacts on the environment.

Despite these efforts, cross-border deliveries are still indispensable for NORMA Group in many places, therefore optimized and secure customs processes are extremely important in order to flexibly react to customer requirements. For this reason, NORMA Group participates in various customs and trade partnership programs, e.g. in the US, China and the EU. By participating in an export control program that is part of the global compliance program, NORMA Group ensures that its supply chain meets all of the legal requirements. By reviewing all of its business partners on a regular basis, NORMA Group is able to rule out

T 020 INVESTMENT HIGHLIGHTS IN 2017

Region	Country	City	Investments
EMEA	Germany	Maintal	› Investment in new assembly line for quick connectors to support large customer order starting in 2017 › Overhauling of cold forming presses to improve productivity and reduce scrap
		Gerbershausen	› Investment in three new assembly machines to enable insourcing activity and reduce external and transport costs
	Serbia	Subotica	› Installation of injection molding machines to enable localized production and improve productivity and transport costs › Establishment of corrugated extrusion capacity to support new customer projects
	Poland	Pilica	› Establishment of test laboratory for fluid systems including pressure, vibration and temperature test equipment › Installation of injection molding machines to enable localized production, improving productivity and lowering transport costs
	UK	Newbury	› Investment in new 200-ton press to increase capacity › Investment in automatic VPP line to increase productivity
Americas	USA	Auburn Hills, Michigan	› Final installation of Super Seal equipment › Tooling upgrades to expand capacity and improve quality › Investment in corrosion chamber for test laboratory
		St. Clair, Michigan	› Investment in new assembly machines to support growth › Investment in new molding tools to support new customer projects › Upgrade of assembly machine to improve productivity and quality
		Lake Orion, Michigan	› Investment in packaging equipment for new customer acquisitions
	Mexico	Monterrey	› Investment in additional molding machine to support new projects › 'Aging' test cell to improve test capabilities › Investment in additional SCR assembly lines for new customer projects
		Juárez	› Investment in automation of profile clamp production › Transfer of quick latch production into Juárez
Asia-Pacific	China	Qingdao	› Investment in extrusion line to produce heating wires for SCR systems in order to support EURO 6 implementation in China › Investment in additional conveyor oven to support new customer projects › Expansion of testing capabilities by installing additional burst test equipment
		Changzhou	› Investment in automatization of production of worm drive hose clips

deliveries to legally sanctioned third parties. In addition, compliance with the relevant legal regulations on export control is ensured through internal organizational procedures and regular checks.

QUALITY MANAGEMENT

Many of the products supplied by NORMA Group are used in 'mission-critical' applications and therefore any quality defects or functional failures have the potential to significantly impact customers or end users. 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[1] are accredited in accordance with either ISO 9001 or TS 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 2017 was 16. This is a significant improvement from the 32 (PPM) reported in 2016, but more importantly there is a consistently improving trend over the last several years.

While the actual number of customers increased significantly due to the acquisitions of Autoline, Lifial and Fengfan, the average number of quality-related customer complaints for 2017 increased only marginally to 9 from the 8 reported in 2016.

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 in fiscal year 2017

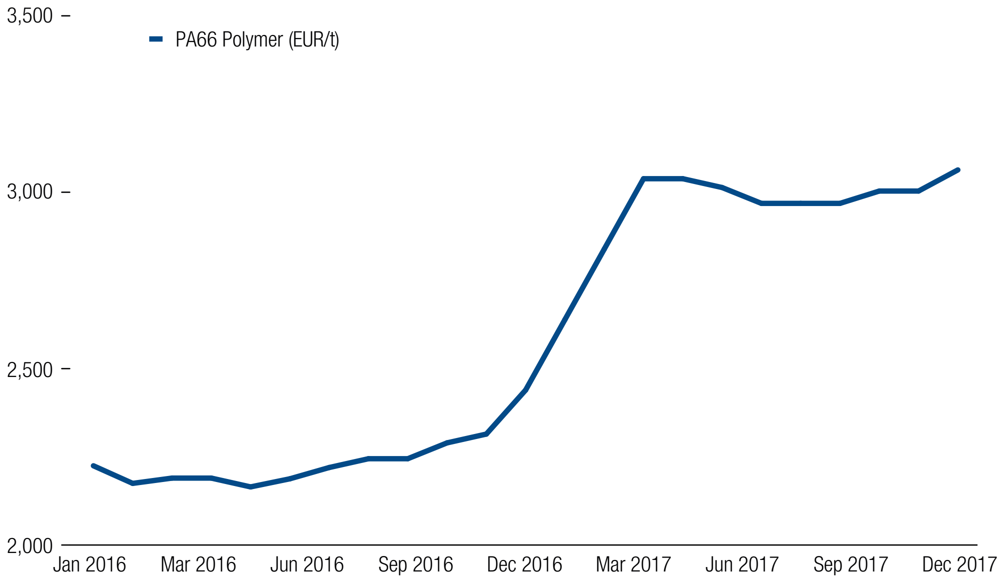
Costs of materials amounted to EUR 418.6 million in fiscal year 2017 (2016: EUR 352.9 million) or 41.2% (2016: 39.4%) of sales. This means that the material cost ratio rose from the previous year due to the price increase of raw materials. The purchasing turnover, the KPI used for internal control, which is adjusted for currency effects, was around EUR 433 million (2016:

1_Acquisitions have a nominal 12-month target for accreditation. NDS is the only manufacturing site not yet accredited, however ISO 9001 is planned for the fourth quarter of 2018.

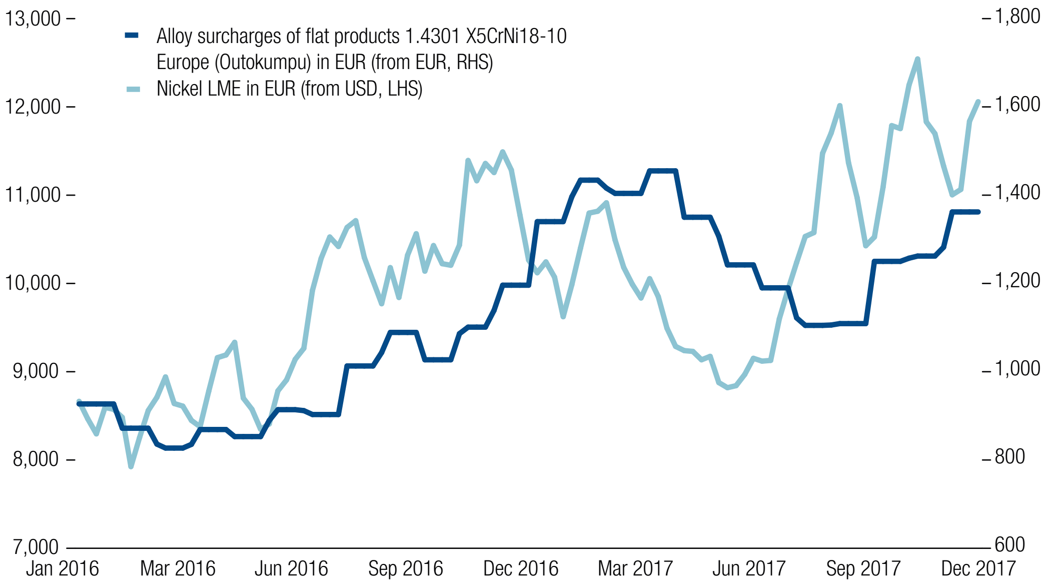
CONSOLIDATED MANAGEMENT REPORT

G 023 PRICE DEVELOPMENT TECHNICAL POLYMER (PA66) IN EUROPE

IN EUR/T



G 024 DEVELOPMENT OF NICKEL PRICES AND THE ALLOY SURCHARGE 1.4301



EUR 353 million). Of this amount, EUR 296.0 million (68%) is attributable to production material sales.

For the stainless steel product group, which is the most important for NORMA Group, the alloying metal nickel in particular showed a high degree of fluctuation in fiscal year 2017. → G 024: DEVELOPMENT OF NICKEL PRICES AND ALLOY SURCHARGES The comparison price (market price) for ferro-chrome used to calculate the monthly restated alloy surcharges, reported a significant price increase in the first quarter of 2017. This led to a rise in alloy surcharges for ferritic materials to the highest in 10 years. In addition, the pricing of alloy surcharges for almost all austenitic materials was supported by higher ferrochrome prices. Base prices (purchase price for stainless steel without alloy surcharges) were fixed in 2017 with almost no change from the previous year.

In the surface-refined non-stainless steel product group, rising demand and import restrictions from the European Union led to a shortage of supply and significantly higher prices on the spot markets, which reached a 5-year high early in the second quarter of 2017. This resulted in long replenishment times and limited availability in some product segments. However, due to concluded half-year contracts and planned forecasted quantities sent to suppliers, NORMA Group was able to procure sufficient material. In the second half of the year, the raw material price increases slowdown, helped to stabilize procurement conditions.

The product group of technical resins was also confronted with price increases in the past year. → G 023: PRICE DEVELOPMENT TECHNICAL POLYMER Prices for important intermediates, particularly butadiene and cyclohexane, increased significantly. One reason was the price explosion in China, which was a consequence of the high level of smog pollution and government decommissioning of many industrial companies – especially in the aromatic petrochemical industry – which affected global prices. This unanticipated development in the plastics industry led producers to add extra costs to their selling prices and some suppliers to adjustments to their current annual contracts with NORMA Group during the year.

In the second half of the year, industrial demand for high-performance polyamides (PA 12, PA 6.6) increased noticeably. The impact of the hurricane season on the US Gulf Coast in late summer exacerbated this, reflected not only in hefty price mark-ups and delivery bottlenecks, but also in falling global production of engineered plastics. However, NORMA Group could avoid successfully impending bottleneck situations due to its longstanding and trusting cooperation with important suppliers. Due to continuing high demand for technical resins in relation to production capacity, purchase prices are expected to continue to increase and delivery lead time to extend in the near future. This makes even more accurate and longer-term planning of the purchase materials all the more essential.

Commodity price volatility and market consolidation have also been price drivers of other commodity product groups, especially in the area of granules, which are used in water management product manufacturing, among other areas.

Overall conditions on the global commodity markets were generally difficult in fiscal year 2017. However, even in this challenging environment, NORMA Group was able to secure competitive prices as well as the constant supply and allocation of production material.

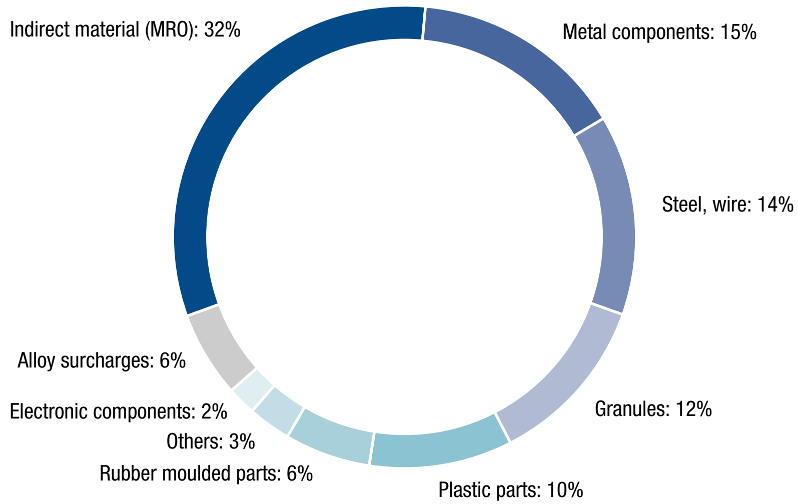
Supplier management

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. This evaluation system was revised in the previous fiscal year and expanded to include an assessment of suppliers based on sustainability criteria. The new assessment criteria was applied for the first time in fiscal year 2017. → CR REPORT 2017

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 since fiscal year 2017. Nevertheless, NORMA Group pays close attention to a balanced supplier structure and avoids dependencies on individual suppliers. The share of the top 10 suppliers accounted for around 32% in the fiscal year. The top 50 suppliers accounted for around 63% of the total purchasing volume of production material, amounting to EUR 296.0 million.

G 025 PURCHASING TURNOVER 2017 BY MATERIAL GROUPS



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.

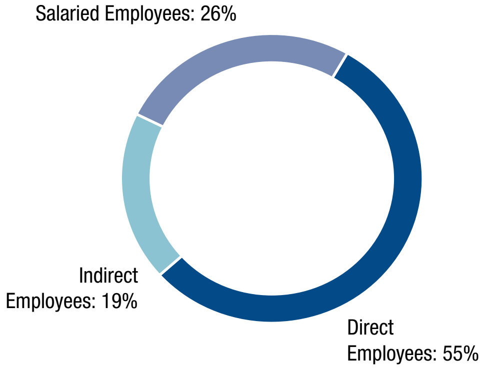
In order to promote a uniform corporate culture, NORMA Group has formulated key guiding principles that reflect the fundamental convictions of the Company. These guiding principles are taught and lived at all sites. → CR REPORT 2017

Development of personnel figures

NORMA Group employed a staff (core workforce including temporary staff) of 7,667 in total at the end of December 2017 and thus 15% more people than in the previous year (2016: 6,664). There were 1,552 temporary workers on this date (2016: 1,214). This equates to around 20% of the total workforce.

NORMA Group recorded the highest increase in employees in the Asia-Pacific region in 2017. The permanent workforce here grew by 20% to 995 employees due to the acquisition of Fengfan. In the Americas and EMEA regions, the number of employees rose by 11% year-on-year. This can be attributed to the acquisition of Lifial in Portugal, organic growth and the hiring of temporary workers as permanent employees at NDS.

G026 BREAKDOWN OF EMPLOYEES BY GROUP



Stable share of employee groups

The total number of employees (permanent staff) in the reporting year consisted of 4,243 direct employees (2016: 3,453), 1,414 indirect employees (2016: 1,352) and 2,009 salaried employees (2016: 1,859). The proportion of indirect and salaried employees declined slightly, while the proportion of direct employees rose accordingly compared to the previous year. 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.

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.

Uniform global talent promotion

The 'Learning & Development' competence center was set up with the aim of identifying, retaining and developing talents within the Group. 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.

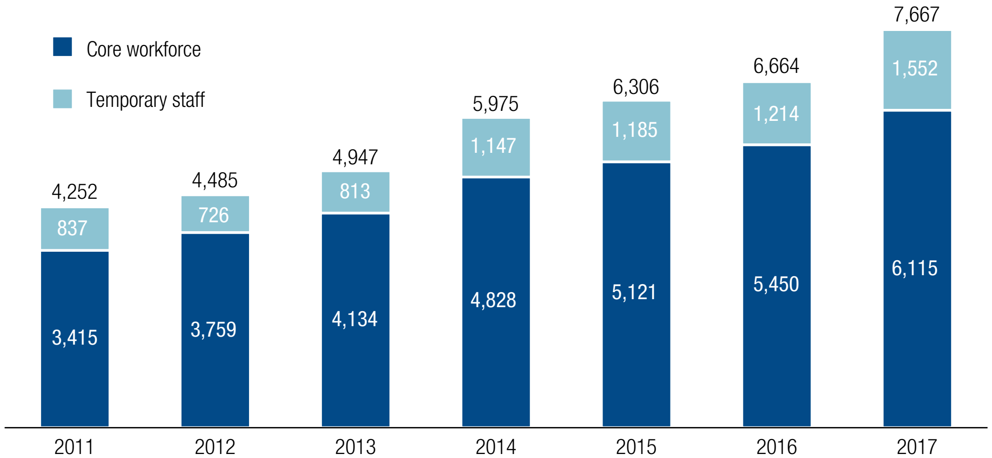
Feedback culture – employees express their opinions

In the interest of a continuous analysis and improvement process, NORMA Group has been conducting regular employee surveys since 2008. 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 CR Report. → CR REPORT 2017

T 021 CORE WORKFORCE BY SEGMENT

	2017	in %	2016	in %
EMEA	3,545	58	3,202	59
Americas	1,575	26	1,418	26
Asia-Pacific	995	16	830	15
Total	**6,115**		**5,450**	

G 027 PERSONNELL DEVELOPMENT AT NORMA GROUP



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, blood fat measurements, inoculation advice, tests on lung function, cardiovascular disease prevention, back training and flu vaccinations.

Occupational health and safety is of the highest priority

NORMA Group is fully committed to ensuring the health, safety and wellbeing of all of its employees and puts great focus and emphasis on this topic in all of its activities.

The Company complies with all 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).

There are now 20 out of 27 production sites accredited in accordance with OHSAS 18001 with plans to ensure that all manufacturing locations will be accredited in the medium-term.

In 2017, NORMA Group has been continuing with its innovative 'Value-Based Safety' program which audits and assesses associated behaviors to proactively identify improvement opportunities. 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 incident rate, which is the number of reportable accidents per 1,000 employees, represents the most important indicator. This figure was 6 for the 2017 reporting year, which is a significant reduction from 8 reported in 2016. → G 028: INCIDENT RATE

The recent acquisitions (Autoline, Lifial and Fengfan) led to an increase in Group headcount with no adverse effect on the overall positive trend of the incident rate. NORMA Group has a clear long-term commitment to deliver and sustain an accident-free working environment.

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.

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. The core elements of NORMA Group's environmental strategy and measures pertaining to their implementation are published in the 2020 CR Roadmap. HTTPS://WWW.NORMAGROUP.COM/CR

Group-Wide Environmental Management System

In 2017, NORMA Group continued with the implementation of the Group-wide Environmental Management System that the Company had first introduced in 2013. At the end of the reporting period, most of the production sites had been certified according to ISO 14001. The certifications of NDS and the newly acquired company Lifial and Fengfan are planned with an agreed timeframe.

MARKETING

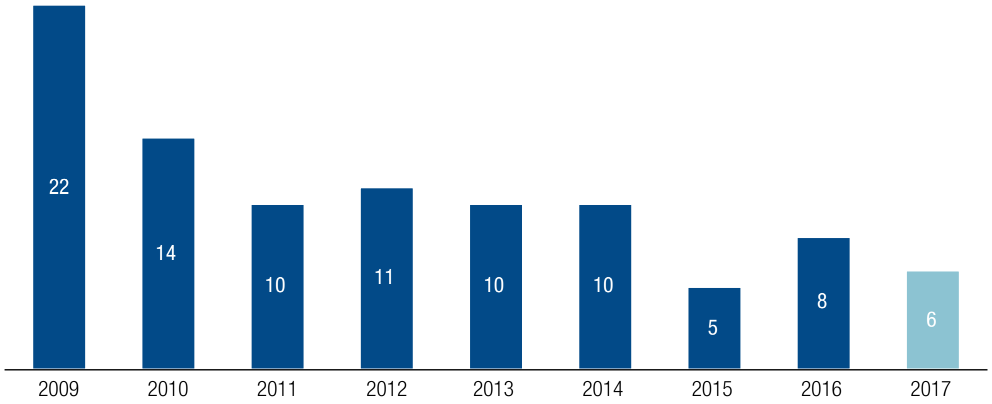
In order to further increase awareness of NORMA Group's products all over the world, boost product sales, strengthen its customer relationships and thus contribute to the Group's growth, NORMA Group's long-term marketing strategy is based on the following objectives:

› Building a strong NORMA Group image
› Decentralizing 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.

G 028 INCIDENT RATE

REPORTABLE INCIDENTS PER 1,000 EMPLOYEES



Marketing focus in 2017

Key marketing activities in 2017 included the following:

› Increasing digital presence regionally and locally to support NORMA Group's image building
› Defining a digital roadmap until 2021
› Renewing marketing competences in all three regions
› Market surveys supporting Key Sales Initiatives

In order to increase NORMA Group's Internet presence, several new micro websites highlighting either a specific brand or a specific business unit were launched in different languages in 2017. Furthermore, a strategic digital roadmap, which will be rolled out in 2018, has also been developed in order to secure NORMA Group's future digital online presence.

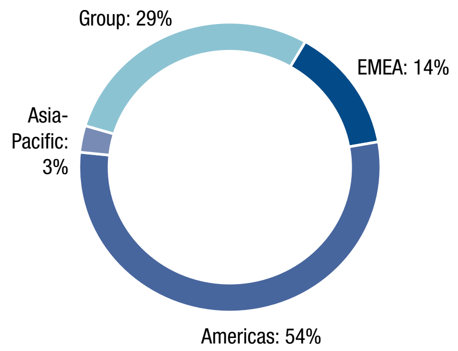
Besides these digital and online efforts, another focus was on traditional marketing activities such as organizing Tech Days at customer sites and participating in fairs and exhibitions in order to promote NORMA Group's product solutions to their targeted markets. In 2017, NORMA Group organized five Tech Days and participated in 62 trade fairs.

To ensure a deep understanding of customer expectations and needs, marketing strongly increased its efforts in market research with a focus on key sales initiatives. Significant effort has also been given to investigating the potential of the e-mobility market.

Marketing expenditures

Marketing expenditures amounted to a total of EUR 4.24 million in 2017 and thus were slightly lower than in the previous year (2016: EUR 4.7 million).

G 029 **MARKETING EXPENDITURES 2017 BY SEGMENT [1]**



1_Excluding personnel expenses.

Forecast Report

B

CONSOLIDATED MANAGEMENT REPORT

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Global economy to continue strong recovery unless risks escalate

The International Monetary Fund (IMF) reaffirmed its latest forecast with its outlook in January 2018. It projects that the strong revival of the global economy will continue. The IMF now expects global growth of 3.9% for 2018 and 2019 (previously: 3.7% each). Growth in industrialized countries should remain strong during this period. The US will be a significant growth driver. Much of the momentum, however, will come from emerging markets, where expansion is picking up speed. The prerequisite for this positive global development is that the risks remain manageable and not overshadow the economy as they have most recently. Primary risk factors include protectionism, the ongoing conflicts in North Africa, the Middle East and Korea and the uncertain outcome of the Brexit process. Turbulence on the currency and capital markets (equities, cryptocurrencies) cannot be ruled out either. The long-term upswing of these markets will continue to be susceptible despite very strong economic data.

The Chinese government will advance its national economy's transformation in favor of the domestic economy and advanced technologies. The country's high levels of public and private debt lead the IMF to expect its expansion rate to flatten to 6.6% (2018) and 6.4% (2019). The ASEAN 5 countries are expected to show consistently high growth rates of 5.3% in 2018 and 2019. Drivers remain infrastructure investments and growing exports. India's recovery is likely to overcome the temporary pressure for reform and, according to the IMF, to show growing momentum, with growth rates well above 7%. Brazil and Russia will continue to recover in 2018 and 2019, but at a more moderate pace compared to other emerging markets. Emerging markets and developing countries will see a strong overall upswing in 2018 (4.9%) and 2019 (5.0%).

Buoyant forces will continue to strengthen in industrialized countries. Besides private consumption and lively construction activity in some areas, a strong economy will also be supportive. Industrial production and investment activity will provide stimulus. The IMF expects continued high overall growth of 2.3% in 2018 for these countries and a similarly high expansion rate of 2.2% in 2019. The massive tax cuts in the US should already have a positive impact on the economy in the industrialized countries in the short term. The IMF expects the US economy to continue to grow at a rate of 2.7% in 2018. The US economy should grow strongly by 2.5% the following year as well, supported by high government spending. The upswing in the Japanese economy should remain very moderate and is likely to lose steam after government incentives expire. For the UK, the IMF is forecasting subdued growth rates of 1.5% each in 2018 and 2019 due to Brexit pressure.

The euro zone will benefit from the strong global economy, but will continue to face major political challenges. These include the unclear Brexit process, efforts to reorganize the EU, political disagreement between Central and Eastern Europe and structural deficits in Southern Europe. The conflict in Catalonia could put even more pressure on Spain. Although ECB bond purchases are gradually phasing out, key interest rates are likely to remain low for the near future. Economic conditions for continued strengthening in the euro zone will therefore remain intact. Economists continue to expect strong growth for the monetary union, but with slight deceleration. According to 2018 forecasts by the IMF, the euro zone is expected to grow by 2.2% (Kiel Institute for the World Economy (IfW): 2.3%) and by 2.0% in 2019. Eastern Europe, the Netherlands, Spain, Austria and Ireland are expected to drive growth. The IMF expects a moderate upswing in Italy and Portugal. Besides buoyant exports, the primary stimulus should come from investment in fixed assets, which is expected to pick up significantly in 2018 (IfW: 4.8%). The upswing in Germany is supported by a broad base and will continue dynamically. The IfW forecasts an expansion rate of 2.5% for 2018 and 2.2% for 2019, provided risks remain limited. Besides high construction investment, the primary engines of growth will be company investments in equipment (2018: 6.4%; 2019: 4.3%) and other assets (2018: 4.6%; 2019: 4.5%).

T 022 FORECASTS FOR GDP GROWTH (REAL) [1]

IN %	2017	2018e	2019e
World	+3.7	+3.9	+3.9
USA	+2.3	+2.7	+2.5
China	+6.9 [2]	+6.6	+6.4
Euro zone	+2.5 [3]	+2.2	+2.0
Germany [5]	+2.2 [4]	+2.5	+2.2

Sources: 1_IMF, 2_National Bureau of Statistics (NBS), 3_Eurostat; 4_Federal Statistical Office (Destatis); 5_Institute for the World Economy (IfW)

Predominantly positive framework conditions for NORMA Group's key customer industries

The climate and prospects for NORMA Group's key customer industries will also improve with the expected moderate revival of the international economy in 2018 and 2019.

Engineering industry

The global economy and industrial production are improving the investment climate in nearly every country. Other significant drivers of engineering include backlog, automation and accelerating digitalization. Investments in environmental protection are also being stepped up in many countries. The VDMA industry association is forecasting the upswing in worldwide machine turnover to continue in 2018 with a 4% increase, but to lose some of the momentum of last year's boost. The two largest markets by volume, China (+6%) and the US (+2%), will also slow somewhat. Robust growth is expected for Japan (+3%), South Korea (+2%), India (+4%), the ASEAN 5 and the Gulf States (excluding Iraq). Growth rates of 3% are forecast for the euro zone as well as Europe as a whole. The VDMA is again forecasting a strong increase in real turnover of 3% for the German market in 2018. Despite the more moderate growth of demand in China and the US alongside Brexit pressures, the VDMA is forecasting a further 3% increase in production for the German engineering industry in 2018. The investment backlog in Germany is expected to gradually dissipate, reviving the last subdued domestic demand.

T 023 ENGINEERING: REAL CHANGE IN INDUSTRY SALES

IN %	2016	2017	2018e
China	3	8	6
USA	–2	3	2
Euro zone	0	4	3
World	0	6	4

Source: VDMA

Automotive industry

The automotive industry is currently undergoing a major upheaval, but should continue to grow moderately in the future. The industry's future trends include autonomous driving, increased car sharing and, above all, electromobility (including hybrid drives). The development of fuel-efficient and low-consumption combustion engines will also advance in the effort to reduce emissions. LMC Automotive (LMCA) expects the global market for light vehicles (LV, up to 6 tons) to grow by 2.0% to 97.1 million in 2018, with sales up 2.2%. IHS Markit anticipates an increase in sales of 1.5%. For the narrowly defined passenger car market, the German association VDA expects a global sales gain of 1% to approximately 86 million units. In the three most dominant markets, the VDA projects growth only for China (+2%). It expects sales to level in Europe (EU+EFTA) and even decline by 2% in the US market due to rising interest rates and fuel prices in 2018. According to LMCA estimates, global sales of commercial vehicles (CV) will fall by 1.8% in 2018 after a double-digit sales surge in the previous year. The trend reversal in Asia lies behind this. LMCA predicts growth in commercial vehicle sales in North America (+14%) and Western Europe (+3.0%).

T 024 AUTOMOTIVE INDUSTRY: GLOBAL PRODUCTION AND DEVELOPMENT OF SALES (LIGHT AND COMMERCIAL VEHICLES)

IN %	2016	2017e	2018e	2019e
Production LV	4.7	2.5	2.0	2.7
Sales LV	4.4	2.5	2.2	2.8
Sales CV	7.8	17.3	–1.8	–3.8

Source: LMC Automotive

Construction industry

The Euroconstruct industry network (including the Ifo Institute) is projecting a continuation of the growth course for Europe's construction industry until 2020 in a new analysis of the 19 most important individual markets. The pace should gradually level off, however, especially in new construction. On the other hand, it forecasts a growing significance of construction projects on existing buildings (including renovation, refurbishment). The civil engineering sector is increasingly becoming the industry driver. According to Euroconstruct, Europe's construction industry should increase its construction output by 2.6% in 2018 (civil engineering: 4.0%). Over the same period, the industry is set to grow at a rapid rate of 2.3% in Western Europe and even faster in Eastern Europe (9.3%). The construction boom in Germany is also expected to continue dynamically. The IfW expects growth of 3.5% (2018) and 4.4% (2019) in real construction investment. The highest growth rates (5.0% and 5.7% respectively) are expected for housing construction. Commercial construction is expected to grow moderately in 2018, but will pick up again in 2019. The IfW forecasts that investment dynamics in public-sector construction will continue to rise through 2019. In terms of construction volume, the DIW (German Institute for Economic Research) expects housing construction to grow nominally by 6.7% to EUR 229 billion in 2018. The new building volume is expected to increase by 8.0% and construction projects involving existing buildings by 6.0%. The construction volume for other building construction (excluding housing) is expected to rise by 3.3% in 2018, with 2.2% for civil engineering.

T 025 CONSTRUCTION INDUSTRY: DEVELOPMENT OF EUROPEAN CONSTRUCTION OUTPUT

IN %	2016	2017	2018e	2019e
Western Europe	3.0	3.3	2.3	1.7
Eastern Europe	–7.1	8.6	9.3	8.7
Europe	2.5	3.5	2.6	2.1

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

This macroeconomic perspective is the basis for NORMA Group's forecast and outlook for 2018.

FUTURE DEVELOPMENT OF NORMA GROUP

NORMA Group will continue with its successful international growth strategy, continuing to pursue its long-term defined goals. The diversification of the business with regard to end markets, regions and customers will continue to be a priority in the future. Business activities are also being further expanded through additional acquisitions. The focus of M&A activities will continue to be on companies that either contribute to market consolidation or enable entry into 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 the area of research and development, the long-term preservation of the Company's ability to innovate continues to play an important role. The focus of development activities therefore remains on the strengthening of its innovative power and the development of innovative products that help to solve its customers' industrial challenges. A particular focus is also on the development of solutions for the electromobility market.

In addition, with the publication of the CR Roadmap 2020, NORMA Group has laid a further important foundation for the Company's future focus on sustainability. → CR REPORT 2017

GENERAL STATEMENT BY THE MANAGEMENT BOARD ON THE PROBABLE DEVELOPMENT

Sales growth in 2018

Based on the assessments made by the relevant economic research institutes and industry associations, the generally positive economic conditions and the current good order situation, the NORMA Group Management Board expects further Group sales growth and an increase in adjusted net income for fiscal year 2018 as well. The Management Board sees the Group in a good position thanks to its global business activities and broad diversification in order to continue to benefit from the relevant growth trends in the various end markets and regions. The Management Board believes that risks that could have a negative impact on the sales and earnings situation of NORMA Group are mainly due to the uncertain outcome of the Brexit, possible turbulence on the capital and commodity markets and geopolitical crises.

Driven by technological advances and future trends, as well as political pressure and stricter legal requirements for reducing emissions, the automobile industry, a key end user for NORMA Group, is currently undergoing a major upheaval. Nevertheless, the Management Board expects global growth in the industry to continue in 2018, albeit less dynamically than last year and with significant regional differences.

For the EMEA region, the Management Board expects solid organic growth in 2018 due to the sound economic environment, the still low key interest rates and the positive growth forecasts for the end markets relevant to NORMA Group. This should also be supported by a modest increase in European automobile production as well as positive effects from product launches as a result of the European fleet regulation for passenger cars.

For the Americas, the Management Board expects solid organic growth in sales in 2018 over the previous year. With regard to the Group's important end market for commercial vehicles and agricultural machinery in the US, the Management Board expects the positive trend of the second half of 2017 to continue and a significant increase in production and sales figures in the current year. For the US passenger car market, industry experts expect only moderate production growth in the current year. Due to the good order situation, however, NORMA Group's Management Board expects good growth in this end market as well. In the area of water management, the Management Board expects solid growth, which will be supported by positive catch-up effects as a result of the weather-related weak previous year. The tax cuts in the US should have a positive impact on the economy in the short term and further boost growth in the region.

The dynamic development of NORMA Group's business in the Asia-Pacific region will continue this year despite the slightly lower growth prospects for China, therefore the Management Board is again expecting double-digit organic growth for the region. The Management Board sees growth in business activities, stricter emissions regulations for passenger cars and trucks, as well as further localization measures in the region to be the growth drivers.

Overall, NORMA Group expects solid growth both for the DS and the EJT business in 2018.

Against the backdrop of the described assumptions and the strong upturn in the global economy, NORMA Group expects the Group's solid organic sales growth to be at around 3% to 5% for fiscal year 2018 compared to 2017. In addition, the acquisition Fengfan is expected to generate approximately EUR 5 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 the main relative cost items (material and personnel expenses) will remain stable compared to previous years.

Due to the volatile environment on the global commodity markets, higher raw material prices in fiscal year 2017 and a persistently high price level at the beginning of the year, the Management Board expects commodity prices to continue to rise in 2018 as a whole. However, the continuous increase in the degree of professionalization in purchasing, the conclusion of long-term contracts, the possibility to forward price fluctiations to the customer and the achievement of economies of scale should be able to counteract further cost increases and thus keep the adjusted cost of materials ratio at the level of 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 constant increase in adjusted personnel costs in 2018 and therefore expects a stable adjusted personnel cost ratio at the level of 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 R&D. These activities will continue to focus on strengthening the Company's innovative strength and developing innovative products to solve the industrial challenges faced by customers with a focus on developing applications for hybrid and electromobility.

Adjusted EBITA margin

An important focus of NORMA Group is on maintaining its high profitability. Therefore, all business activities are strategically aligned. The acquisition of new companies also plays a key role in maintaining margins. Due to numerous internal Group measures and ongoing optimization processes in all areas, NORMA Group's Management Board sees NORMA Group in a position to maintain its high margin level again in 2018 and therefore aims to achieve a sustained adjusted EBITA margin at the level of previous years of more than 17.0%.

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 2018. This includes interest charges on the Group's gross debt with an average interest rate of approx. 2.0% to 2.5% as well as other expenses for currency hedges and transaction costs.

Significantly improved tax rate of between 26% and 28%

Due to the massive tax cuts in the US, the Management Board expects a tax rate of between 26% and 28% for fiscal year 2018.

Strong increase in adjusted earnings per share

NORMA Group's Management Board expects to see a strong increase in adjusted earnings per share in fiscal year 2018. Besides growth in sales and a sustainable margin, this will be due to the tax reform in the US in particular.

Adjustments to the result

In fiscal year 2018, NORMA Group's Management Board expects adjustments in the allocation of the purchase prices to depreciable tangible and intangible assets from the acquisitions of the past years in the amount of around EUR 25 million.

Investment rate of around 5% the target

For fiscal year 2018, 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

The Management Board expects the usual high net operating cash flow as a result of increasing sales with a sustained margin as well as strict working capital management and a constant investment rate. Net operating cash flow is expected to be around EUR 140 million in fiscal year 2018.

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.

From the reporting year 2017 onwards, NORMA Group reports the number of invention disclosures, a new indicator for measuring and managing the Company's innovative strength. → CONTROL SYSTEM AND CONTROL INDICATORS, P. 52 More than 20 new invention disclosures 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, through the following two performance indicators: defective 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 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 (Corporate Responsibility)

NORMA Group has already 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 2018.

T 026 FORECAST FOR FISCAL YEAR 2018

Consolidated sales	solid organic growth of around 3% to 5%, additionally around EUR 5 million from acquisitions EMEA: solid organic growth Americas: solid organic growth APAC: organic growth in the double-digit range DS: solid growth EJT: solid growth
Adjusted cost of materials ratio	roughly at the same level as in previous years
Adjusted personnel cost ratio	roughly at the same level as in previous years
Investments in R&D (in relation to EJT sales)	around 5% of EJT sales
Adjusted EBITA margin	sustainable at the same level as in previous years of more than 17.0%
Financial result	up to EUR –15 million
Tax rate	around 26% to 28%
Adjusted earnings per share	strong increase
Investment rate (excluding acquisitions)	operative investments of around 5% of Group sales
Net operating cash flow	around EUR 140 million
Dividend / dividend ratio	approx. 30% to 35% of adjusted net profit of the Group
Number of invention applications per year	more than 20
Number of defective parts (PPM)	less than 20
Number of quality-related complaints per month	less than 8

Risk and Opportunity Report

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

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.

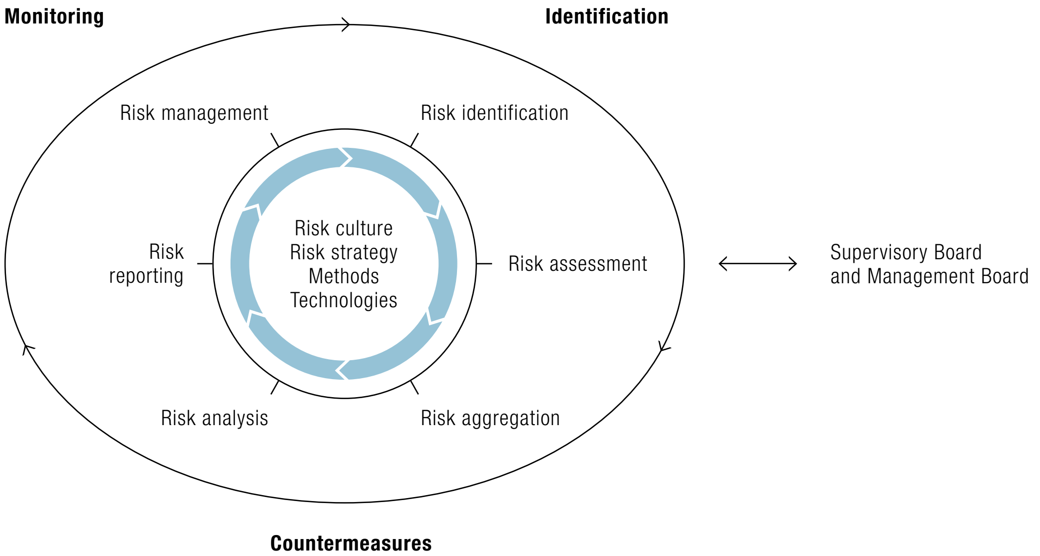
The Management Board of NORMA Group SE is responsible for maintaining an effective risk and opportunity management system. The Supervisory Board is responsible for monitoring the effectiveness of the Group's risk management system. Compliance with the Group's risk management policy in the individual 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 treatment and monitoring. The risk management process has been fully integrated into an integrated software solution. The respective units record the risks that they identify and assess these. 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 a special software. The process of identifying, evaluating and controlling risks is accompanied by continuous monitoring and communication of the reported risks by the risk managers.

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

G 030 RISK MANAGEMENT SYSTEM OF NORMA GROUP



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

As part of the risk treatment strategy, the appropriate risk mitigating measures are developed, implemented and their implementation is monitored. These include, in particular, strategies to terminate, treat or transfer 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 performance. Derivative financial instruments are used to hedge particular risk items. The financial risk management strategy is implemented by Group Treasury. Group 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. 134

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. A diversified customer portfolio reduces the financial repercussions of default risks. Default risks are considered to be unlikely due to the measures referred to above (previous year: possible). 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, 2017, NORMA Group's liquid assets (cash and cash equivalents) amounted to EUR 155.3 million (2016: EUR 165.6 million). Furthermore, NORMA Group has a high level of financial flexibility thanks to a total of EUR 50 million in committed revolving credit lines with national and international credit institutions. These lines were not drawn down at all as of December 31, 2017. In addition, NORMA Group has a so-called accordion facility in the amount of up to EUR 250 million that offers additional financial flexibility as well as a non-promised but negotiated credit line of EUR 15 million, which offer additional financial scope.

Financial Financial opportunities are seen, among other areas, in NORMA Group's high creditworthiness as well as its solid financial position, financial performance and cash flows, which enable the Company to gradually reduce its capital costs. Against this backdrop, NORMA Group repaid part of the promissory note issued in 2014 in the past fiscal year on schedule without raising new or additional funds for this purpose. 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 (previous year: possible). 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 MANAGEMENT, P. 68

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 złoty, Swedish krona, Czech koruna, Singapore dollar, Indian rupee and Serbian dinar are regarded to be the main risky 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 position and performance represent a considerable risk that can only be partially hedged for a short-term period. In the medium term, NORMA Group will reduce foreign currency risks by taking an increasingly regional approach to production. → PRODUCTION AND LOGISTICS, P. 71

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. 54 Loans that initially had variable interest rates were synthetically converted into fixed interest rate positions with derivative instruments. NORMA Group currently has an interest rate risk for the amount of EUR 18.0 million from the bank loan renegotiated in 2015 in the amount of EUR 100 million and for the revolving credit facility (EUR 50 million) that has not yet been drawn on. The same applies for the promissory note issued in 2014 (EUR 9 million not hedged) and the promissory note issued in 2016 (EUR 12.5 million not hedged). NORMA Group will seek to hedge approximately 80% of the interest change risk arising from future medium-term utilization of the committed revolving credit facility.

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 3.9% can be expected in 2018.

In the previous year, relevant risk factors regarding the economic development in addition to the subdued economic expectations in China and the ongoing recession in Brazil in particular, the increase in interest rates in the US, the uncertain impact of the withdrawal of Britain from the European Union, and increasingly protectionist tendencies were identified for NORMA Group. The continued uncertainty of the outcome of the Brexit process, the consequences of increasing protectionism and rising bond yields also represent relevant risk factors in 2018. With respect to the Chinese market, there is a risk that the rate of expansion could flatten out, due in particular to the increasing public and private debt. In addition, turbulence on the currency and capital markets could adversely affect the generally positive development of the global economy, whereby the long-term recovery continues to be susceptible to failure despite good economic key data.

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 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 are considered minor as in the previous year.

Industry-specific and technological opportunities and risks

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. 49 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. 55

The water management segment, which has been consistently strengthened by the acquisitions carried out in past years, represents another strategically important customer industry for NORMA Group. The increasing scarcity of water and the responsible handling of this important resource in this context are leading to entrepreneurial 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. 50

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 opportunities and risks

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.

In particular, due to the currently rising prices of steel, including the alloy surcharges applicable to stainless steel, NORMA Group estimates the probability of rising prices compared to the previous year as likely. In the area of engineering plastics, NORMA Group was faced with rising procurement prices in the past fiscal year. Due to the expected continued high demand for this product group, the Company considers the probability of rising prices to be very likely. Overall, the rise in commodity prices is considered to be likely. Nevertheless, this is likely to have only a minor financial impact due to the countermeasures that have already been initiated. A share of material price increases can be passed on to the customer by designing the contracts accordingly.

Similarly, the opportunities arising from reduced commodity prices are also considered low in terms of their financial impact. As a result of the currently rising prices for steel, metal components and polyamides / engineering plastics, the falling development of global commodity prices compared to the plan is considered unlikely, as in the previous year.

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. The ten most important suppliers are responsible for approximately 32% of the purchasing volume. → PURCHASING AND SUPPLIER MANAGEMENT, P. 73 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. 73 Maintaining the right balance between cost leadership and quality assurance is a constant challenge. To reduce this risk, far-reaching quality assurance measures and 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. Thus the Company develops and implements initiatives focused on cost discipline, the continuous improvement of processes in all functions and regions and 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. 71 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 2016. 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. As a result of its innovative solutions, new customers in all regions could be convinced of its products. 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.

Opportunities and risks 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

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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 opportunities and risks

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. With regard to this business-critical IT infrastructure, there is a risk that an extensive computer system failure, e.g. due to technical-related malfunctions of the systems or attacks by hackers, could seriously disrupt the Company's operations.

In addition, NORMA Group sees the risk that external users could gain unauthorized access to sensitive Company information and misuse it. In this context, unauthorized access to information about production processes, 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 example, the gradual transition from old ERP systems to new and uniform systems for the entire Group continued in 2017. The opportunities that arise from this streamlining measure are considered to be likely. The related financial effects are expected to be minor.

Legal opportunities and risks

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. Likewise, the results of tax audits can lead to tax payments, including penalties and interest.

In 2017, litigations against NORMA Group (passive) mainly involved labor disputes such as dismissal protection suits and product deficiencies claimed by customers or their insurances. In California, NDS was sued as part of a class action case for alleged errors in measuring employee working time at NDS. This case is expected to be concluded by reaching a settlement. In Malaysia, the local subsidiary of NORMA Group is party to a lawsuit relating to a new plant and a demand for a down payment on the purchase price. 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.

All legal risks that NORMA Group is aware of are taken into account through provisions recognized 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. 75 Consequently, NORMA Group believes that the probabilities of occurrence of negative developments remain unlikely as a result of social and environmental risks and that the potential financial effects would 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 the 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.

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		Probability of occurence						Financial impact					
		very unlikely	unlikely	possible	likely	very likely	change to 2016	insignificant	minor	moderate	significant	high	change to 2016
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 system

The purpose of NORMA Group's remuneration system is to provide the members of the Management Board with adequate remuneration for their activities and areas of responsibility 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 compensation is designed differently depending on when a Board member took office. With the Board members who took office before 2015, it 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 maximize 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 stock option program. 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 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 2014: 108,452 shares per year, for 2015, 2016 and 2017: 85,952 shares) 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 2014, 2015, 2016 and 2017. Therefore, 162,679 share options are to be considered in fiscal year 2014 and 128,928 in fiscal years 2015, 2016 and 2017. 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 in 2018, 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 strike price. The exercise threshold was set at 120% of the strike price for the 2014, 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 form of a cash payment is expected for the future. For further information, please refer to the Notes. → NOTES, P. 165

T028 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
2014	1.5	162,679	40.16	2018

Upon entering into service in fiscal year 2015, the variable compensation consisted of the following components:

1. The annual bonus is a variable compensation component, which refers to the average Group EBT (earnings before income taxes) of the last three fiscal years. The Management Board receives a percentage of the amount of the three-year average. The annual bonus is capped at twice 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 will be reduced accordingly.

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:

$$\text{NORMA Value Added} = (\text{EBIT} \times (1 - t)) - (\text{WACC} \times \text{invested capital})$$

The calculation of the first component is based on the consolidated earnings before interest and taxes (Group EBIT) for the fiscal year and the average corporate tax rate. The second component is calculated from the Group WACC multiplied by the capital invested. The NORMA Value Added Bonus is limited to a fixed annual salary. 75% of the amount attributable to the LTI is paid to each Management Board member the following year. The Company then uses the remaining 25% 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.

Furthermore, when taking office in 2015, a Management Board member is entitled to a pension, 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).

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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 2017

The Management Board's remuneration for fiscal year 2017 is reported in accordance with the applicable accounting principles (DRS 17) and the recommendations of the German Corporate Governance Code.

Management Board remuneration in 2017 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. 6 of the German Commercial Code (HGB) is distributed among the individual members of the Management Board as shown in → TABLE 029.

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

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

Remuneration of the Management Board in 2017 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 in → TABLE 030 ON P. 100 (models recommended in the Code are being used):

T 029 MANAGEMENT BOARD REMUNERATION IN 2017

	Werner Deggim		Dr. Michael Schneider		Bernd Kleinhens		John Stephenson		Total	
IN EUR THOUSANDS	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fixed components	471	471	341	327	320	306	294	294	1,426	1,398
Performance-related components	135	158	0	0	90	105	84	98	309	361
Long-term incentive effect	1,462	556	861	817	1,256	369	629	347	4,208	2,089
Total remuneration	**2,068**	**1,185**	**1,202**	**1,144**	**1,666**	**780**	**1,007**	**739**	**5,943**	**3,848**

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T 030 REMUNERATION GRANTED TO THE MANAGEMENT BOARD

	Werner Deggim				Dr. Michael Schneider				Bernd Kleinhens				John Stephenson				Total			
IN EUR THOUSANDS	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016	2017	2017 (Min)	2017 (Max)	2016
Fixed remuneration	450	450	450	450	314	314	314	300	300	300	300	300	280	280	280	280	1,334	1,344	1,344	1,330
Benefits	21	21	21	21	27	27	27	27	20	20	20	6	14	14	14	14	82	82	82	68
Total	**471**	**471**	**471**	**471**	**341**	**341**	**341**	**327**	**320**	**320**	**320**	**306**	**294**	**294**	**294**	**294**	**1,426**	**1,426**	**1,426**	**1,398**
One-year variable remuneration	113	0	225	113	547	0	628	517	75	0	150	75	70	0	140	70	805	0	1,143	775
Multi-year variable remuneration																				
– LTI tranche 2017–2019	0	0	0	0	0	0	0	0	267	0	658	0	0	0	0	0	267	0	658	0
– LTI tranche 2016–2018	0	0	0	481	0	0	0	0	0	0	0	318	0	0	0	300	0	0	0	1,099
– MSP 2017–2021	242	0	1,846	0	0	0	0	0	464	0	1,227	0	0	0	1,145	0	706	0	4,218	0
– MSP 2016–2018	0	0	0	232	0	0	0	0	0	0	0	154	0	0	0	144	0	0	0	530
– Other perennial remuneration	0	0	0	0	314	0	314	300	0	0	0	0	0	0	0	0	314	0	314	300
Sum	**355**	**0**	**2,071**	**826**	**861**	**0**	**942**	**817**	**806**	**0**	**2,035**	**547**	**70**	**0**	**1,285**	**514**	**2,092**	**0**	**6,333**	**2,704**
Pension expenses	0	0	0	0	197	197	197	135	0	0	0	0	0	0	0	0	197	197	197	135
Total remuneration	**826**	**471**	**2,542**	**1,297**	**1,399**	**538**	**1,480**	**1,279**	**1,126**	**320**	**2,355**	**853**	**364**	**294**	**1,579**	**808**	**3,715**	**1,623**	**7,956**	**4,237**

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T031 INFLOW FROM MANAGEMENT BOARD MEMBER REMUNERATION

	Werner Deggim		Dr. Michael Schneider		Bernd Kleinhens		John Stephenson		Total	
IN EUR THOUSANDS	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fixed remuneration	450	450	314	300	300	300	280	280	1,334	1,330
Benefits	21	21	27	27	20	6	14	14	82	68
Total	**471**	**471**	**341**	**327**	**320**	**306**	**294**	**294**	**1,426**	**1,398**
One-year variable remuneration	135	158	547	517	90	105	84	98	856	878
Multi-year variable remuneration										
– LTI tranche 2014–2016	281	0	0	0	186	0	175	0	642	0
– LTI tranche 2013–2015	0	299	0	0	0	198	0	186	0	683
– MSP 2013–2017	1,116	0	0	0	741	0	692	0	2,549	0
– MSP 2012–2016	0	879	0	0	0	584	0	545	0	2,008
– Other perennial remuneration	0	0	300	150	0	0	0	0	300	150
Sum	**1,532**	**1,336**	**847**	**667**	**1,017**	**887**	**951**	**829**	**4,347**	**3,719**
Pension expenses	0	0	197	135	0	0	0	0	197	135
Total remuneration	**2,003**	**1,807**	**1,385**	**1,129**	**1,337**	**1,193**	**1,245**	**1,123**	**5,970**	**5,252**

Expenses in the amount of EUR 667 thousand for the MSP 2013–2017 are recognized for former members of the Management Board in the fiscal year.

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CONSOLIDATED MANAGEMENT REPORT

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration for the Chairman and the Deputy 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 Deputy 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 2018 Annual General Meeting as follows:

T 032 REMUNERATION OF THE SUPERVISORY BOARD 2017

Supervisory Board member	Membership / Chairman of a committee	Remuneration in EUR
Dr. Stefan Wolf	Chairman of the Supervisory Board	110,000.00
	Chairman of the General and Nomination Committee	
Lars M. Berg	Vice-Chairman of the Supervisory Board	95,000.00
	Member of the Audit Committee	
	Member of the General and Nomination Committee	
Günter Hauptmann	Not a member of a Committee	50,000.00
Dr. Knut J. Michelberger	Chairman of the Audit Committee	85,000.00
Dr. Christoph Schug	Member of the General and Nomination Committee	60,000.00
Erika Schulte	Member of the Audit Committee	60,000.00
Total		**460,000.00**

No remuneration was paid to Supervisory Board members in fiscal year 2017 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, 2017. 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 actual 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 made 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 the 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 comparable successor system), as determined on the trading day in Frankfurt / Main by the opening auction, by more than 10% and not fall below it by more than 20%. If the acquisition is effected by way of a public purchase offer, the purchase price offered or the threshold values of the purchase price margin (excluding ancillary acquisition costs) may not exceed the closing price of the NORMA Group SE share in the Xetra trading system (or a comparable successor system) on the third trading day in Frankfurt / Main prior to the day of the public announcement of the offer by more than 10% and not fall below it by more than 20%. Should the relevant price vary by a not inconsiderable extent following the publication of the public purchase offer, the offer may be adjusted. In this case, the closing price on the third trading day in Frankfurt/Main prior to the public announcement will be based on any adjustment that has been made.

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

› for sale against cash, provided that the price is not significantly below the stock market price of shares of the Company at the time of sale (simplified exclusion of subscription rights in accordance with sections 186 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. 97

Report on Transactions with Related Parties

In fiscal year 2017, 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.

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

T033 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EUR THOUSANDS	Note	2017	2016
Revenue	(8)	1,017,084	894,887
Changes in inventories of finished goods and work in progress		−1,072	244
Other own work capitalized		3,911	3,318
Raw materials and consumables used	(9)	−419,748	−353,527
Gross profit		**600,175**	**544,922**
Other operating income	(10)	19,475	15,210
Other operating expenses	(11)	−153,159	−141,446
Employee benefits expense	(12)	−270,237	−244,061
Depreciation and amortization	(19, 20)	−58,467	−54,624
Operating profit		**137,787**	**120,001**
Financial income		924	227
Financial costs		−16,979	−14,872
Financial costs – net	**(13)**	**−16,055**	**−14,645**
Profit before income tax		**121,732**	**105,356**
Income taxes	(16)	−1,916	−29,490
Profit for the period		**119,816**	**75,866**
Other comprehensive income for the period, net of tax			
Other comprehensive income that can be reclassified to profit or loss, net of tax		**−35,423**	**5,955**
Exchange differences on translation of foreign operations	(27)	−35,812	3,926
Cash flow hedges	(22, 27)	389	2,029
Other comprehensive income that cannot be reclassified to profit or loss, net of tax		**−321**	**833**
Remeasurements of post-employment benefit obligations, net of tax	(27, 29)	−321	833
Other comprehensive income for the period, net of tax		**−35,744**	**6,788**
Total comprehensive income for the period		**84,072**	**82,654**
Profit attributable to			
Shareholders of the parent		119,664	75,747
Non-controlling interests		152	119
		119,816	**75,866**
Total comprehensive income attributable to			
Shareholders of the parent		83,902	82,529
Non-controlling interests		170	125
		84,072	**82,654**
(Un)diluted earnings per share (in EUR)	**(15)**	**3.76**	**2.38**

Consolidated Statement of Financial Position

T034 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

IN EUR THOUSANDS	Note	Dec 31, 2017	Dec 31, 2016
Non-current assets			
Goodwill	(19)	356,717	368,859
Other intangible assets	(19)	255,729	295,427
Property, plant and equipment	(20)	205,153	201,177
Other non-financial assets	(25)	1,048	261
Derivative financial assets	(22)	1,885	1,576
Income tax assets	(17)	76	106
Deferred income tax assets	(18)	4,845	7,563
		825,453	**874,969**
Current assets			
Inventories	(24)	151,229	139,885
Other non-financial assets	(25)	15,754	15,701
Other financial assets	(26)	1,001	5,685
Derivative financial assets	(22)	640	1,157
Income tax assets	(17)	9,884	10,479
Trade and other receivables	(23)	152,746	124,208
Cash and cash equivalents	(36)	155,323	165,596
		486,577	**462,711**
Total assets		**1,312,030**	**1,337,680**

Liabilities

IN EUR THOUSANDS	Note	Dec 31, 2017	Dec 31, 2016
Equity attributable to equity holders of the parent			
Subscribed capital		31,862	31,862
Capital reserve		210,323	210,323
Other reserves		–8,364	27,077
Retained earnings		298,077	213,504
Equity attributable to shareholders		**531,898**	**482,766**
Non-controlling interests		2,423	819
Total equity	(27)	**534,321**	**483,585**
Liabilities			
Non-current liabilities			
Retirement benefit obligations	(29)	12,127	11,786
Provisions	(30)	10,239	9,668
Borrowings	(31)	455,111	513,105
Other non-financial liabilities	(32)	489	610
Other financial liabilities	(33)	4,224	1,240
Derivative financial liabilities	(22)	1,226	2,014
Deferred income tax liabilities	(18)	60,543	101,845
		543,959	**640,268**
Current liabilities			
Provisions	(30)	8,545	9,489
Borrowings	(31)	33,136	42,176
Other non-financial liabilities	(32)	31,860	31,212
Other financial liabilities	(33)	6,307	1,119
Derivative financial liabilities	(22)	193	167
Income tax liabilities	(17)	7,960	10,087
Trade and other payables	(34)	145,749	119,577
		233,750	**213,827**
Total liabilities		**777,709**	**854,095**
Total equity and liabilities		**1,312,030**	**1,337,680**

Consolidated Statement of Cash Flows

T035 CONSOLIDATED STATEMENT OF CASH FLOWS

IN EUR THOUSANDS	Note	2017	2016
Operating activities			
Profit for the period		**119,816**	**75,866**
Depreciation and amortization	(19, 20)	58,467	54,624
Gain (–) / loss (+) on disposal of property, plant and equipment		113	80
Change in provisions	(30)	3,744	870
Change in deferred taxes	(18)	–32,400	–5,202
Change in inventories, trade account receivables and other receivables, which are not attributable to investing or financing activities	(23, 24, 25, 26)	–47,336	–11,348
Change in trade and other payables, which are not attributable to investing or financing activities	(32, 33, 34)	30,048	18,580
Change in reverse factoring liabilities		2,010	2,279
Payments for share-based payments		–3,981	–2,534
Interest expenses in the period		13,609	12,652
Income (–) / expenses (+) due to measurement of derivatives		–4,552	2,435
Other payments classified as investing activities		0	1,650
Other non-cash expenses (+) / income (–)	(36)	6,458	–754
Cash flow from operating activities		**145,996**	**149,198**
thereof interest received		396	221
thereof income taxes		–37,012	–40,079
Investing activities			
Payments for acquisitions of subsidiaries, net	(36, 40)	–23,746	–87,623
Investments in property, plant and equipment and intangible assets	(19, 20)	–47,870	–46,974
Proceeds from the sale of property, plant and equipment		854	748
Cash flow from investing activities		**–70,762**	**–133,849**
Financing activities			
Proceeds from outstanding capital contributions to a newly acquired subsidiary by former owner		3,924	0
Interest paid		–13,672	–12,026
Dividends paid to shareholders	(27)	–30,269	–28,676
Dividends paid to non-controlling interests		–159	–204
Proceeds from borrowings	(31)	498	188,434
Repayment of borrowings	(31)	–42,753	–94,163
Proceeds from / repayment of derivatives		4,941	–3,485
Repayment of lease liabilities		–201	–294
Cash flow from financing activities	**(36)**	**–77,691**	**49,586**
Net change in cash and cash equivalents		**–2,457**	**64,935**
Cash and cash equivalents at the beginning of the year		165,596	99,951
Effect of foreign exchange rates on cash and cash equivalents		–7,816	710
Cash and cash equivalents at the end of the period		**155,323**	**165,596**

Consolidated Statement of Changes in Equity

T 036 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR THOUSANDS	Note	Attributable to equity holders of the parent: Subscribed capital	Capital reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of December 31, 2015		**31,862**	**210,323**	**21,128**	**165,600**	**428,913**	**898**	**429,811**
Changes in equity for the period								
Result for the period					75,747	75,747	119	75,866
Exchange differences on translation of foreign operations				3,920		3,920	6	3,926
Cash flow hedges, net of tax	(22)			2,029		2,029		2,029
Remeasurements of post-employment benefit obligations, net of tax	(27, 29)				833	833		833
Total comprehensive income for the period		**0**	**0**	**5,949**	**76,580**	**82,529**	**125**	**82,654**
Dividends paid	(27)				−28,676	−28,676		−28,676
Dividends paid to non-controlling interests						0	−204	−204
Total transactions with owners for the period		**0**	**0**	**0**	**−28,676**	**−28,676**	**−204**	**−28,880**
Balance as of December 31, 2016		**31,862**	**210,323**	**27,077**	**213,504**	**482,766**	**819**	**483,585**
Changes in equity for the period								
Result for the period					119,664	119,664	152	119,816
Exchange differences on translation of foreign operations				−35,830		−35,830	18	−35,812
Cash flow hedges, net of tax	(22)			389		389		389
Remeasurements of post-employment benefit obligations, net of tax	(27, 29)				−321	−321		−321
Total comprehensive income for the period		**0**	**0**	**−35,441**	**119,343**	**83,902**	**170**	**84,072**
Dividends paid	(27)				−30,269	−30,269		−30,269
Dividends paid to non-controlling interests						0	−159	−159
Acquisition of non-controlling interests	(40)				−4,501	−4,501	1,593	−2,908
Total transactions with owners for the period		**0**	**0**	**0**	**−34,770**	**−34,770**	**1,434**	**−33,336**
Balance as of December 31, 2017		**31,862**	**210,323**	**−8,364**	**298,077**	**531,898**	**2,423**	**534,321**

Notes to the Consolidated Financial Statements

General Information

1. GROUP INFORMATION

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

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

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

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

In fiscal year 2017, NORMA Group acquired Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial'), based in Águeda, Portugal, and 80 percent of the shares in Fengfan Fastener (Shaoxing) Co., Ltd. ('Fengfan'), based in Shaoxing City, China.

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

For Engineered Joining Technology (EJT) customers, NORMA Group offers tailor-made solutions and special engineered joining systems. To effectively fulfill special requirements, NORMA Group builds on extensive industry and application knowledge, a successful track record of innovation and long-standing relationships with all its key customers. As a result, many joining systems and fluid conveying conduits have been developed in close cooperation with global OEMs and NORMA Group.

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

2. BASIS OF PREPARATION

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

The Consolidated Financial Statements of NORMA Group have been prepared in accordance with International Financial Reporting Standards and the relevant interpretations as adopted by the EU (IFRS) as well as with the regulations under commercial law as set forth in section 315e of the German Commercial Code (HGB) for the year ended December 31, 2017.

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

The Consolidated Financial Statements of NORMA Group SE were prepared by the Management Board on March 9, 2018, and are scheduled to be released for publication after they were approved by the Supervisory Board on March 19, 2018.

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

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

New and amended standards adopted by the Group for the first time in 2017

The following new standards or amendments to standards which were applied for the first time for the fiscal year beginning January 1, 2017, had no material impact on NORMA Group's financial position, cash flows or financial performance.

Amendments to IAS 7: Disclosure Initiative

On January 29, 2016, the IASB published amendments to IAS 7, Cash Flow Statement, which are intended to improve information on financing and liquidity of companies. In particular, the financial statements should enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities be disclosed (to the extent necessary): changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates, changes in fair values; and other changes.

Amendments to IAS 12: Recognition of Deferred Tax Assets on Unrealized Losses

On January 19, 2016, the IASB published amendments to IAS 12, Income Taxes, which contain clarifications on the approach of deferred tax assets on temporary differences from unrealized losses. The amendment to IAS 12 makes it clear once again that the determination of a temporary difference within the meaning of IAS 12 is based on the fact that the book value is realized at the time of the determination of the economic benefit that flows to the company in future periods. The existence of a temporary difference could be determined solely by comparing the IFRS carrying value at the respective balance sheet date with the tax base at that time. Future foreseeable changes in the book value are not to be considered.

In addition, the amendment clarifies that the IFRS book value is only relevant for the determination of temporary differences, but not for the estimation of the future taxable profit. When determining the taxable profit, the realization of a value greater than the current IFRS carrying value is also conceivable, provided this is probable.

In this context, it is also clarified that, insofar as the tax deduction limits the use of deductible temporary differences to a certain type of result, when assessing whether and to what extent deferred tax assets are to be applied, only these types of deferred taxes can be applied to these differences.

In addition, the IASB makes clear that the reversal of any deductible differences is not to be taken into account when determining the future taxable profit, which is used to determine the recoverability of deferred tax assets.

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

The following standards and amendments to existing standards have been published and application is mandatory for all accounting periods beginning on or after January 1, 2018. The Group has decided against an early adoption.

1) Standards, amendments and interpretations to existing standards that have already been endorsed by the EU (with reference to each respective EU effective date):

IFRS 9: Financial instruments
(EU endorsement date Nov 22, 2016)

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9, which will supersede IAS 39 Financial Instruments: Recognition and Measurement. The completed IFRS 9 contains the requirements for the classification and measurement of financial assets and liabilities, the impairment methodology, and the general hedge accounting.

The key requirements of IFRS 9 are as follows:

- Compared with the previous standard IAS 39, Financial Instruments: Recognition and Measurement, the requirements of IFRS 9 regarding the scope, recognition and derecognition are quite similar.
- The regulations of IFRS 9 provide for a new classification model for financial assets compared to IAS 39, however.
  - In the future, the subsequent measurement of financial assets will be based on three categories with different value scales and different recognition of changes in value. The categorization results depend on both the contractual cash flows of the instrument and the entity's business model for managing that financial instrument. Depending on the severity of these conditions, measurement is performed
  - at amortized cost using the effective interest method (AC category), or
  - at fair value, with changes recognized directly in other comprehensive income (FVTOCI category), or
  - at fair value, with changes recognized in profit or loss (FVTPL category). These are essentially mandatory categories. However, there are also occasional selection rights available to companies.

- For financial liabilities, the existing rules have been largely adopted in IFRS 9. The only major change concerns financial liabilities using the fair value option. This mandates that fair value fluctuations due to changes in own credit risk are to be recognized in other comprehensive income.
- The new impairment model in IFRS 9 provides for three levels that will determine the amount of losses to be recognized and interest received. This means that losses from the 12-month expected credit loss are to be recognized on inception (Level 1). If there is a significant increase in the risk of default, loan loss provisions must be increased up to the lifetime expected credit losses (Level 2). If there is an objective indication of impairment, interest must be collected on the basis of the carrying amount (book value less risk provisions) (Level 3).
- For trade receivables and other assets from transactions within the scope of IFRS 15, as well as for lease receivables, a simplified impairment procedure can be applied. Changes in credit risk are not tracked; instead, loss allowances are recognized at the time of initial recognition and at each subsequent reporting date to the amount of the expected loss of the remaining term.
- The revised rules for hedge accounting continue to include the three types of hedge accounting that are also available in IAS 39. However, the requirements of IFRS 9 provide more opportunities for the application of hedge accounting and allow the reporting entity to better reflect its risk management activities in the financial statements. The main changes concern the extended scope of underlying and hedging transactions, as well as new rules on the effectiveness of hedging relationships, particularly the elimination of the previous 80–125% corridor.
- Besides extensive transitional provisions, IFRS 9 also involves extensive disclosure requirements for both transition and ongoing application. Changes compared to IFRS 7, Financial Instruments: Disclosures, mainly result from the provisions on impairment.

The new standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted.

The Group will apply IFRS 9 for the first time for the fiscal year beginning on January 1, 2018; the adjustment of prior-year figures is waived in accordance with the transitional provisions of IFRS 9 for first-time adoption.

Based on an analysis of the Group's financial assets and financial liabilities as of December 31, 2017, as well as the facts and circumstances existing at the time, management has made the following assessment of the impact of IFRS 9 on the Consolidated Financial Statements, summarized below:

Classification and valuation

In the area of trade receivables, receivables that have already been tendered but not yet sold as of the balance sheet date and are allocated to the Loans and Receivables (LaR) category (valuation category AC) in accordance with IAS 39 are reclassified to IFRS 9 category FVTOCI. The Group allocates this portion of trade receivables under IFRS 9 to the business model "Hold & Sell."

All other financial assets and liabilities will continue to be accounted for in the future, as is currently the case under IAS 39.

Impairment

The Group will apply the simplified impairment model of IFRS 9 for trade receivables, other financial assets and any contractual assets in accordance with IFRS 15, providing for a risk reserve equal to the expected residual loss over the remaining term, irrespective of their credit quality to be recorded for all instruments.

Further findings in the course of the implementation of IFRS 9 confirmed that there will be no significant impact on the consolidated financial statements of the Group in terms of impairments or their amounts.

Retained earnings as of January 1, 2018, will increase by EUR 500 thousand to EUR 700 thousand as a result of the adjustment of valuation allowances on trade receivables.

Hedge accounting

The new rules on hedge accounting better reflect the general risk management of the Group and, compared to the current regulations under IAS 39, expand the scope of possible hedged items and hedging transactions. Therefore, based on an assessment of existing hedging relationships, the Group assumes that all existing hedge accounting relationships also meet the requirements for hedge accounting under IFRS 9. In accordance with the currently applied accounting guidelines, it is intended to continue considering relevant forward components of foreign currency and interest rate forward transactions in the designation of hedging relationships.

The Group will apply the provisions of IFRS 9 on hedge accounting prospectively from January 1, 2018.

IFRS 15: Revenue from Contracts with Customers (EU endorsement date Sep 22, 2016)

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: 1. Identify the contract(s) with a customer; 2. Identify the performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations in the contract; 5. Recognize revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. In April 2016, the IASB published some clarifications to IFRS 15 that address the following issues:

› Identifying performance obligations (clarification when the promises in a contract are distinct in the context of the contract),
› principal-versus-agent considerations (clarification of the assessment of control of a good or service before it is transferred to a customer),
› licensing (clarification of the assessment of the nature if the licence and of revenue- and usage-dependent licence fees) and
› transition relief for modified contracts and completed contracts.

Key changes to current practice are:

› Any bundled goods or services that are distinct must be recognized separately, and any discounts, rebates or prepayments on the transaction price must generally be allocated to the separate elements.
› Revenue may be recognized earlier on an estimated basis than under current standards if the consideration varies for any reasons (such as for incentives, rebates, refunds, performance bonuses and royalties).
› The point at which revenue is able to be recognized may shift: some revenue which is currently recognized at a point in time at the end of a contract may have to be recognized over the contract term (over time) and vice versa.
› There are new specific rules e.g. on licenses, warranties, rights of return, non-refundable upfront fees and consignment arrangements.

Furthermore, extensive disclosures are required by IFRS 15. In September 2015, the IASB issued amendments to this standard, which move the effective date to accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group will adopt the standard for the fiscal year beginning as of January 1, 2018, modified retrospectively, i.e. the cumulative impact is recognized at the date of initial application within the retained earnings.

Further assessments resulting from the implementation of IFRS 15 have confirmed that there will be no significant impacts on the financial statements. Within the Consolidated Statement of Comprehensive Income, there will be effects from the reclassification between revenue and other operating expenses and income from the final assessment of recognized liabilities from bonus agreements for previous years (according to IFRS 15: refund liabilities), whereby the gross profit will change. Due to the fact that there are only reclassification effects within the Consolidated Statement of Comprehensive Income, no amounts from the first-time adoption as of January 1, 2018, will be recognized in retained earnings.

Changes in the total amount of revenue recognized for a customer contract in the case of early application of IFRS 15 in the 2017 fiscal year would only arise from the described reclassification effects.

Besides, there will be changes to the Consolidated Statement of Financial Position, e. g. separate line items for contract assets and contract liabilities will be required, and quantitative and qualitative disclosures will need to be added.

IFRS 16: Leases (EU endorsement date Oct 31, 2017)

On January 13, 2016, the IASB published IFRS 16, Leases. In contrast to IAS 17, the lessee must present all leases in the balance sheet in the future, with only a few exceptions. There are exceptions for leases with an economic minimum term of less than 12 months, for which no extension option has been agreed, and for low-value assets that are recognized analogously to previous operating leases. The provisions of IAS 17 for lessors have essentially been adopted.

The lease liability is to be accrued in the subsequent valuation. The right of use asset is to be written off on a straight-line basis. For lessors, on the other hand, the previous provisions of IAS 17 will be continued. In other words, they still have to differentiate between finance leases and operating leases.

The new standard is to be applied for annual periods beginning on or after January 1, 2019. Earlier application is permitted provided that IFRS 15 is also applied. NORMA Group will apply IFRS 16 for the first time in the fiscal year beginning on January 1, 2019, and plans the first application according to the modified retrospective method, i.e. the cumulative adjustment effects at the time of initial application are expected to be accounted for in equity against retained earnings at the beginning of fiscal year 2019. The Group also plans to use the option of non-capitalization granted under IFRS 16 for short-term and low-value leases, so that the lease payments resulting from these leases will also remain under operating expenses under IFRS 16.

With the exception of short-term and low-value leases, the first-time application of IFRS 16 will lead to the capitalization of leasing usage rights (right-of-use asset) and recognition of corresponding lease liabilities. Besides the resulting balance sheet extension, the leasing installments previously recognized as operating expenses have been reclassified under IFRS 16 to depreciation and interest expenses and thus to an increase in EBITDA (including the full reclassification effect), EBITA and EBIT (the reclassification effect attributable to interest). Within the cash flow statement, there is a change in the presentation of cash flows from operating cash flow attributable to the repayment portion of the lease liability to the cash flow from financing activities.

The impact of the standard is being examined in a Group-wide IFRS 16 implementation project and cannot currently be reliably estimated. According to current information, the obligations under operating leases in accordance with IAS 17 in the Notes to the Consolidated Financial Statements indicate the amount of the rights of use and corresponding lease liabilities to be recognized in accordance with IFRS 16 (with the exception of the short-term and low-value leases contained). As of December 31, 2017, future minimum lease payments under non-cancellable operating leases amounted to EUR 21,008 thousand. → NOTE 39 'COMMITMENTS' In the real estate leasing division, however, there will likely be a tendency to account for higher lease liabilities, as lease extension options under IFRS 16 are to be assessed and possibly taken into account when recognizing leases. Lease liabilities to be recognized in the future are also to be discounted, whereby the interest rates to be used have not yet been determined. The sum of the rights of use to be capitalized is expected to be lower than the liabilities recognized as leasing liabilities at the time of initial application, which leads the Group to assume from its current perspective that there will be a reduction in retained earnings at the time of initial application.

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

Amendments to IFRS 2: Clarification on: Valuation, Classification and Modification

On June 20, 2016, the IASB issued amendments to IFRS 2, Share-based Payment, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for the following areas:

Consideration of conditions of performance (terms of service, market conditions and other performance conditions) within the framework of the valuation of cash settled share-based payments

Under the new regulations, market conditions and non-exercisable conditions must be taken into account when estimating the fair value. Service conditions and other performance conditions must be considered when estimating the number of awards expected to vest.

Classification of share-based payment transactions with a net settlement feature for withholding tax obligations

If a company reduces the number of equity instruments to be delivered otherwise because it is obliged to withhold the number of equity instruments equal to the monetary value of the employee's tax obligation, and if this net compensation is provided for in the contract, the remuneration is – in spite of this partial payment – classified in its entirety as an equity-settled share-based payment transaction.

Accounting for a modification in the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled.
The equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. The cash-settled award is remeasured, with any difference recognized in the income statement before the remeasured liability is reclassified into equity.

Entities are required to apply the amendments for annual periods beginning on or after January 1, 2018. Early application is permitted.

The Group is currently examining the effects of applying IFRS 2 to its Consolidated Financial Statements.

IFRIC 23: Uncertainty over Income Tax Treatments
In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, while earlier application is permitted. The Company is currently assessing the impacts of adopting the interpretation on the Company's Consolidated Financial Statements.

In December 2016, the IASB conducted the cycle as part of the Annual Improvement Project 2014–2016, which provides various amendments to existing standards. The cycle: 2014–2016 contains clarifications for three standards, IFRS 1, IFRS 12 and IAS 28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017. However, first-time adoption within the EU prior to endorsement is not permitted.

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

The amendments are intended for clarification purposes and not for any fundamental changes in accounting practice. As a result, the Group does not expect any material effects on its Consolidated Financial Statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Consolidation

(a) Subsidiaries

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

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

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

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

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

(b) Non-controlling interests

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

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

(c) Disposal of subsidiaries

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

Valuation methods

The following table shows the most important valuation methods:

T 037 VALUATION METHODS

Position	Valuation method
Assets	
Goodwill	Acquisition costs less potential impairment
Other intangible assets (except goodwill) – finite useful lives	Amortized costs
Other intangible assets (except goodwill) – indefinite useful lives	Acquisition costs less potential impairment
Property, plant and equipment	Amortized costs
Derivative financial assets:	
Classified as cash flow hedge	At fair value in other comprehensive income
Classified as fair value hedge	At fair value through profit or loss
Without hedge accounting	At fair value through profit or loss
Inventories	Lower of cost or net realizable value
Other non-financial assets	Amortized costs
Other financial assets	Amortized costs
Trade and other receivables	Amortized costs
Cash and cash equivalents	Nominal amount
Liabilities	
Pensions	Projected unit credit method
Other provisions	Present value of future settlement amount
Borrowings	Amortized costs
Other non-financial liabilities	Amortized costs
Other financial liabilities (categories IAS 39):	
Financial liabilities at cost (FLAC)	Amortized costs
Derivative financial liabilities:	
Classified as cash flow hedge	At fair value in other comprehensive income
Classified as fair value hedge	At fair value through profit or loss
Without hedge accounting	At fair value through profit or loss
Contingent consideration	At fair value through profit or loss
Trade and other payables	Amortized costs

Fair value estimation

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

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

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

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

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

On December 31, 2017, and 2016, the Group's derivative financial instruments carried in the Statement of Financial Position at fair value (e.g. derivatives used for hedging) are categorized in total within Level 2 of the fair value hierarchy. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

T 038 EXCHANGE RATES

	Spot rate		Average rate	
PER EUR	Dec 31, 2017	Dec 31, 2016	2017	2016
Australian dollar	1.5346	1.4596	1.4734	1.4885
Brazilian real	3.9729	3.4305	3.6079	3.8611
Chinese renminbi yuan	7.8044	7.3202	7.6286	7.3501
Swiss franc	1.1702	1.0739	1.1119	1.0900
Czech koruna	25.5350	27.0210	26.3239	27.0344
British pound sterling	0.8872	0.8562	0.8765	0.8189
Indian rupee	76.6055	71.5935	73.5079	74.3474
Japanese yen	135.0100	123.4000	126.7032	120.3107
South Korean won	1,279.6100	1,269.3600	1,276.3595	1,284.3540
Malaysian ringgit	4.8536	4.7287	4.8514	4.5843
Mexican peso	23.6612	21.7719	21.3372	20.6641
Polish złoty	4.1770	4.4103	4.2563	4.3628
Serbian dinar	118.3430	123.3860	121.3254	123.0988
Russian ruble	69.3920	64.3000	65.9190	74.1911
Swedish krona	9.8438	9.5525	9.6378	9.4676
Singapore dollar	1.6024	1.5234	1.5586	1.5275
Thai baht	39.1210	37.7260	38.2903	39.0434
Turkish lira	4.5464	3.7072	4.1226	3.3426
US dollar	1.1993	1.0541	1.1297	1.1067

Intangible assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Development costs

Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if development costs can be measured reliably, the product or process is technically and commercially feasible and future economic benefits are probable. Furthermore, NORMA Group intends, and has sufficient resources, to complete development and use or sell the asset. The costs capitalized include the cost of materials, direct labor and other directly attributable expenditure that serves to prepare the asset for use. Such capitalized costs are included in profit or loss in line 'own work capitalized.' Capitalized development costs are stated at cost less accumulated amortization and impairment losses with an amortization period of generally three to five years. Development costs which did not meet the requirements are expensed as incurred.

(c) Other intangible assets

Separately acquired other intangible assets are shown at historical cost less accumulated amortization. Intangible assets acquired in a business combination are recognized at fair value on the acquisition date. Other intangible assets which have a finite useful life will be amortized over their estimated useful life. Amortization is calculated using the straight-line method to allocate their cost. Other intangible assets which are determined to have indefinite useful lives as well as intangible assets not yet available for use are not amortized, but instead tested for impairment at least annually. Furthermore, other intangible assets which are determined to have indefinite useful lives and therefore are not amortized, will be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for these assets.

In general, the Group's other intangibles are not qualifying assets in accordance with IAS 23 and borrowing costs eligible for capitalization therefore do not exist.

The useful lives of other intangible assets acquired in a business combination are estimates based on the economics of each specific asset which were determined in the process of the purchase price allocation. The major part of these assets are brand names and customer lists.

The estimated useful lives for other intangible assets are as follows:

› Patents: 5 to 10 years
› Customer lists: 4 to 20 years
› Technology: 10 to 20 years
› Licenses, rights: 3 to 5 years
› Trademarks: indefinite or 20 years
› Software: 3 to 5 years
› Development costs: 3 to 5 years

Other intangible assets with indefinite useful lives are essentially brand names, for which the end of usability is not foreseeable and therefore indeterminable. These brand names result from acquisitions. For these brand names, an indefinite useful life is assumed. Based on a market perspective, there are no clear indications for a definite useful life of these brand names as they have been well-established in the market for many years.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment loss, if substantial. Historical cost includes expenditure that is directly attributable to the acquisition of the items and, if any, the present value of estimated costs for dismantling and removing the assets, restoring the site on which it is allocated. Borrowing costs eligible for capitalization in the sense of IAS 23 were not available.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is foreseeable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance expenses are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating income / expenses.'

The estimated useful lives for property, plant and equipment are as follows:

› Buildings: 8 to 40 years
› Machinery and technical equipment: 3 to 18 years
› Tools: 3 to 10 years
› Other equipment: 2 to 20 years
› Land is not depreciated.

Impairment of non-financial assets

(a) Assets with a finite useful life

For assets with a finite useful life, an impairment test is needed if there are indications that those assets may be impaired. If such indications exist, the amortized carrying value of the asset is compared to the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the discounted present value of future cash flows expected to arise from the continuing use of the asset. In the case of an impairment, the difference between the amortized carrying amount and the lower recoverable amount is recognized as an expense in profit or loss. If evidence exists that the reasons for the impairment no longer exist, the impairment loss is reversed. The reversal cannot result in an amount exceeding amortized cost.

(b) Goodwill and other assets with an indefinite useful life

Moreover, other intangible assets with an indefinite useful life, other intangible assets not yet ready for use or advance payments on such assets as well as goodwill must be tested for impairment annually. A test is also performed whenever there is any indication that an asset might be impaired. Where the reasons for an impairment no longer exist, the impairment loss is reversed, except in the case of goodwill.

The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of those from other assets or other groups of assets or cash-generating units. In these cases, the impairment test is performed at the relevant level of cash-generating units to which the asset is attributable.

Goodwill acquired in a business combination is allocated at the acquisition date to the cash-generating unit or group of cash-generating units that are expected to profit from the synergies deriving from the business combination. This also represents the lowest level at which goodwill is monitored for internal management purposes. These are the operating and reportable segments EMEA, Americas and Asia-Pacific.

There is currently no goodwill in the Group that can be directly allocated to an individual entity because this reflects the enterprise value of the acquired entity regardless of the transaction.

The Company normally determines the recoverable amount using measurement methods based on discounted cash flows.

Brand names with indefinite useful lives acquired in business combinations are tested for impairment at the level at which a recoverable amount, which is based on the fair-value-less-costs-to-sell, can be determined.

For cash-generating units, NORMA Group first determines the relevant recoverable amount as fair-value-less-costs-to-sell, which it compares with the respective carrying amounts, including allocated goodwill in the case of impairment tests on goodwill. For further details regarding the determination of the fair-value-less-costs-to-sell and the underlying assumptions, we refer to → NOTE 19 'GOODWILL AND OTHER INTANGIBLE ASSETS.'

Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated variable selling costs. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Inventories of the Group are not qualifying assets in accordance with IAS 23, so that the acquisition or production costs do not include capitalized borrowing costs.

Financial instruments

(a) Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

In the current and in the previous fiscal year, all financial assets, except for derivative financial instruments, are classified to the category loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortized cost using the effective interest method.

Impairment of financial assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine if there is objective evidence of an impairment loss include:

- Financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including
  i. Adverse changes in the payment status of borrowers in the portfolio; and
  ii. National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

(b) Financial liabilities

Financial liabilities primarily include trade payables, liabilities to banks, derivative financial liabilities and other liabilities.

Financial liabilities that are measured at amortized cost

After initial recognition, financial liabilities are carried at amortized cost using the effective interest method. Trade payables, liabilities to banks and other financial liabilities, in particular, are classified to this category.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial instruments unless they are designated as hedges and contingent purchase price liabilities. Gains or losses on financial liabilities that are measured at fair value through profit or loss are included in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. At NORMA Group, arrangements exist which do not meet the criteria for netting in the Consolidated Statement of Financial Position according to IAS 32.42, as they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty.

The following tables present the recognized financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset, as of December 31, 2017 and 2016:

T039 OFFSETTING OF FINANCIAL INSTRUMENTS

Dec 31, 2017 IN EUR THOUSANDS	Gross amounts of financial assets / financial liabilities	Gross amounts of financial assets / financial liabilities offset in the statement of financial position	Net amounts recognized in the statement of financial position	Amounts that are not offset in the statement of financial position: Financial instruments	Net amount
Financial assets					
Derivative financial instruments (b)	2,525	0	2,525	811	1,714
Trade and other receivables (a)	153,237	491	152,746	0	152,746
Other financial assets	1,001	0	1,001	0	1,001
Cash and cash equivalents	155,323	0	155,323	0	155,323
Total	**312,086**	**491**	**311,595**	**811**	**310,784**
Financial liabilities					
Borrowings	488,247	0	488,247	0	488,247
Derivative financial instruments (b)	1,419	0	1,419	811	608
Trade and other payables (a)	146,240	491	145,749	0	145,749
Other financial liabilities	10,531	0	10,531	0	10,531
Total	**646,437**	**491**	**645,946**	**811**	**645,135**

Dec 31, 2016 IN EUR THOUSANDS	Gross amounts of financial assets / financial liabilities	Gross amounts of financial assets / financial liabilities offset in the statement of financial position	Net amounts recognized in the statement of financial position	Amounts that are not offset in the statement of financial position: Financial instruments	Net amount
Financial assets					
Derivative financial instruments (b)	2,733	0	2,733	635	2,098
Trade and other receivables (a)	124,565	357	124,208	0	124,208
Other financial assets	5,685	0	5,685	0	5,685
Cash and cash equivalents	165,596	0	165,596	0	165,596
Total	**298,579**	**357**	**298,222**	**635**	**297,587**
Financial liabilities					
Borrowings	555,281	0	555,281	0	555,281
Derivative financial instruments (b)	2,181	0	2,181	635	1,546
Trade and other payables (a)	119,934	357	119,577	0	119,577
Other financial liabilities	2,359	0	2,359	0	2,359
Total	**679,755**	**357**	**679,398**	**635**	**678,763**

(a) Offsetting arrangements

NORMA Group gives volume-based rebates to selected customers. Under the terms of the supply agreements, the amounts payable by NORMA Group are offset against receivables from the customers and only the net amounts are settled. The relevant amounts have therefore been presented net in the balance sheet.

(b) Master netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement and other corresponding national master agreements, such as the corresponding German Framework Agreement. These arrangements do not meet the offsetting criteria because they allow netting only in the case of future events such as default or insolvency on the part of the Group or the counterparty. The table above shows the impact on the Group's balance sheet if all set-off rights were exercised.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

(a) Derivative financial instruments not designated as hedges

Gains and losses from derivatives that are not designated as hedges (trading derivatives) are recognized in profit or loss. Trading derivatives are classified as non-current assets or liabilities in accordance with IAS 1.68 and 1.71 if they are due after more than one year; otherwise they are classified as current.

(b) Derivative financial instruments designated as hedges

Derivatives included in hedge accounting are generally designated as either:

- Hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge);
- Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The entities of NORMA Group use derivative financial instruments for the hedging of future cash flows and for intragroup monetary items, which are between two Group entities that have different functional currencies. Derivatives such as swaps and forwards are used as hedging instruments. The accounting treatment of a change in the fair value of hedging instruments depends on the nature of the hedging relationship. In the case of hedges of future cash flows (cash flow hedges), the hedging instruments are measured at fair value. Gains and losses from remeasurement of the effective portion of the derivatives are initially recognized in the other reserves within equity, and are only recognized in the income statement when the hedged item is recognized in profit or loss; the ineffective portion of a cash flow hedge is recognized immediately in profit or loss. Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

In the case of a hedge against foreign exchange rate gains and losses on intragroup monetary items, which are not fully eliminated on consolidation (fair value hedges), gains and losses from the remeasurement of the hedging instruments as well as foreign exchange rate gains and losses of the hedged item are recognized in profit or loss.

At the inception of the transaction, the relationship between the hedging instrument and hedged item is documented, as well as the risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The fair values of derivative financial instruments used for hedging purposes and of those held for trading are disclosed in → NOTE 22 'DERIVATIVE FINANCIAL INSTRUMENTS.' Movements on the hedging reserve in equity are shown in → NOTE 22 and → NOTE 27 'EQUITY.'

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are classified as loans and receivables in accordance with IAS 39 and recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. An allowance for doubtful accounts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. In addition to the required individual bad debt allowances, the Group will determine a portfolio-based bad debt allowance considering the aging structure for trade receivables to cover general credit risk if this is applicable.

Cash and cash equivalents

Cash and cash equivalents are measured at their nominal value and include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less and which are subject only to insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The Group participates in a reverse factoring program as well as in an ABS program. The payments to the factor and from the ABS program are included in trade and other payables, as this represents the economic substance of the transactions.

Borrowings

Borrowings are recognized initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expenses for the period are comprised of current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted on the balance sheet date in the countries where the Group's subsidiaries operate. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements and on tax losses carried forward and not yet used tax credits. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

A surplus of deferred income tax assets is recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

For taxable temporary differences arising on investments in subsidiaries and associates, deferred tax liabilities are recognized, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee benefits

(a) Pension obligations

Group companies operate different pension schemes. NORMA Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The major defined benefit plan is the German benefit plan which defines the amount of pension benefit that an employee will receive on retirement to depend on years of service and compensation.

The liability recognized in the Consolidated Statement of Financial Position with respect to defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, as well as returns on plan assets, which are not included within the net interest on the defined benefit liability, are recognized within retained earnings in other comprehensive income (OCI).

Past service costs are recognized fully in the period of the related plan amendment.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefits expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits as a liability and expense on the earlier date of: (a) when the entity can no longer withdraw the offer of those benefits; or (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

(c) Short-term employee benefits

Employee benefits with short-term payment dates include wages and salaries, social security contributions, vacation pay and sickness benefits and are recognized as liabilities at the repayment amount as soon as the associated job has been performed.

(d) Provisions for other long-term employee benefits

Provisions for obligations similar to pensions (such as anniversary allowances and death benefits) are comprised of the present value of future payment obligations to the employee less any associated assets measured at fair value. The amount of provisions is determined on the basis of actuarial opinions in line with IAS 19. Gains and losses from the remeasurement are recognized in profit or loss in the period in which they are incurred.

Share-based payment

Share-based payment plans issued at NORMA Group are accounted for in accordance with IFRS 2 'Share-based Payment.' In accordance with IFRS 2, NORMA Group in principle distinguishes between equity-settled and cash-settled plans. The financial interest from equity-settled plans granted on grant date is generally allocated over the expected vesting period against equity until the exit event occurs. Expenses from cash-settled plans are generally also allocated over the expected vesting period until the exit event occurs, but against accruals. A description of the plans existing within NORMA Group can be found in → NOTE 28 'SHARE-BASED PAYMENTS.'

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation to third parties as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation taking into account all identifiable risks. Provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

In addition to the expected amount of cash outflows, uncertainties also exist regarding the time of outflows. If it is expected that the outflows will take place within one year, the relevant amounts are reported in the short-term provisions.

When the Group expects a refund for a provision, this refund is recognized in accordance with IAS 37.53 as a separate asset. If the refund is in a close economic relationship with the recognized provision, the expenses from the provision are netted with the income from the corresponding refund in profit or loss.

Income from the release of non-utilized provisions from prior years is recorded within other operating income.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sale of goods

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the significant risks and rewards associated with ownership of the goods sold have been transferred to the buyer. The above criteria are regularly fulfilled if the beneficial ownership has been transferred to the customer in accordance with the agreed Incoterms. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transaction and the specifics of each arrangement.

(b) Development contracts

Revenues from customer-specific fixed price development contracts are recognized with the percentage of completion method (PoC method) in accordance with IAS 11 if the outcome can be reliably measured. The stage of completion is calculated on the basis of the proportion of contract costs incurred to the estimated total contract costs. An expected loss on a construction contract is expensed immediately.

The percentage of completion method places considerable importance on accurate estimates of the extent of progress towards completion and may involve estimates on the scope of deliveries and services required for fulfilling the contractually defined obligations. These estimates include total contract costs, total contract revenues, contract risks, including technical risks and other judgments. Under the percentage of completion method, changes in estimates may lead to an increase or decrease in revenue. The creditworthiness of our customers is taken into account in estimating the probability that economic benefits associated with a contract will flow to the Company.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other financial liabilities. The interest element of the finance cost is charged to profit or loss over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

The Group's leases include both operating leases and finance leases, which relate mainly to property and equipment.

Government grants

Government grants are not recognized until there is reasonable assurance that the conditions attached to them are complied with and that the grants will be received.

Government grants for the compensation of expenses incurred are recognized in profit or loss as part of the other operating income on a systematic basis over the periods in which the related costs are expensed that the grants are intended to compensate for.

Grants related to non-depreciable assets are recognized in profit or loss as part of the other operating income over the periods that bear the cost of meeting the obligations.

Grants related to depreciable assets are recognized in profit or loss over the periods that bear the expense related to the depreciation of the underlying assets and are recognized as deferred income in the Statement of Financial Position. The deferred income is recognized in profit or loss on a straight-line basis over the expected useful life of the underlying asset and reported as part of other operating income.

4. SCOPE OF CONSOLIDATION

With NORMA Group SE, the Consolidated Financial Statements contain all domestic and foreign companies which NORMA Group SE controls directly or indirectly.

The Consolidated Financial Statements of 2017 include 7 domestic (Dec 31, 2016: 7) and 41 foreign (Dec 31, 2016: 40) companies.

The composition of the Group changed as follows:

T040 CHANGE IN SCOPE OF CONSOLIDATION

	2017			2016		
	Total	Domestic	Foreign	Total	Domestic	Foreign
As of January 1,	**47**	**7**	**40**	**45**	**7**	**38**
Additions	**2**	**0**	**2**	**2**	**0**	**2**
of which newly founded	0	0	0	2	0	2
of which acquired	2	0	2	0	0	0
Disposals	**1**	**0**	**1**	**0**	**0**	**0**
of which mergers	1	0	1	0	0	0
As of December 31,	**48**	**7**	**41**	**47**	**7**	**40**

In the first quarter of 2017, NORMA Group acquired Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial'), based in Portugal, and NORMA Pacific Asia Pte. Ltd. was merged into NORMA Group Asia Pacific Holding Pte. Ltd., both companies are based in Singapore. In the second quarter of 2017, NORMA Group acquired 80% of the shares in Fengfan Fastener (Shaoxing) Co., Ltd. ('Fengfan'), based in China. For further details, please refer to → NOTE 40 'BUSINESS COMBINATIONS.'

For a detailed overview of NORMA Group's shareholdings, please refer to the following chart:

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CONSOLIDATED FINANCIAL STATEMENTS

T041 LIST OF GROUP COMPANIES OF NORMA GROUP AS OF DECEMBER 31, 2017

				Share in %				
No.	**Company**	**Registered address**	**held by**	**Direct parent company**	**of NORMA Group SE**	**Currency**	**Equity [1]**	**Result [1]**
Central functions								
01	**NORMA Group SE**	**Maintal, Germany**						
02	NORMA Group APAC Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	35	–3
03	NORMA Group Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	106,814	0[2]
Segment EMEA								
04	NORMA Distribution Center GmbH	Marsberg, Germany	03	94.80	100.00	kEUR	2,175	0[2]
05	DNL GmbH & Co KG	Maintal, Germany	03	100.00	100.00	kEUR	6,393	–149
06	NORMA Germany GmbH	Maintal, Germany	03	94.90	100.00	kEUR	56,306	0[2]
07	NORMA Verwaltungs GmbH (previously NORMA Türkei Verwaltungs GmbH)	Maintal, Germany	03	100.00	100.00	kEUR	20	0[2]
08	DNL France SAS	Briey, France	03	100.00	100.00	kEUR	38,599	–8,853
09	NORMA Autoline France SAS	Guichen, France	08	100.00	100.00	kEUR	25,678	505
10	NORMA Distribution France SAS	Croissy Beaubourg, France	08	100.00	100.00	kEUR	3,291	775
11	NORMA France SAS	Briey, France	08	100.00	100.00	kEUR	3,046	1,141
12	DNL UK Ltd.	Newbury, Great Britain	03	100.00	100.00	kGBP	2,504	10,560
13	NORMA UK Ltd.	Newbury, Great Britain	12	100.00	100.00	kGBP	30,813	9,081
14	NORMA Italia SpA	Gavardo, Italy	03	100.00	100.00	kEUR	6,068	2,067
15	Groen Bevestigingsmaterialen B.V.	Purmerend, Netherlands	03	60.00	90.00	kEUR	1,407	1,383
16	NORMA Netherlands B.V.	Purmerend, Netherlands	21	100.00	100.00	kEUR	1,395	309
17	NORMA Polska Sp. z o.o.	Slawniów, Poland	03	100.00	100.00	kPLN	127,193	26,519
18	NORMA Group Distribution Polska Sp. z.o.o.	Slawniów, Poland	17	100.00	100.00	kPLN	7,643	1,898
19	Lifial – Indústria Metalúrgica de Águeda, Lda.	Águeda, Portugal	03	99.99	100.00	kEUR	6,515	1,067
20	NORMA Group CIS LLC	Togliatti, Russian Federation	03	99.96	100.00	kRUB	147,004	15,634
21	DNL Sweden AB	Stockholm, Sweden	03	100.00	100.00	kSEK	78,756	49,228
22	NORMA Sweden AB	Stockholm, Sweden	21	100.00	100.00	kSEK	217,016	57,387
23	Connectors Verbindungstechnik AG	Tagelswangen, Switzerland	03	100.00	100.00	kCHF	7,480	–53
24	NORMA Grupa Jugoistocna Evropa d.o.o.	Subotica, Serbia	03	100.00	100.00	kRSD	4,141,784	417,179
25	Fijaciones NORMA S.A.U.	L'Hospitalet de Llobregat, Spain	03	100.00	100.00	kEUR	4,980	749
26	NORMA Czech, s.r.o.	Hustopece, Czech Republic	03	100.00	100.00	kCZK	361,247	35,673
27	NORMA Turkey Bağlantı ve Birleştirme Teknolojileri Sanayi ve Ticaret Limited Şirketi	Kartal-Istanbul, Turkey	07	100.00	100.00	kTRL	7,477	4,341

→ continued on page 133

T041 LIST OF GROUP COMPANIES OF NORMA GROUP AS OF DECEMBER 31, 2017 (CONTINUED)

				Share in %				
No.	Company	Registered address	held by	Direct parent company	of NORMA Group SE	Currency	Equity[1]	Result[1]
Segment Americas								
28	NORMA do Brasil Sistemas De Conexão Ltda.	Atibaia, Brazil	34	98.20	100.00	kBRL	22,660	–9,204
29	NORMA Group México S. de R.L. de C.V.	Monterrey, Mexico	33	99.40	100.00	kUSD	8,800	–13
30	NORMA Distribution and Services S. de R.L. de C.V.	Juarez, Mexico	33	99.00	100.00	kMXN	–3,441	–4,578
31	Craig Assembly Inc.	Auburn Hills, MI, USA	34	100.00	100.00	kUSD	49,931	9,606
32	National Diversified Sales, Inc.	Woodland Hills, CA, USA	34	100.00	100.00	kUSD	253,199	26,205
33	NORMA Michigan Inc.	Auburn Hills, MI, USA	34	100.00	100.00	kUSD	86,234	9,642
34	NORMA Pennsylvania Inc.	Auburn Hills, MI, USA	01	100.00	100.00	kUSD	114,546	1,927
35	NORMA US Holding LLC	Auburn Hills, MI, USA	34	100.00	100.00	kUSD	23,720	346
36	R.G. RAY Corporation	Auburn Hills, MI, USA	34	100.00	100.00	kUSD	109,420	10,756
Segment Asia-Pacific								
37	Guyco Pty. Ltd[3]	Adelaide South Croydon, Vic., Australia	38	100.00	100.00	kAUD	0	–8,085
38	NORMA Pacific Pty. Ltd.	Adelaide South Croydon, Vic., Australia	47	100.00	100.00	kAUD	23,007	9,825
39	Fengfan Fastener (Shaoxing) Co., Ltd.	Shaoxing City, China	47	80.00	80.00	kCNY	29,261	3,236
40	NORMA China Co., Ltd.	Qingdao, China	03	100.00	100.00	kCNY	188,494	30,821
41	NORMA EJT (Changzhou) Co., Ltd.	Changzhou, China	47	100.00	100.00	kCNY	47,613	7,321
42	NORMA EJT (Wuxi) Co., Ltd.	Wuxi, China	47	100.00	100.00	kCNY	185,266	5,646
43	NORMA Group Products India Pvt. Ltd.	Pune, India	47	99.99	100.00	kINR	419,772	61,160
44	NORMA Japan Inc.	Tokyo, Japan	47	60.00	60.00	kJPY	135,311	12,715
45	NORMA Products Malaysia Sdn. Bhd. (previously Chien Jin Plastic Sdn. Bhd.)	Ipoh, Malysia	47	100.00	100.00	kMYR	37,143	5,534
46	NORMA Korea Inc.	Seoul, Republic of Korea	47	100.00	100.00	kKRW	627,029	163,748
47	NORMA Group Asia Pacific Holding Pte. Ltd.	Singapore, Singapore	01	100.00	100.00	kSGD	127,229	435
48	NORMA Pacific (Thailand) Ltd.	Chonburi, Thailand	47	99.99	100.00	kTHB	114,919	8,359

1_Reported values according to IFRS as of December 31, 2017; except for NORMA Group Holding GmbH, NORMA Germany GmbH and NORMA Distribution Center GmbH; these values are prepared according to German GAAP as of December 31, 2017, but not yet finally audited. The values are translated with the exchange rates according to Note 3.
2_A profit-pooling-contract exists.
3_In liquidation.

5. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's financial risk management focuses on the unpredictability of financial markets and seeks to minimize its potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury department (Group Treasury). The necessary responsibilities and controls associated with risk management are determined by Group management. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units.

(a) Market risk

Foreign exchange risk

NORMA Group operates internationally in around 100 different countries and is exposed to foreign exchange risk arising from the exposure to various currencies – primarily with respect to the US dollar, the British pound sterling, the Chinese renminbi yuan, the Indian rupee, the Polish złoty, the Swedish krona, the Swiss franc, the Serbian dinar, Czech crown and the Singapore dollar.

The effects of changes in foreign exchange rates are analyzed below for financial assets and liabilities denominated in foreign currencies.

T042 FOREIGN EXCHANGE RISK

	Dec 31, 2017		Dec 31, 2016	
IN EUR THOUSANDS	+10%	−10%	+10%	−10%
Currency relation				
EUR / USD				
Profit before tax	–781	955	–481	588
EUR / GBP				
Profit before tax	511	–624	1,504	–1,838
EUR / CNY				
Profit before tax	–814	995	–532	650
EUR / INR				
Profit before tax	–226	277	–99	121
EUR / PLN				
Profit before tax	768	–939	244	–299
EUR / SEK				
Profit before tax	619	–756	285	–348
EUR / CHF				
Profit before tax	212	–260	43	–52
EUR / CZK				
Profit before tax	263	–321	285	–349
EUR / RSD				
Profit before tax	479	–585	729	–891
EUR / SGD				
Profit before tax	–370	452	–303	371

The Group Treasury's risk management policy is to hedge about 50%–90% or more of anticipated operational cash of the significant foreign currency exposures.

NORMA Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risks. This translation risk is primarily managed through borrowings in the relevant foreign currency.

Interest rate risk

NORMA Group's interest rate risk arises from long-term borrowings with variable interest rates. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk which is partially offset by hedges (interest rate swaps). The Group's policy is to maintain approximately 75% of its medium-term borrowings in fixed rate instruments. NORMA Group uses the flexibility of floating instruments for extraordinary repayments without any additional cost.

Below, the effects of changes in interest rates are analyzed for bank borrowings which bear variable interest rates, and for interest rate swaps included in hedge accounting. Borrowings that bear fixed interest rates are excluded from this analysis.

Due to the current low level of interest rates in those markets that are relevant for NORMA Group's funding, the likelihood of rising interest rates is higher than that of declining interest rates – this has been addressed in the sensitivity analysis.

In fiscal year 2017, if interest rates on euro and US dollar denominated borrowings had been 100 basis points (BPS) (2016: 100 BPS) higher with all other variables held constant, profit before tax for the year would have been EUR 436 thousand lower (2016: EUR 746 thousand lower) and other comprehensive income would have been EUR 4,030 thousand higher (2016: EUR 5,375 thousand higher with 100 BPS shift).

In fiscal year 2017, if interest rates on euro and US dollar denominated borrowings had been 50 basis points (2016: 50 BPS) lower with all other variables held constant, profit before tax for the year would have been EUR 105 thousand higher (2016: EUR 245 thousand lower). Other comprehensive income would have been EUR 2,181 thousand lower (2016: EUR 2,786 thousand lower).

Other price risks

As NORMA Group is not exposed to any other material economic price risks, such as stock exchange prices or commodity prices, an increase or decrease in the relevant market prices within reasonable margins would not have an impact on the Group's profit or equity. Hence, the Group's exposure to other price risks is regarded as not material. → RISK AND OPPORTUNITY REPORT, P. 85

(b) Credit risk

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Credit risk is monitored on a Group basis. To minimize credit risk from operating activities and financial transactions, each counterparty is assigned a credit limit, the use of which is monitored regularly. Default risks are continuously monitored in the operating business.

The aggregate carrying amounts of financial assets represent the maximum default risk. For an overview of past-due receivables, please refer to → NOTE 23 'TRADE AND OTHER RECEIVABLES.' Given the Group's heterogeneous customer structure, there is no risk concentration.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

With NORMA Group's IPO in April 2011, all bank borrowings were refinanced with syndicated bank facilities in the amount of EUR 250 million, of which EUR 178 million had been repaid before December 31, 2014. In September 2014, the existing syndicated bank facilities were renegotiated with the result of an updated loan amount of EUR 100 million. In December 2015, another renegotiation of the syndicated bank facilities to in total EUR 100 million in euros and US dollars led to a further improved interest profile and now better reflects the currency of NORMA Group's cash flows (mainly in the US dollar and the euro). After scheduled repayment in 2016 and 2017, the credit volume as of December 31, 2017, is EUR 18.0 million and USD 79.1 million (Dec 31, 2017: EUR 66.0 million). On top of this, the term loan includes an option of an additional accordion facility in the amount of EUR 250 million and a maturity until 2022. In addition, a borrowing facility in the amount of EUR 50 million is available for future operating activities and to settle capital commitments, which was not yet drawn on December 31, 2017.

Furthermore, in July 2013, NORMA Group issued a promissory note valued at EUR 125 million with 5, 7 and 10-year terms.

The variable tranches with 5 and 7-year terms of the promissory note dated 2013 valued at EUR 49 million were repaid in advance in July 2016. For this purpose, NORMA Group made use of the borrowing facility as part of the syndicated loan facility in the amount of EUR 40 million on a short-term basis. For refinancing of the borrowing line and for M&A purposes, an additional promissory note was issued in August 2016 with enhanced conditions. It includes euro tranches in the amount of EUR 102 million with 5, 7 and 10-year terms and US dollar tranches in the amount of USD 52.5 million with 5 and 7-year terms.

In the fourth quarter of 2014, an additional promissory note was issued with euro tranches in the amount of EUR 106 million with 3, 5, 7 and 10-year terms and US dollar tranches in the amount of USD 128.5 million with 3, 5 and 7-year terms. After scheduled repayment in 2017, the credit volume of the 2014 promissory note as of December 31, 2017, is EUR 91.5 million and USD 107.5 million (Dec 31, 2017: EUR 89.6 million).

Liquidity is monitored on an ongoing basis with regard to the Group's business performance, planned investment and redemption of capital.

The amounts disclosed in the table below are the contractual, undiscounted cash flows. Financial liabilities denominated in foreign currencies are translated at the closing rate on the balance sheet date. Interest payments on financial instruments with variable interest rates are calculated on the basis of the interest rates applicable as of the reporting date.

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T043 MATURITY STRUCTURE OF NON-DERIVATIVE FINANCIAL LIABILITIES

Dec 31, 2017

IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	44,636	117,961	218,144	155,745
Trade and other payables	145,749			
Finance lease liabilities	123	32	2	
Other financial liabilities	6,183	245	3,946	
	196,691	**118,238**	**222,092**	**155,745**

Dec 31, 2016

IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	51,475	42,404	357,303	160,656
Trade and other payables	119,577			
Finance lease liabilities	139	138		
Other financial liabilities	981	862	245	
	172,172	**43,404**	**357,548**	**160,656**

The maturity structure of the derivative financial instruments based on cash flows is as follows:

T044 MATURITY STRUCTURE OF DERIVATIVE FINANCIAL INSTRUMENTS

As of Dec 31, 2017 IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Derivative receivables – gross settlement				
Cash outflows	–46,208			
Cash inflows	46,848			
Derivative liabilities – gross settlement				
Cash outflows	–11,352			
Cash inflows	11,159			
Derivative receivables – net settlement				
Cash inflows	654	431	800	
Derivative liabilities – net settlement				
Cash outflows	–418	–384	–424	
	683	**47**	**376**	**0**

As of Dec 31, 2016 IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Derivative receivables – gross settlement				
Cash outflows	–73,840			
Cash inflows	74,997			
Derivative liabilities – gross settlement				
Cash outflows	–16,914			
Cash inflows	16,747			
Derivative receivables – net settlement				
Cash inflows	282	41	1,253	
Derivative liabilities – net settlement				
Cash outflows	–530	–983	–501	
	742	**–942**	**752**	**0**

Capital risk management

The Group's objectives when managing capital are to ensure that it will continue to be able to repay its debt and remain financially sound.

The Group is subject to the financial covenant total net debt cover (net debt in relation to adjusted Group EBITDA), which is monitored on an ongoing basis. This financial covenant is based on the Group's Consolidated Financial Statements as well as on special definitions of the bank facility agreements. There were no covenant breaches in 2017 and 2016.

In the case of a covenant breach, the facility agreement includes several ways to remedy a potential breach by rules of exemption or shareholder actions. If a covenant breach occurs and is not remedied, the syndicated loans may be, but are not required to be, withdrawn.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, and expectations regarding future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the respective actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

Estimated impairment of goodwill

NORMA Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – IMPAIRMENT OF NON-FINANCIAL ASSETS.' The recoverable amounts of cash-generating units have been determined based on fair-value-less-costs-to-sell calculations. These calculations are based on discounted cash flow models, which require the use of estimates. → NOTE 19 'GOODWILL AND OTHER INTANGIBLE ASSETS'

In 2017 and 2016, no impairment of goodwill, which amounted to EUR 356,717 thousand on December 31, 2017 (Dec 31, 2016: EUR 368,859 thousand), was necessary. Even if the discount rate would increase by +2% and the terminal value growth rate would be 0%, the change of these key assumptions would not cause the carrying amount to exceed its recoverable amount in any CGU.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgments are required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters differs from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. On December 31, 2017, income tax liabilities were EUR 7,960 thousand (Dec 31, 2016: EUR 10,087 thousand) and deferred tax liabilities were EUR 60,543 thousand (Dec 31, 2016: EUR 101,845 thousand).

Pension benefits

The present value of the pension obligations depends on a number of factors determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The present value of the defined benefit obligation is calculated by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds.

The Group determines the appropriate discount rate on the balance sheet date. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – EMPLOYEE BENEFITS.'

Pension liabilities amounted to EUR 12,127 thousand on December 31, 2017 (Dec 31, 2016: EUR 11,786 thousand).

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and related depreciation / amortization charges for its property, plant and equipment and intangible assets. This estimate is based on projected lifecycles. These could change as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

7. ADJUSTMENTS

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

In fiscal year 2017, net expenses totaling EUR 3,494 thousand (2016: EUR 4,752 thousand) were adjusted within EBITDA (earnings before interest, taxes, depreciation and amortization). The adjustments within EBITDA are related in the amount of EUR 1,131 thousand to expenses for raw materials and consumables used resulting from the valuation of acquired inventories within the purchase price allocation for the acquisition of the Autoline business, Lifial and Fengfan.

In addition, expenses for the integration of the Autoline business in the amount of EUR 2,232 thousand were adjusted in other operating expenses and in the amount of EUR 662 thousand within employee benefits expense. Income in the amount of EUR 531 thousand resulting from the refund of a transaction tax paid in connection with the acquisition of the Autoline business was adjusted within other operating income.

In fiscal year 2016, adjustments within EBITDA are related in the amount of EUR 635 thousand to expenses for raw materials and consumables used, which are a result of the remeasurement of acquired inventories within the purchase price allocation for the acquisition of the Autoline business. Furthermore, acquisition-related expenses in the amount of EUR 2,076 thousand and a transaction tax amounting to EUR 1,650 thousand related to the acquisition were adjusted within other operating expenses. Expenses associated with the integration of the acquired Autoline business in the amount of EUR 223 thousand were adjusted within other operating expenses and in the amount of EUR 168 thousand within employee benefits expense.

Besides the adjustments described, depreciation in the amount of EUR 4,191 thousand (2016: EUR 2,317 thousand) and amortization in the amount of EUR 20,482 thousand (2016: EUR 16,685 thousand) from purchase price allocations were adjusted as in previous years.

Additionally, in 2016 an impairment of capitalized customer lists in the amount of EUR 3,921 thousand was adjusted within the amortization of intangible assets.

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

Additionally, in fiscal year 2017, an adjustment of a one-time non-cash deferred tax income of EUR 3,909 thousand, due to the reduction in the US corporate income tax rate, was made within the income taxes. → NOTE 16 'INCOME TAXES'

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

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T 045 PROFIT AND LOSS NET OF ADJUSTMENTS

IN EUR THOUSANDS	Notes	2017 unadjusted	Refund transaction tax	One-time effect US tax reform	Integration costs	Step-up effects from purchase price allocations	Total adjustments	2017 adjusted
Revenue	(8)	1,017,084					0	1,017,084
Changes in inventories of finished goods and work in progress		–1,072					0	–1,072
Other own work capitalized		3,911					0	3,911
Raw materials and consumables used	(9)	–419,748				1,131	1,131	–418,617
Gross profit		**600,175**	**0**	**0**	**0**	**1,131**	**1,131**	**601,306**
Other operating income and expenses	(10, 11)	–133,684	–531		2,232		1,701	–131,983
Employee benefits expense	(12)	–270,237			662		662	–269,575
EBITDA		**196,254**	**–531**	**0**	**2,894**	**1,131**	**3,494**	**199,748**
Depreciation		–29,421				4,191	4,191	–25,230
EBITA		**166,833**	**–531**	**0**	**2,894**	**5,322**	**7,685**	**174,518**
Amortization		–29,046				20,482	20,482	–8,564
Operating profit (EBIT)		**137,787**	**–531**	**0**	**2,894**	**25,804**	**28,167**	**165,954**
Financial costs – net	(13)	–16,055					0	–16,055
Profit before income tax		**121,732**	**–531**	**0**	**2,894**	**25,804**	**28,167**	**149,899**
Income taxes		-1,916	177	–33,909	–940	–8,318	–42,990	–44,906
Profit for the period		**119,816**	**–354**	**–33,909**	**1,954**	**17,486**	**–14,823**	**104,993**
Non-controlling interests		152					0	152
Profit attributable to shareholders of the parent		**119,664**	**–354**	**–33,909**	**1,954**	**17,486**	**–14,823**	**104,841**
Earnings per share (in EUR)		**3.76**						**3.29**

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T045 PROFIT AND LOSS NET OF ADJUSTMENTS (CONTINUED)

IN EUR THOUSANDS	Notes	2016 unadjusted	Transfer taxes paid	M&A related costs	Integration costs	Step-up effects from purchase price allocations	Total adjustments	2016 adjusted
Revenue	(8)	894,887					0	894,887
Changes in inventories of finished goods and work in progress		244					0	244
Other own work capitalized		3,318					0	3,318
Raw materials and consumables used	(9)	–353,527				635	635	–352,892
Gross profit		**544,922**	**0**	**0**	**0**	**635**	**635**	**545,557**
Other operating income and expenses	(10, 11)	–126,236	1,650	2,076	223		3,949	–122,287
Employee benefits expense	(12)	–244,061			168		168	–243,893
EBITDA		**174,625**	**1,650**	**2,076**	**391**	**635**	**4,752**	**179,377**
Depreciation		–24,209				2,317	2,317	–21,892
EBITA		**150,416**	**1,650**	**2,076**	**391**	**2,952**	**7,069**	**157,485**
Amortization		–30,415				20,606	20,606	–9,809
Operating profit (EBIT)		**120,001**	**1,650**	**2,076**	**391**	**23,558**	**27,675**	**147,676**
Financial costs – net	(13)	–14,645					0	–14,645
Profit before income tax		**105,356**	**1,650**	**2,076**	**391**	**23,558**	**27,675**	**133,031**
Income taxes		–29,490	–535	–672	–127	–7,631	–8,965	–38,455
Profit for the period		**75,866**	**1,115**	**1,404**	**264**	**15,927**	**18,710**	**94,576**
Non-controlling interests		119					0	119
Profit attributable to shareholders of the parent		**75,747**	**1,115**	**1,404**	**264**	**15,927**	**18,710**	**94,457**
Earnings per share (in EUR)		**2.38**						**2.96**

Notes to the Consolidated Statement of Comprehensive Income

8. REVENUE

Revenue recognized during the period related to the following:

T046 REVENUE BY CATEGORY

IN EUR THOUSANDS	2017	2016
Engineered Joining Technology (EJT)	638,165	535,857
Distribution Services (DS)	372,348	354,542
Other revenue	6,571	4,488
	1,017,084	**894,887**

Revenue for 2017 (EUR 1,017,084 thousand) was 13.7% above revenue for 2016 (EUR 894,887 thousand). The increase in revenue results from organic growth and from the inclusion of Lifial, Fengfan and the Autoline business. Negative currency effects have an opposite effect.

Lifial, which was acquired in the first quarter of 2017, contributed EUR 7,491 thousand to revenue. Fengfan, acquired in the second quarter of 2017, contributed EUR 7,174 thousand to revenue. Revenues from both companies are fully allocated to Distribution Services.

In 2017, EUR 142 thousand in revenues from construction contracts are included (2016: EUR 599 thousand).

For the analysis of sales by region, please refer to → NOTE 37 'SEGMENT REPORTING.'

9. RAW MATERIALS AND CONSUMABLES USED

Raw materials and consumables used comprised the following:

T047 RAW MATERIALS AND CONSUMABLES USED

IN EUR THOUSANDS	2017	2016
Cost of raw materials, consumables and supplies	−389,981	−326,133
Cost of purchased services	−29,767	−27,394
	−419,748	**−353,527**

The raw materials and consumables used lead to a ratio of 41.3% (2016: 39.5%). Also in relation to the total value, raw materials and consumables used are, with a ratio of 41.2%, above last year's level (2016: 39.3%).

The entities acquired in 2017, Lifial and Fengfan, contributed EUR 9,655 thousand to raw materials and consumables used.

10. OTHER OPERATING INCOME

Other operating income comprised the following:

T048 OTHER OPERATING INCOME

IN EUR THOUSANDS	2017	2016
Currency gains operational	5,623	6,703
Reversal of provisions	1,064	1,245
Reversal of accruals	7,200	3,801
Grants related to employee benefits expense	46	85
Reimbursement of vehicle costs	890	802
Other income from disposal of fixed assets	120	82
Foreign exchange derivatives	1,354	386
Government grants	409	450
Refund other taxes	997	389
Others	1,772	1,267
	19,475	**15,210**

Income from the reversal of liabilities and unused provisions is related to accrued customer price adjustments and employee bonuses.

11. OTHER OPERATING EXPENSES

Other operating expenses comprised the following:

T049 OTHER OPERATING EXPENSES

IN EUR THOUSANDS	2017	2016
Consulting and marketing	−17,908	−19,004
Expenses for temporary workforce and other personnel-related costs	−31,181	−25,917
Freights	−24,358	−22,288
IT and telecommunication	−15,280	−12,228
Rentals and other building costs	−11,654	−10,851
Travel and entertaining	−10,263	−9,841
Currency losses operational	−7,823	−6,648
Research & development	−3,310	−4,883
Vehicle costs	−4,447	−4,054
Maintenance	−3,533	−2,903
Commission payable	−5,560	−6,111
Non-income-related taxes	−2,844	−4,043
Insurances	−2,497	−2,589
Office supplies and services	−2,954	−2,265
Other administrative expenses	−4,663	−4,626
Others	−4,884	−3,195
	−153,159	**−141,446**

Other operating expenses for 2017 (EUR 153,159 thousand) were 8.3% higher than other operating expenses for 2016 (EUR 141,446 thousand). In relation to the total value, other operating expenses increased disproportionately lower with a ratio of 15.0% (2016: 15.7%).

The entities acquired in 2017, Lifial and Fengfan, contributed expenses in the amount of EUR 1,510 thousand to other operating expenses.

12. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense comprised the following:

T050 EMPLOYEE BENEFITS EXPENSE

IN EUR THOUSANDS	2017	2016
Wages and salaries and other termination benefits	−220,854	−200,304
Social security costs	−37,734	−31,139
Pension costs – defined contribution plans	−10,902	−11,873
Pension costs – defined benefit plans	−747	−745
	−270,237	**−244,061**

In 2017, employee benefits expense amounted to EUR 270,237 thousand compared to EUR 244,061 thousand in 2016. The increase of 10.7% is mainly due to an increase in the average headcount in 2017 compared to 2016. Currency effects had a positive effect on employee benefits expense. In relation to the total value, employee benefits expense increased disproportionately lower with a ratio of 26.5% (2016: 27.2%).

Average headcount was 5,791 in 2017 (2016: 5,266).

The entities acquired in 2017, Lifial and Fengfan, contributed EUR 2,820 thousand to employee benefits expense.

13. FINANCIAL INCOME AND COSTS

Financial income and costs comprised the following:

T051 FINANCIAL INCOME AND COSTS

IN EUR THOUSANDS	2017	2016
Financial costs		
Interest expenses		
Bank borrowings incl. hedging instruments	−13,708	−12,831
Finance lease	−10	−21
Expenses for interest accrued on provisions	−55	−59
Expenses for interest accrued on pensions	−124	−162
Foreign exchange result on financing activities	−5,911	1,617
Result on valuation of derivatives	4,552	−2,436
Other financial cost	−1,723	−980
	−16,979	**−14,872**
Financial income		
Interest income on short-term bank deposits	396	221
Other financial income	528	6
	924	**227**
Net financial cost	**−16,055**	**−14,645**

The interest expenses from bank borrowings, including hedging instruments, include in 2017 EUR 12,437 thousand from borrowings (2016: EUR 11,203 thousand) and EUR 1,271 thousand are related to interest expenses from hedging derivatives (2016: EUR 1,628 thousand).

Due to the weaker US dollar spot rate compared to the prior year, the foreign exchange result on financing activities shows in fiscal year 2017 expenses in the amount of EUR 5,911 thousand compared to income in the amount of EUR 1,617 thousand in fiscal year 2016.

In fiscal year 2017, net gains from the valuation of derivatives amount to EUR 4,552 thousand compared to net losses in the amount of EUR 2,436 thousand in fiscal year 2016.

The development of losses on valuation of derivatives as well as of foreign exchange result on financing activities results from the hedging of the US dollar financial liabilities and from the development of the US dollar compared to the prior year. The hedging relationship is classified as a fair value hedge, hence the valuation effects of the derivatives and of the financial liabilities are both reflected in the financial result. The net effect is disclosed in → NOTE 14 'NET FOREIGN EXCHANGE GAINS / LOSSES.'

Transaction costs in connection with financing are netted with the bank borrowings in accordance with IAS 39.43. They are amortized over the financing period of the respective debt using the effective interest method. As of December 31, 2017, the value of transaction costs recognized in the balance sheet and amortized over the maturities of the bank borrowings amounted to EUR 1,114 thousand (2016: EUR 1,467 thousand).

14. NET FOREIGN EXCHANGE GAINS / LOSSES

The exchange differences recognized in profit or loss are as follows:

T 052 NET FOREIGN EXCHANGE GAINS / LOSSES

IN EUR THOUSANDS	Note	2017	2016
Currency gains operational	(10)	5,623	6,703
Currency losses operational	(11)	−7,823	−6,648
Foreign exchange result on financing activities	(13)	−5,911	1,617
Result from foreign exchange rate derivatives	(13, 22)	5,669	−2,301
		−2,442	**−629**

15. EARNINGS PER SHARE

Earnings per share are calculated by dividing net income for the period attributable to NORMA Group's shareholders by the weighted average number of shares issued during the period under review. NORMA Group has only issued common shares. In 2017, as in the previous year, the average weighted number of shares was 31,862,400.

As of December 31, 2017, and 2016, there were no dilutive effects on earnings per share.

Earnings per share in 2017 and 2016 were as follows:

T 053 EARNINGS PER SHARE

	2017	2016
Profit attributable to shareholders of the parent (in EUR thousands)	119,664	75,747
Number of weighted shares	31,862,400	31,862,400
Earnings per share (un)diluted (in EUR)	**3.76**	**2.38**

16. INCOME TAXES

The breakdown of income taxes is as follows:

T 054 INCOME TAXES

IN EUR THOUSANDS	2017	2016
Current tax expenses	−34,594	−34,635
Deferred tax income	32,678	5,145
Total income taxes	**−1,916**	**-29,490**

The combined income tax rate for the German companies for 2017 amounted to 30.1% (2016: 30.1%), comprising corporate income tax at a rate of 15%, the solidarity surcharge of 5.5% on corporate income tax, and trade income tax at an average rate of 14.3%. The taxation of the foreign subsidiaries is calculated on the basis of the tax rate applicable in the respective country of domicile. Deferred taxes, calculated using the tax rates which apply respectively, are expected to apply in the various countries at the time of realization.

The income tax expense of the Group actually reported differs from the theoretical income tax expense based on the German combined income tax rate of 30.1% for 2017 as follows:

T 055 TAX RECONCILIATION

IN EUR THOUSANDS	2017	2016
Profit before tax	**121,732**	**105,356**
Group tax rate	30.1%	30.1%
Expected income taxes	**−36,641**	**−31,712**
Tax effects of:		
Tax losses and tax credits from the actual year for which no deferred income tax is recognized	−1,371	−758
Effects from deviation of Group tax rate resulting mainly from different foreign tax rates	1,298	1,110
Non-deductible expenses for tax purposes	−1,145	−799
Other tax-free income	896	149
Tax effect of changes in tax rates regarding deferred taxes	33,896	503
Income taxes related to prior years	1,679	1,430
Other	−528	587
Income taxes	**−1,916**	**−29,490**

The positive effect in 2017 within the position 'Tax effect of changes in tax rates regarding deferred taxes' results from the one-time effect in deferred tax income amounting to EUR 33,909 thousand due to the reduction of the corporate income tax rate in the US.

The item 'Income taxes related to prior years' consists regarding 2016 of provisions for tax risks with respect of future tax audits. The income tax expenses regarding the capitalization of these provisions were overcompensated for by tax credits concerning the Americas region. In 2017, income from the adjustment of tax loss carry forwards reported in prior years were recognized in this item.

The item 'Other' consists in 2017 mainly of other income-based taxes (e.g., withholding tax). In 2016, the position includes besides other income-based taxes also the income-relevant tax-related recognition of valuation units due to a new tax assessment of the facts at that time.

The income tax charged/credited directly to other comprehensive income during the year is as follows:

T 056 INCOME TAX CHARGED / CREDITED TO OTHER COMPREHENSIVE INCOME

2017

IN EUR THOUSANDS	Before tax amount	Tax charge/credit	Net-of-tax amount
Cash flow hedges gains/losses	664	−275	389
Remeasurements of post-employment benefit obligations	−458	137	−321
Other comprehensive income	**206**	**−138**	**68**

2016

IN EUR THOUSANDS	Before tax amount	Tax charge/credit	Net-of-tax amount
Cash flow hedges gains/losses	2,759	−730	2,029
Remeasurements of post-employment benefit obligations	1,119	−286	833
Other comprehensive income	**3,878**	**−1,016**	**2,862**

Notes to the Consolidated Statement of Financial Position

17. INCOME TAX ASSETS AND LIABILITIES

Due to changes in German corporate tax laws ('SE-Steuergesetz' or 'SEStEG,' which came into effect on December 31, 2006) an imputation credit asset ('Körperschaftsteuerguthaben gem. § 37 KStG') has been set up. As a result, an unconditional claim for payment of the credit in ten annual installments from 2008 through 2017 has been established. The last payment was made in 2017. In this regard, a receivable from corporate income tax was not to capitalize within the income tax assets as of December 31, 2017 (Dec 31, 2016: EUR 459 thousand).

18. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities due to maturity is as follows:

T 057 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	1,185	1,663
Deferred tax assets to be recovered within 12 months	3,660	5,900
Deferred tax assets	**4,845**	**7,563**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	59,982	101,709
Deferred tax liabilities to be recovered within 12 months	561	136
Deferred tax liabilities	**60,543**	**101,845**
Deferred tax liabilities (net)	**55,698**	**94,282**

The movement in deferred income tax assets and liabilities during the year is as follows:

T 058 MOVEMENT IN DEFERRED TAX ASSETS AND LIABILITIES

IN EUR THOUSANDS	2017	2016
Deferred tax liabilities (net) – as of January 1	**94,282**	**96,275**
Deferred tax income	–32,678	–5,145
Tax charged to other comprehensive income	138	1,016
Foreign exchange rate differences	–9,211	2,686
Acquisition of subsidiaries	3,167	–550
Deferred tax liabilities (net) – as of December 31	**55,698**	**94,282**

The analysis of deferred income tax assets and deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

T 059 DEFERRED INCOME TAX ASSETS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Intangible assets	2,750	4,577
Property, plant and equipment	269	214
Other assets	621	293
Inventories	1,620	2,590
Trade receivables	560	909
Retirement benefit obligations/ pension liabilities	1,283	1,474
Provisions	622	1,059
Borrowings	177	5,481
Other liabilities, incl. derivatives	2,009	3,131
Trade and other payables	536	508
Tax loss carry forward and tax credits	1,758	3,361
Deferred tax assets (before valuation allowances)	**12,205**	**23,597**
Valuation allowance	–31	–157
Deferred tax assets (before offsetting)	**12,174**	**23,440**
Offsetting effects	–7,329	–15,877
Deferred tax assets	**4,845**	**7,563**

T060 DEFERRED INCOME TAX LIABILITIES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Intangible assets	49,757	92,293
Property, plant and equipment	12,205	15,919
Other assets	1,944	6,717
Inventories	231	110
Trade receivables	298	207
Borrowings	899	70
Provisions	1,773	67
Other liabilities, incl. derivatives	298	387
Trade and other payables	467	446
Untaxed reserves	0	1,506
Deferred tax liabilities (before offsetting)	**67,872**	**117,722**
Offsetting effects	–7,329	–15,877
Deferred tax liabilities	**60,543**	**101,845**
Deferred tax liabilities (net)	**55,698**	**94,282**

Changes in deferred income tax liabilities in connection with intangible assets mainly result from effects due to the reduction of the corporate income tax rate in the US from 2018 on.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. As of December 31, 2017, and also in the previous year, deferred tax assets were recognized for all deductible temporary differences because sufficient taxable income will most likely be available to utilize these deductible temporary differences.

In 2017 and prior years, the Group had tax losses at several subsidiaries in several countries.

Deferred income tax assets are recognized for tax loss carry forwards as far as it is expected that the deferred tax assets will be utilized in the foreseeable future.

Deferred income tax assets for unused tax losses and unused tax credits developed as follows:

T061 EXPIRY OF RECOGNIZED TAX LOSSES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
up to 1 year	19	140
> 1 year up to 5 years	2,132	33
> 5 years	1,327	3,177
Unlimited carry forward	6,668	3,537
Total	**10,146**	**6,887**

The Group did not recognize deferred income tax assets in respect of tax loss carry forwards amounting to EUR 9,029 thousand on December 31, 2017 (Dec 31, 2016: EUR 12,503 thousand).

The expiration of tax loss carry forwards not recognized for tax purposes is as follows:

T062 EXPIRY OF NOT RECOGNIZED TAX LOSSES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
up to 1 year	0	0
> 1 year up to 5 years	2,605	2,013
> 5 years	0	1,001
Unlimited carry forward	6,424	9,489
Total	**9,029**	**12,503**

Regarding taxable temporary differences amounting to EUR 298,636 thousand on December 31, 2017 (Dec 31, 2016: EUR 265,156 thousand), associated with investments in subsidiaries, no deferred tax liabilities are recognized since the respective parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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19. GOODWILL AND OTHER INTANGIBLE ASSETS

The acquisition costs as well as accumulated amortization and impairment of intangible assets consist of the following:

T 063 DEVELOPMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

IN EUR THOUSANDS	As of Jan 1, 2017	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2017
Acquisition costs							
Goodwill	405,496	0	0	0	11,709	−27,243	389,962
Customer lists	261,752	0	0	0	9,741	−28,046	243,447
Licenses, rights	1,908	16	−8	23	0	−39	1,900
Software acquired externally	37,548	1,734	−48	2,803	0	−981	41,056
Trademarks	58,013	0	0	0	419	−6,765	51,667
Patents and technology	52,896	609	0	0	547	−4,511	49,541
Internally generated intangible assets	12,242	4,642	0	663	0	−599	16,948
Intangible assets, other	10,373	1,155	0	−3,489	0	−251	7,788
Total	**840,228**	**8,156**	**−56**	**0**	**22,416**	**−68,435**	**802,309**
Amortization and impairment							
Goodwill	36,637	0	0	0	0	−3,392	33,245
Customer lists	57,394	16,270	0	0	0	−5,911	67,753
Licenses, rights	1,462	290	−8	0	0	−33	1,711
Software acquired externally	26,351	4,904	−35	358	0	−714	30,864
Trademarks	10,837	1,416	0	0	0	−1,312	10,941
Patents and technology	30,512	3,457	0	0	0	−3,254	30,715
Internally generated intangible assets	5,273	2,592	0	0	0	−240	7,625
Intangible assets, other	7,476	117	0	−358	0	−226	7,009
Total	**175,942**	**29,046**	**−43**	**0**	**0**	**−15,082**	**189,863**

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T 063 DEVELOPMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

IN EUR THOUSANDS	As of Jan 1, 2016	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2016
Acquisition costs							
Goodwill	379,576	0	0	0	18,922	6,998	405,496
Customer lists	228,921	0	0	0	26,901	5,930	261,752
Licenses, rights	2,091	15	–202	0	0	4	1,908
Software acquired externally	31,148	2,513	–73	3,585	0	375	37,548
Trademarks	54,837	0	0	0	1,410	1,766	58,013
Patents and technology	40,404	550	0	0	10,606	1,336	52,896
Internally generated intangible assets	9,925	2,899	–658	0	0	76	12,242
Intangible assets, other	10,882	3,350	–156	–3,585	0	–118	10,373
Total	**757,784**	**9,327**	**–1,089**	**0**	**57,839**	**16,367**	**840,228**
Amortization and impairment							
Goodwill	35,747	0	0	0	0	890	36,637
Customer lists	38,172	17,995	0	0	0	1,227	57,394
Licenses, rights	1,374	286	–202	0	0	4	1,462
Software acquired externally	20,764	5,372	–73	64	0	224	26,351
Trademarks	9,251	1,245	0	0	0	341	10,837
Patents and technology	27,201	2,431	0	0	0	880	30,512
Internally generated intangible assets	3,666	2,199	–630	0	0	38	5,273
Intangible assets, other	6,771	887	0	–64	0	–118	7,476
Total	**142,946**	**30,415**	**–905**	**0**	**0**	**3,486**	**175,942**

T 064 GOODWILL AND OTHER INTANGIBLE ASSETS – CARRYING AMOUNTS

	Carrying amounts	
IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Goodwill	356,717	368,859
Customer lists	175,694	204,358
Licenses, rights	189	446
Software acquired externally	10,192	11,197
Trademarks	40,726	47,176
Patents and technology	18,826	22,384
Internally generated intangible assets	9,323	6,969
Intangible assets, other	779	2,897
Total	**612,446**	**664,286**

The item 'patents and technology' on December 31, 2017, consists of patents worth EUR 11,246 thousand (Dec 31, 2016: EUR 12,245 thousand) and technology worth EUR 7,580 thousand (Dec 31, 2016: EUR 10,139 thousand).

Internally generated intangible assets mainly include development costs for technologies in the amount of EUR 7,150 thousand (Dec 31, 2016: EUR 6,686 thousand) as well as internally generated software in the amount of EUR 2,173 thousand (Dec 31, 2016: EUR 283 thousand).

The item 'Intangible assets, other' consists mainly of prepayments.

The change in goodwill and customer lists mainly results from negative foreign exchange differences, mainly from the US dollar area and from the acquisition of Lifial and Fengfan → NOTE 40 'BUSINESS COMBINATIONS.'

The change in goodwill is summarized as follows:

T 065 CHANGE IN GOODWILL

IN EUR THOUSANDS	
Balance as of December 31, 2016	**368.859**
Changes in consolidation	11,709
Lifial	2,113
Fengfan	8,800
Autoline France	573
Autoline China	237
Autoline Mexico	–14
Currency effect	–23,851
Balance as of December 31, 2017	**356,717**

Besides the goodwill, there are intangible assets within trademarks with an indefinite useful life in the amount of EUR 26,599 thousand (2016: EUR 30,263 thousand) resulting from the acquisition of NDS in 2014. From a market perspective, NORMA Group assumed an indefinite useful life for these acquired trademarks, which mainly include the corporate brand NDS®, because these brands have been established in the market for a number of years and there is no foreseeable end to their useful life, therefore useful lives are indefinite. Trademarks with indefinite useful lives are fully allocated to the cash-generating unit (CGU) Americas.

Trademarks with an unknown term of use are subjected to an annual impairment test pursuant to IAS 36 on the basis of the recoverable amount pursuant to the procedure described in → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – IMPAIRMENT OF NON-FINANCIAL ASSETS.'

On December 31, 2017, and 2016, the intangible assets were unsecured.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to geographical areas. A summary of the goodwill allocation is presented below:

T 066 GOODWILL ALLOCATION PER SEGMENT

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
CGU EMEA	174,297	172,087
CGU Americas	167,648	190,756
CGU Asia-Pacific	14,772	6,016
	356,717	**368,859**

Goodwill for the CGU EMEA increased in 2017 due to the acquisition of Lifial in Portugal amounting to EUR 2,113 thousand and in the amount of EUR 573 thousand due to the adjustment of the initial purchase price allocation of the Autoline business in France. Currency effects had an opposite effect. Goodwill for the CGU Americas decreased in 2017 mainly due to currency effects. Goodwill for the CGU Asia-Pacific was increased by the acquisition of Fengfan in China amounting to EUR 8,800 thousand and in the amount of EUR 237 thousand due to the adjustment of the initial purchase price allocation of the Autoline business in China. Currency effects had an opposite effect.

The recoverable amount of a CGU is determined based on fair-value-less-costs-to-sell, which is calculated by discounting projected cash flows. Based on the inputs used for this valuation technique, fair values are classified as level 3 fair values. → NOTE 3 'SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – FAIR VALUE ESTIMATION' These calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed our expectations for the long-term average growth rate for the geographical area of the respective CGU.

The discount rates used are after-tax-rates and reflect the specific risk of each CGU. The respective before-tax-rates are 11.45% (2016: 9.86%) for the CGU EMEA 9.58% (2016: 10.30%) for the CGU Americas and 10.91% (2016: 10.01%) for the CGU Asia-Pacific.

The key assumptions used for fair-value-less-costs-to-sell calculations are as follows:

T 067 GOODWILL PER SEGMENT – KEY ASSUMPTIONS

December 31, 2017	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.50%	1.50%	1.50%
Discount rate	8.96%	7.72%	8.63%
Costs to sell	1.00%	1.00%	1.00%

December 31, 2016	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.50%	1.50%	1.50%
Discount rate	7.80%	6.92%	7.90%
Costs to sell	1.00%	1.00%	1.00%

The assumptions are based on management's expectations regarding future developments.

The Group has performed a sensitivity analysis in which the EBITA was decreased by 10%. This change would not cause the carrying amount to exceed its recoverable amount in any CGU.

Even if the discount rate would increase by +2% and the terminal value growth rate would be 0%, the change of these key assumptions would not cause the carrying amount to exceed its recoverable amount in any CGU.

No material impairments for intangible assets or write ups were recognized in 2017.

20. PROPERTY, PLANT AND EQUIPMENT

The acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consist of the following:

T 068 DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

IN EUR THOUSANDS	As of Jan 1, 2017	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2017
Acquisition costs							
Land and buildings	109,553	1,867	–273	891	1,309	–1,787	111,560
Machinery and tools	278,937	15,314	–4,538	20,578	3,210	–11,481	302,020
Other equipment	60,774	4,876	–933	1,596	220	–968	65,565
Assets under construction	30,257	17,520	–538	–23,065	–432	–1,721	22,021
Total	**479,521**	**39,577**	**–6,282**	**0**	**4,307**	**–15,957**	**501,166**
Depreciation and impairment							
Land and buildings	48,654	3,042	–223	0	0	–292	51,181
Machinery and tools	184,694	21,181	–4,302	0	0	–5,411	196,162
Other equipment	44,967	5,198	–797	0	0	–727	48,641
Assets under construction	29	0	0	0	0	0	29
Total	**278,344**	**29,421**	**–5,322**	**0**	**0**	**–6,430**	**296,013**

IN EUR THOUSANDS	As of Jan 1, 2016	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2016
Acquisition costs							
Land and buildings	105,133	1,392	–31	1,122	1,963	–26	109,553
Machinery and tools	245,297	11,490	–2,757	12,094	11,484	1,329	278,937
Other equipment	54,900	5,346	–1,455	1,747	136	100	60,774
Assets under construction	22,057	20,332	–50	–14,963	2,332	549	30,257
Total	**427,387**	**38,560**	**–4,293**	**0**	**15,915**	**1,952**	**479,521**
Depreciation and impairment							
Land and buildings	45,875	2,877	–2	–6	0	–90	48,654
Machinery and tools	169,979	16,738	–2,517	37	0	457	184,694
Other equipment	41,580	4,579	–1,229	–31	0	68	44,967
Assets under construction	14	15	0	0	0	0	29
Total	**257,448**	**24,209**	**–3,748**	**0**	**0**	**435**	**278,344**

T 069 PROPERTY, PLANT AND EQUIPMENT – CARRYING AMOUNTS

IN EUR THOUSANDS	Carrying amounts Dec 31, 2017	Dec 31, 2016
Land and buildings	60,379	60,899
Machinery and tools	105,858	94,243
Other equipment	16,924	15,807
Assets under construction	21,992	30,228
Total	**205,153**	**201,177**

On December 31, 2017, the item 'Machinery and tools' included tools valued at EUR 25,254 thousand (Dec 31, 2016: EUR 26,222 thousand).

No material impairment and no material write-ups were recognized on property, plant and equipment in 2017 and 2016.

On December 31, 2017, and 2016, property, plant and equipment, except for finance lease assets, were unsecured.

Land and buildings includes the following amounts where the Group is a lessee under a finance lease:

T 070 FINANCE LEASES – LAND AND BUILDINGS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Cost – capitalized finance leases	863	885
Accumulated depreciation	–74	–49
Net carrying amount	**789**	**836**

Machinery includes the following amounts where the Group is a lessee under a finance lease:

T 071 FINANCE LEASES – MACHINERY

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Cost – capitalized finance leases	128	46
Accumulated depreciation	–73	–29
Net carrying amount	**55**	**17**

Other equipment includes the following amounts where the Group is a lessee under a finance lease:

T 072 FINANCE LEASES – OTHER EQUIPMENT

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Cost – capitalized finance leases	203	74
Accumulated depreciation	–119	–53
Net carrying amount	**84**	**21**

The Group leases various property, machinery, technical and IT equipment under non-cancellable finance lease agreements. The lease terms for machinery and other equipment are between three and ten years, the lease terms for land and building are up to 50 years.

21. FINANCIAL INSTRUMENTS

Financial instruments according to classes and categories were as follows:

T073 FINANCIAL INSTRUMENTS – CLASSES AND CATEGORIES

			Measurement basis IAS 39			
IN EUR THOUSANDS	Category IAS 39	Carrying amount Dec 31, 2017	Amortized cost	Derivatives used for hedging	Measurement basis IAS 17	Fair value Dec 31, 2017
Financial assets						
Derivative financial instruments – hedge accounting						
Interest rate swaps – cash flow hedges	n/a	1,885		1,885		1,885
Foreign exchange derivatives – cash flow hedges	n/a	458		458		458
Foreign exchange derivatives – fair value hedges	n/a	182		182		182
Trade and other receivables	LaR	152,746	152,746			152,746
Other financial assets	LaR	1,001	1,001			1,001
Cash and cash equivalents	LaR	155,323	155,323			155,323
Financial liabilities						
Borrowings	FLAC	488,247	488,247			504,621
Derivative financial instruments – hedge accounting						
Interest rate swaps – cash flow hedges	n/a	1,226		1,226		1,226
Foreign exchange derivatives – cash flow hedges	n/a	43		43		43
Foreign exchange derivatives – fair value hedges	n/a	150		150		150
Trade and other payables	FLAC	145,749	145,749			145,749
Other financial liabilities						
Other liabilities	FLAC	10,375	10,375			10,375
Finance lease liabilities	n/a	156			156	156
Totals per category						
Loans and receivables (LaR)		309,070	309,070			309,070
Financial liabilities at amortized cost (FLAC)		644,371	644,371			660,745

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T 073 FINANCIAL INSTRUMENTS – CLASSES AND CATEGORIES (CONTINUED)

IN EUR THOUSANDS	Category IAS 39	Carrying amount Dec 31, 2016	Measurement basis IAS 39 Amortized cost	Measurement basis IAS 39 Derivatives used for hedging	Measurement basis IAS 17	Fair value Dec 31, 2016
Financial assets						
Derivative financial instruments – hedge accounting						
Interest rate swaps – cash flow hedges	n/a	1,576		1,576		1,576
Foreign exchange derivatives – cash flow hedges	n/a	685		685		685
Foreign exchange derivatives – fair value hedges	n/a	472		472		472
Trade and other receivables	LaR	124,208	124,208			124,208
Other financial assets	LaR	5,685	5,685			5,685
Cash and cash equivalents	LaR	165,596	165,596			165,596
Financial liabilities						
Borrowings	FLAC	555,281	555,281			567,028
Derivative financial instruments – hedge accounting						
Interest rate swaps – cash flow hedges	n/a	2,014		2,014		2,014
Foreign exchange derivatives – cash flow hedges	n/a	115		115		115
Foreign exchange derivatives – fair value hedges	n/a	52		52		52
Trade and other payables	FLAC	119,577	119,577			119,577
Other financial liabilities						
Other liabilities	FLAC	2,088	2,088			2,088
Finance lease liabilities	n/a	271			271	266
Totals per category						
Loans and receivables (LaR)		295,489	295,489			295,489
Financial liabilities at amortized cost (FLAC)		676,946	676,946			688,693

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

The fair value calculation of the fixed-interest promissory note, which is recognized at amortized cost and for which the fair value is stated in the notes, was based on the market yield curve according to the zero coupon method considering credit spreads (level 2). Interest accrued on the reporting date is included.

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

Trade and other payables and other financial liabilities have short times to maturity; therefore the carrying amounts reported approximate the fair values.

As of December 31, 2017, other financial liabilities include acquisition liabilities for outstanding purchase price payments in the amount of EUR 2,981 thousand as well as liabilities from the option to acquire the outstanding non-controlling interests in the amount of EUR 3,946 thousand from the acquisition of Fengfan Fastener (Shaoxing) Co., Ltd. in the second quarter of 2017. → NOTE 40 'BUSINESS COMBINATIONS'

The fair values of finance lease liabilities are calculated as the present values of the payments associated with the debts based on the applicable yield curve and NORMA Group's credit spread curve (level 2).

Derivative financial instruments used for hedging are carried at their respective fair values. They have been categorized entirely within level 2 in the fair value hierarchy.

None of the financial assets that are fully performing were renegotiated last year.

The tables below provide an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy under IFRS 13 as of December 31, 2017, as well as December 31, 2016:

T 074 FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY

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

IN EUR THOUSANDS	Level 1[1]	Level 2[2]	Level 3[3]	Total as of Dec 31, 2016
Recurring fair value measurements				
Assets				
Interest rate swaps – cash flow hedges		1,576		1,576
Foreign exchange derivatives – cash flow hedges		685		685
Foreign exchange derivatives – fair value hedges		472		472
Total	**0**	**2,733**	**0**	**2,733**
Liabilities				
Interest rate swaps – cash flow hedges		2,014		2,014
Foreign exchange derivatives – cash flow hedges		115		115
Foreign exchange derivatives – fair value hedges		52		52
Total	**0**	**2,181**	**0**	**2,181**

1_Fair value measurement based on quoted prices (unadjusted) in active markets for these or identical assets or liabilities.
2_Fair value measurement for the asset or liability based on inputs that are observable on active markets either directly (i.e. as priced) or indirectly (i.e. derived from prices).
3_Fair value measurement for the asset or liability based on inputs that are not observable market data.

No transfers between the different levels occurred in 2017 and 2016.

The fair value of interest swaps is calculated as the present value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using a present value model based on forward exchange rates.

In accordance with IFRS 7.20 (a), net gains and losses from financial instruments by measurement category are as follows:

T075 FINANCIAL INSTRUMENTS – NET GAINS AND LOSSES

IN EUR THOUSANDS	2017	2016
Loans and receivables (LaR)	–160	–345
Financial instruments held for trading (FAHfT and FLHfT)	0	–1,538
Financial liabilities at cost (FLAC)	–13,834	–11,454
	–13,994	**–13,337**

Net gains and losses of loans and receivables comprise impairment of trade receivables and interest income on short-term bank deposits. Net gains and losses of financial liabilities at cost comprise interest expenses and fees from borrowings.

Net gains and losses of financial instruments held for trading result from the dynamic protection concept described in → NOTE 22 'DERIVATIVE FINANCIAL INSTRUMENTS.'

Currency effects from the translation of financial assets and liabilities according to IAS 21 are shown within → NOTE 14 'NET FOREIGN EXCHANGE GAINS / LOSSES.'

22. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments were as follows:

T076 DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 31, 2017		Dec 31, 2016	
IN EUR THOUSANDS	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	1,885	1,226	1,576	2,014
Foreign exchange derivatives – cash flow hedges	458	43	685	115
Foreign exchange derivatives – fair value hedges	182	150	472	52
Total	**2,525**	**1,419**	**2,733**	**2,181**
Less non-current portion				
Interest rate swaps – cash flow hedges	1,885	1,226	1,576	2,014
Non-current portion	**1,885**	**1,226**	**1,576**	**2,014**
Current portion	**640**	**193**	**1,157**	**167**

Foreign exchange derivatives

On December 31, 2017, foreign exchange derivatives with a positive market value of EUR 458 thousand (Dec 31, 2016: EUR 685 thousand) and with a negative market value of EUR 43 thousand (Dec 31, 2016: EUR 115 thousand) were classified as cash flow hedges. The notional principal amounts were EUR 21,135 thousand (Dec 31, 2016: EUR 21,584 thousand) and EUR 5,700 thousand (Dec 31, 2016: EUR 15,534 thousand). Furthermore, foreign exchange derivatives with a positive market value of EUR 182 thousand (Dec 31, 2016: EUR 472 thousand) and a negative value of EUR 150 thousand (Dec 31, 2016: EUR 52 thousand) and a notional principal amount of EUR 25,072 thousand (Dec 31, 2016: EUR 52,257 thousand) and EUR 5,459 thousand (Dec 31, 2016: EUR 1,212 thousand) were classified as fair value hedges.

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

As part of its financial risk management, NORMA Group not only employs traditional approaches, such as using so-called natural hedges to reduce US dollar exposure and rolling hedging with foreign currency derivatives, but has also delegated certain parts of its exposure to banking partners. The purpose of this instrument is to protect NORMA Group against any unfavorable exchange rate developments while at the same time letting the Company take advantage of positive developments in foreign exchange markets. A dynamic protection concept with variable rate hedging that analyzes market trends on the basis of quantitative models and implements these findings in a technical security model is used here. All activities must always follow the strict requirements of internal risk management. Foreign exchange derivatives resulting from the described dynamic protection concept are classified as held for trading. No such foreign exchange derivatives were held on December 31, 2017.

Interest rate swaps

In order to avoid interest rate fluctuations, NORMA Group has hedged parts of the loans against changes in interest rates.

On December 31, 2017, interest rate swaps with a positive market value of EUR 1,885 thousand and a negative market value of EUR 1,226 thousand were recognized. The notional principal amount of the interest rate swaps amounts to EUR 124,346 thousand (Dec 31, 2016: EUR 95,210 thousand) and EUR 90,663 thousand (Dec 31, 2016: EUR 99,754 thousand).

On December 31, 2017, the hedged fixed interest rate was between 1.175% and 2.01%; the variable interest rate was the 3-month LIBOR and the 6-month EURIBOR.

The maximum exposure to credit risk on the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position.

In 2017 and 2016, no ineffective portion of cash flow hedges relating to foreign exchange derivatives and interest rate swaps was recognized in profit or loss.

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

T 077 CHANGE IN HEDGING RESERVE BEFORE TAX

IN EUR THOUSANDS	Foreign exchange derivatives	Interest rate swaps	Total
Balance as of January 1, 2016	**24**	**-2,508**	**-2,484**
Foreign currency translation effects	–21	0	–21
Reclassification to profit or loss	–45	1,628	1,583
Net fair value changes	754	443	1,197
Balance as of December 31, 2016	**712**	**–437**	**275**
Foreign currency translation effects	–16	0	–16
Reclassification to profit or loss	–727	1,271	544
Net fair value changes	310	–174	136
Balance as of December 31, 2017	**279**	**660**	**939**

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

An overview of the gains and losses arising from the hedging of fair value changes that were recognized in the financial result is shown below:

T078 GAINS AND LOSSES FAIR-VALUE HEDGES

IN EUR THOUSANDS	2017	2016
Losses (–) / Gains (+) on hedged items	–5,155	–69
Losses (–) / Gains (+) on hedging instruments	4,552	–892
	–603	**–961**

23. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows:

T079 TRADE AND OTHER RECEIVABLES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Trade receivables	147,872	123,901
thereof receivables from POC	0	1,525
Other receivables	4,874	307
	152,746	**124,208**

As of December 31, 2017, other receivables mainly include banker's acceptance bills for trade receivables for customers in China.

On the balance sheet date, trade receivables were as follows:

T080 TRADE RECEIVABLES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Trade receivables	150,424	127,011
Less: allowances for doubtful accounts	–2,552	–3,110
	147,872	**123,901**

All trade receivables are due within one year. The following table shows the maturity analysis for overdue trade receivables and other current receivables that are not impaired:

T081 TRADE RECEIVABLES – MATURITY ANALYSIS

As of December 31, 2017

IN EUR THOUSANDS	Not past due	< 30 days	30 – 90 days	91 – 180 days	181 days – 1 year	> 1 year	Total
Trade receivables	122,789	16,408	4,372	2,063	2,023	149	147,804
Other receivables	4,287	535	52	0	0	0	4,874
	127,076	**16,943**	**4,424**	**2,063**	**2,023**	**149**	**152,678**

As of December 31, 2016

IN EUR THOUSANDS	Not past due	< 30 days	30 – 90 days	91 – 180 days	181 days – 1 year	> 1 year	Total
Trade receivables	102,902	12,210	3,854	1,680	1,128	275	122,049
Other receivables	307	0	0	0	0	0	307
	103,209	**12,210**	**3,854**	**1,680**	**1,128**	**275**	**122,356**

On December 31, 2017, and 2016, there was no indication that trade receivables that were not impaired could be irrecoverable.

The amount of receivables that were impaired was as follows:

T 082 TRADE RECEIVABLES – IMPAIRMENTS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Trade receivables impaired and provided for	2,620	4,962
Allowances for doubtful accounts	–2,552	–3,110

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

T 083 TRADE AND OTHER RECEIVABLES – CARRYING AMOUNT PER CURRENCY

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Euro	46,957	32,280
US dollar	63,114	63,049
Chinese renminbi	28,126	15,947
British pound	3,225	2,712
Australian dollar	2,972	2,949
Swedish krona	1,035	773
Swiss franc	480	622
Indien rupee	2,289	1,374
Malaysian ringgit	1,025	1,124
Thai baht	625	793
Russian ruble	348	307
Other currencies	2,550	2,278
	152,746	**124,208**

All trade receivables were impaired by specific valuation allowances. There have been no general allowances. Movements on the Group provision for impairment of trade receivables are as follows:

T 084 TRADE RECEIVABLES – DEVELOPMENT IMPAIRMENTS

IN EUR THOUSANDS	2017	2016
As of January 1	**3,110**	**3,319**
Additions	1,244	518
Amounts used	–839	–610
Reversals	–780	–126
Currency effects	–183	9
As of December 31	**2,552**	**3,110**

The creation and release of allowances for doubtful accounts have been included in 'other operating income / expenses' in the Consolidated Statement of Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk on the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

On December 31, 2017, and 2016, the trade and other receivables were unsecured.

Factoring transactions

In fiscal year 2017, the prior year factoring program was cancelled and a new program with changed conditions was concluded. Previous year's figures stated below relate to the terminated factoring agreement.

In the factoring agreement concluded in 2017, that has a maximum volume of receivables of EUR 18 million, NORMA Group subsidiaries in Germany and Poland sell trade receivables directly to external purchasers.As part of this factoring program, receivables of EUR 9.0 million were sold as of December 31, 2017, (Dec 31, 2016: EUR 10.9 million), of which EUR 0.0 million (Dec 31, 2016: EUR 1.09 million) were retained as a reserve and recognized as other financial assets.

The requirements for a receivables transfer were met in accordance with IAS 39.15 since the receivables were transferred in accordance with IAS 39.18 a). Verification in accordance with IAS 39.20 shows that nearly all opportunities and risks were neither transferred nor retained. It follows in accordance with IAS 39.30 that NORMA Group recognizes remaining continuing involvement.

NORMA Group is continuing to perform receivables management (servicing) for the receivables sold.

Although NORMA Group is only entitled to act as a servicer, NORMA Group retains the right to dispose of the sold receivables, as purchasers do not have the right to resell the receivables acquired.

NORMA Group is continuing to recognize the sold trade receivable to the extent of its continuing involvement, i.e., at the maximum amount to which it continues to be liable for the late payment risk inherent in the receivables sold. Hence, NORMA Group is recognizing a corresponding financial liability.

The remaining continuing involvement in the amount of EUR 82 thousand (Dec 31, 2016: EUR 74 thousand) was recognized as a financial liability and considers the maximum potential loss for NORMA Group resulting from the late payment risk of receivables sold as of the reporting date. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 7 thousand, taken through profit or loss and recognized under other liabilities.

ABS program

In 2014, NORMA Group entered into a revolving asset purchase agreement (Receivables Purchase Agreement) with Weinberg Capital Ltd. (special purpose entity). Within the agreed structure, NORMA Group sold trade receivables in the context of an ABS transaction which was successfully initiated in December 2014. Receivables are sold by NORMA Group to a special purpose entity.

As of December 31, 2017, domestic NORMA Group entities had sold receivables in an amount of EUR 15.2 million (Dec 31, 2016: EUR 13.5 million) under this asset-backed securities (ABS) program with a maximum volume of EUR 25 million. From the receivables sold, EUR 0.6 million (Dec 31, 2016: EUR 3.8 million) were retained as loss reserves and not paid out. These assets were recognized as other financial assets. The basis for this transaction is the transfer of trade receivables of individual NORMA Group subsidiaries to a special purpose entity with a framework of undisclosed assignment. This special purpose entity (SPE) is not consolidated under IFRS 10 because neither the power over the SPE is attributable to NORMA Group nor does NORMA Group have an essential self-interest and no connection between power and variability of the returns of the special purpose entity exists.

The requirements for a receivables transfer according to IAS 39.15 are met, since the receivables are transferred according to IAS 39.18 a). Verification in accordance with IAS 39.20 shows that a substantial share of all risks and rewards were neither transferred nor retained. Therefore, according to IAS 39.30, NORMA Group's continuing involvement must be recognized. This continuing involvement in the amount of EUR 273 thousand (Dec 31, 2016: EUR 245 thousand) includes the maximum amount that NORMA Group could conceivably have to pay back under the default guarantee and the expected interest payments until the payment is received for the carrying amount of the receivables transferred. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 192 thousand (Dec 31, 2016: EUR 171 thousand), taken through profit or loss and recognized under other liabilities.

Receivables from construction contracts

Trade receivables include the following receivables from customer-specific contract production recognized using the percentage of completion method:

T 085 RECEIVABLES FROM CONSTRUCTION CONTRACTS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Production costs, including result from construction contracts	1,051	2,270
Payments received on account	0	–745
	1,051	**1,525**

Receivables from construction contracts include customer-specific contract production with an asset-side balance, whose production costs, taking account of profit shares and loss-free valuation, exceed the payments received on account.

The following table shows the gross amounts of the construction contracts as of December 31, 2017, and 2016:

T 086 GROSS AMOUNT CUSTOMER CONTRACTS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Amounts due from customers for contract work	1,051	1,525
Amounts due to customers for contract work	0	0
	1,051	**1,525**

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24. INVENTORIES

Inventories were as follows:

T 087 INVENTORIES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Raw materials, consumables and supplies	38,252	32,471
Work in progress	16,395	20,997
Finished goods and goods for resale	96,582	86,417
	151,229	**139,885**

On December 31, 2017, impairments were made on inventories amounting to EUR 4,385 thousand (Dec 31, 2016: EUR 4,224 thousand).

Inventories include inventories amounting to EUR 5,150 thousand from Lifial and Fengfan, the entities acquired in 2017.

On December 31, 2017, and 2016, the inventories were not collateralized with the exception of the customary business reservations of title.

25. OTHER NON-FINANCIAL ASSETS

Other non-financial assets were as follows:

T 088 OTHER NON-FINANCIAL ASSETS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Deferred costs	3,854	3,120
VAT assets	9,022	7,948
Prepayments	3,174	3,255
Other assets	752	1,639
	16,802	**15,962**

26. OTHER FINANCIAL ASSETS

Other financial assets were as follows:

T 089 OTHER FINANCIAL ASSETS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Receivables from ABS program	638	3,830
Receivables from factoring	0	1,095
Payment claims from acquisitions	0	407
Other assets	363	353
	1,001	**5,685**

Receivables from the ABS program and from factoring include reserves for the trade receivables sold.
→ NOTE 23 'TRADE AND OTHER RECEIVABLES'

In 2016, payment claims from acquisitions include outstanding receivables from a purchase price adjustment in connection with the acquisition of the Autoline business in 2016.

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27. EQUITY

Subscribed capital

The subscribed capital of the Company on December 31, 2017, and 2016 amounted to EUR 31,862 thousand and was fully paid in. It is divided into 31,862,400 shares with no par value and a notional value of EUR 1. The liability of the shareholders for the obligations of the Company to its creditors is limited to this capital. The amount of the subscribed capital is not permitted to be distributed by the Company to its shareholders.

Authorized and Conditional capital

The Management Board is entitled to increase the share capital by up to EUR 12,744,960.00 until May 19, 2020, by issuing up to 12,744,960 new no-par value registered shares in exchange for cash and/or contributions in kind either once or several times by resolution of the Annual General Meeting held on May 20, 2015, with the approval of the Supervisory Board, whereby the subscription rights of shareholders may be restricted (Authorized Capital 2015).

The share capital is being increased by up to EUR 3,186,240.00 by resolution of the Annual General Meeting on May 20, 2015, by issuing up to 3,186,240 new no-par value registered shares to grant convertible bonds and/or bonds with warrants (Conditional Capital 2015).

The resolutions of the Annual General Meeting of April 6, 2011, Authorized Capital 2011 and Conditional Capital 2011, were repealed.

Capital reserve

The capital reserve contains:

› amounts (premiums) received for the issuance of shares,
› premiums paid by shareholders in exchange for the granting of a preference for their shares,
› amounts resulting from other capital contributions of the owners.

Management incentive schemes

In the second quarter of 2015, the Matching Stock Program (MSP) for the Management Board of NORMA Group was switched over to cash settlement by resolution of the Supervisory Board. Due to the change in classification, EUR 6,278 thousand were recognized directly in equity as a reduction of the capital reserve against a corresponding provision.

Retained earnings

Retained earnings consisted of the following:

T 090 DEVELOPMENT OF RETAINED EARNINGS

IN EUR THOUSANDS	Retained earnings	Remeasurements of post-employment benefit obligations	IPO costs directly netted with equity	Reimbursement of IPO costs by shareholders	Acquisition of non-controlling interest	Effects from the application of IAS 19R	Total
Balance as of December 31, 2015	**170,157**	**–3,008**	**–4,640**	**4,681**	**–2,429**	**839**	**165,600**
Profit for the year	75,747						75,747
Dividends paid	–28,676						–28,676
Effect before taxes		1,119					1,119
Tax effect		–286					–286
Balance as of December 31, 2016	**217,228**	**–2,175**	**–4,640**	**4,681**	**–2,429**	**839**	**213,504**
Profit for the year	119,664						119,664
Dividends paid	–30,269						–30,269
Acquisition of non-controlling interests					–4,501		–4,501
Effect before taxes		–458					–458
Tax effect		137					137
Balance as of December 31, 2017	**306,623**	**–2,496**	**–4,640**	**4,681**	**–6,930**	**839**	**298,077**

A dividend of EUR 30,269 thousand (EUR 0.95 per share) was paid to the shareholders of NORMA Group after the Annual General Meeting in May 2017, which reduced the retained earnings.

Other reserves

Other reserves consisted of the following:

T 091 DEVELOPMENT OF OTHER RESERVES

IN EUR THOUSANDS	Cash flow hedges	Foreign exchange rate differences on translating foreign operations	Total
Balance as of January 1, 2016	**–1,761**	**22,889**	**21,128**
Effect before taxes	2,759	3,920	6,679
Tax effect	–730		–730
Balance as of December 31, 2016	**268**	**26,809**	**27,077**
Effect before taxes	664	–35,830	–35,166
Tax effect	–275		–275
Balance as of December 31, 2017	**657**	**–9,021**	**–8,364**

28. SHARE-BASED PAYMENTS

Management incentive schemes

The Matching Stock Program

The Matching Stock Program (MSP) for the Management Board provides a long-term incentive to commit to the success of the Group. The MSP is a share-based option. To this end, the Supervisory Board specifies a number of share options to be granted each fiscal year with the proviso that the Management Board member makes a corresponding personal investment in the Group.

The shares involved in the share options are those shares allocated or acquired and qualified as part of the MSP defined in the Management Board contract. The number of share options is calculated by multiplying the qualified shares (2017: 85,953; 2016: 85,953) held at the time of allotment by the option factor specified by the Supervisory Board. A new option factor is set for every tranche (the option factor for 2017 is 1.5; 2016: 1.5). The first tranche was allocated on the day of the IPO. The other tranches will be allocated on March 31 each following year. There are therefore 128,929 share options in the 2017 fiscal year (2016: 128,929 share options). The holding period is four years (on March 31, 2021, for the 2017 tranche, on March 31, 2020, for the 2016 tranche, on March 31, 2019, for the 2015 tranche, and on March 31, 2018, for the 2014 tranche). Non-forfeitable claims out of the options are earned pro rata over the respective performance period. The exercise price for the outstanding tranches will be the weighted average of the respective closing price of the Group's share on the 60 trading days directly preceding the allocation of each tranche. Dividend payments by the Group during the vesting period are deducted from the exercise price of each tranche.

The options of a tranche can only be exercised within a period of two years following the expiration of the holding period. In order for an option to be exercised, the weighted average of the last ten trading days must be at least 1.2 times that of the exercise price. The pay-out is limited to 2% of the average (adjusted) EBITA (tranches 2014, 2015, 2016 and 2017) or to 2% of the average (adjusted) EBITDA (tranche 2013) during the holding period (cap). When the option is exercised, the Group can decide whether to settle the option in shares or cash.

In the second quarter of 2015, the MSP for the Management Board of NORMA Group was switched over to cash settlement by resolution of the Supervisory Board. Due to the change in classification of the stock options from being a settlement in equity instruments to a cash settlement, the proportional fair value of the options was recalculated at the time of the change in estimates. The proportional expenses for the year 2015 up to the date of change in the amount of EUR 135 thousand were recognized within the capital reserve through profit or loss. The pro rata fair value on the date of the change in the assessment in the amount of EUR 6,278 thousand was recognized directly in equity as a reduction of the capital reserve against a corresponding provision.

The determination of fair value, which is the basis for determining the pro rata provision on the balance sheet date, was carried out using a Monte Carlo method. The expected volatilities are set to be the historical volatility of the three-year period before the valuation date. Due to the cash settlement, the options are valued at each balance sheet date and the resulting changes in fair value are recognized through profit or loss, whereby the prorated expenses were ratably recognized over the performance period.

The option rights granted under the MSP changed as follows in the 2017 and 2016 fiscal years:

T 092 **DEVELOPMENT OF THE MSP OPTION RIGHTS**

	Tranche MSP 2013	Tranche MSP 2014	Tranche MSP 2015	Tranche MSP 2016	Tranche MSP 2017
Expected duration until exercise in years	n/a	0.42	1.42	2.42	3.42
Proportional fair value per outstanding 'share unit' in EUR as of Dec 31, 2017	n/a	1,746,138.00	1,064,221.00	685,067.00	362,363.00
Fair value per 'share unit' in EUR as of December 31, 2017	n/a	15.03	11.78	11.14	13.66
Exercise price in EUR	20.71	36.86	42.24	44.77	40.65
Balance as of Dec 31, 2015	**145,804**	**137,366**	**128,929**	**0**	**0**
Tentatively granted 'share units'				128,929	
Exercised					
Lapsed					
Balance as of Dec 31, 2016	**145,804**	**137,366**	**128,929**	**128,929**	**0**
Balance as of Dec 31, 2016	**145,804**	**137,366**	**128,929**	**128,929**	**0**
Tentatively granted 'share units'					128,929
Exercised	145,804				
Lapsed		17,187	31,607	54,464	77,322
Balance as of Dec 31, 2017	**0**	**120,179**	**97,322**	**74,465**	**51,607**

In fiscal year 2017, expenses in the amount of EUR 3,212 thousand (2016: EUR 396 thousand) resulting from the MSP were recognized in employee benefits expense against a corresponding addition within the provisions. Furthermore, a payment amounting to EUR 3,004 was made for the exercised options of the 2013 tranche (2016: tranche 2012 EUR 2,534 thousand).

The total provision for the MSP amounts to EUR 3,858 thousand as of December 31, 2017 (Dec 31, 2016: EUR 3,650 thousand).

Long-Term Incentive Plan

In fiscal year 2013, NORMA Group installed a share-based, long-term, variable compensation component for executives and certain other groups of employees (Long-Term Incentive Plan). The Long-Term Incentive Plan (LTI) is a share-based payment, cash settled plan that takes into account both the performance of the Company and the share price development.

The participants receive a preliminary number of share units (virtual shares) at the start of the performance period based on a percentage of the respective base salary multiplied by a conversion rate. The conversion rate is determined based on the average share price of the previous 60 trading days of the calendar year prior to the grant date. Once four years have elapsed, the number of share units granted at the start of the performance period is adjusted based on the performance the Company has achieved, incorporating both the targets defined during the performance period and the Company / regional factor.

The goal achievement factor, measured by adjusted EBITA, as well as the Company / regional factor are applied as performance targets. The goal achievement factor is based on the adjusted EBITA of NORMA Group. The absolute adjusted EBITA target is determined for every year of the performance period based on the budgeted value. After conclusion of the four-year-period, the yearly recorded adjusted EBITA values are defined as a percentage in relation to the target values and averaged out over the four years. Allocation occurs above a goal achievement ratio of 90%. Between 90% and 100% goal achievement, every percentage point amounts to 10 percentage points of goal achievement factor. Between 100% and 200% goal achievement, the goal achievement factor grows by 1.5 percentage points per percentage point of goal achievement.

The Company factor is determined by the Group Senior Management based on the Company's development, as well as the development in relation to comparable companies. In addition to this, the development of free cash flows is taken into account when determining the factor. At the discretion of the Group Senior Management, unanticipated developments can also be taken into account and the Company factor corrected either downward or upward accordingly. The factor can assume values between 0.5 and 1.5.

The regional factor is defined by the Group Senior Management prior to pay-out and can assume a value between 0.5 and 1.5. The factor takes into account the results of the region, as well as any region-specific aspects.

The value of the share units is then determined at the end of the fourth calendar year based on the average share price of the last 60 days of trading in this fourth year. In case the calculated Long-term Incentive pay-out exceeds 250% of the initial grant value, the maximum pay-out is capped at 250%. The value determined is paid out to the participants in cash in May of the fifth year.

The LTI is a Group-wide and global compensation instrument with a long-term orientation. Due to the coupling to the development not only of the stock price, but also the Company's performance, the LTI provides an additional incentive to create value through value-based action, aligned with the goals of NORMA Group.

The determination of fair value, which is the basis for determining the pro rata provision on the balance sheet date, was performed using a Monte Carlo simulation. Due to the cash settlement of the virtual share units, the fair value is measured on each balance sheet date and the resulting changes in the fair value are recognized in income or loss. The allocation of the expenses is made on a pro rate basis over the performance period.

The share units granted under the LTI changed as follows in the 2017 and 2016 fiscal years:

T 093 DEVELOPMENT OF LTI

	1st Tranche LTI 2013	2nd Tranche LTI 2014	3rd Tranche LTI 2015	4th Tranche LTI 2016	5th Tranche LTI 2017
Expected duration until exercise in years	n/a	n/a	1.00	2.00	3.00
Fair value per 'share unit' in EUR as of Dec 31, 2017	n/a	56.27	54.96	53.81	51.75
Share price when granted in EUR	20.68	36.40	36.89	48.57	39.77
Balance as of Dec 31, 2016	**29,767**	**18,567**	**32,995**	**31,210**	**0**
Tentatively granted 'share units'	–	–	–	–	41,184
Exercised	29,767	–	1,966	265	–
Lapsed	–	–	–	3,551	–
Balance as of Dec 31, 2017	**0**	**18,567**	**31,029**	**27,394**	**41,184**

	1st Tranche LTI 2013	2nd Tranche LTI 2014	3rd Tranche LTI 2015	4th Tranche LTI 2016
Expected duration until exercise in years	n/a	1.00	2.00	3.00
Fair value per 'share unit' in EUR as of Dec 31, 2016	39.77	39.89	38.94	38.19
Share price when granted in EUR	20.68	36.40	36.89	48.57
Balance as of Dec 31, 2015	**31,158**	**22,144**	**38,056**	**0**
Tentatively granted 'share units'	–	–	–	31,210
Exercised	–	–	–	–
Lapsed	1,391	3,577	5,061	–
Balance as of Dec 31, 2016	**29,767**	**18,567**	**32,995**	**31,210**

In fiscal year 2017, expenses resulting from the LTI in the amount of EUR 953 thousand (2016: EUR 1,706 thousand) were recorded under personnel expense and within a corresponding provision. Furthermore, a payment amounting to EUR 947 (2016: EUR 0 thousand) was made for exercised options. In total, the provision for the LTI amounts to EUR 3,667 thousand as of December 31, 2017 (Dec 31, 2016: EUR 3,661 thousand).

29. RETIREMENT BENEFIT OBLIGATIONS

Retirement benefit obligations result mainly from two German pension plans and a Swiss post-employment benefit plan.

The German defined benefit pension plan for NORMA Group employees was closed for new entrants in 1990 and provides benefits in case of retirement, disability, and death as life-long pension payments. The benefit entitlements depend on years of service and salary. The portion of salary that is above the income threshold for social security contribution leads to higher benefit entitlements compared to the portion of the salary up to that threshold. Although the plan was closed in 1990, NORMA Group is still exposed to certain actuarial risks associated with defined benefit plans, such as longevity and compensation increases. Due to the amount of the obligation and the composition of the plan participants, approximately 95% being pensioners, a significant change in the actuarial assumptions would have no significant effects on NORMA Group.

Employees hired after 1990 are eligible under a defined contribution scheme. The contributions are paid into an insurance contract providing lump sum payments in case of retirements and deaths.

Furthermore, a plan for members of the Management Board was established in fiscal year 2015. This second German defined benefit plan is based on a direct commitment to an annual retirement payment for members of the Management Board of NORMA Group. The annual retirement payment is measured as a percentage of the pensionable income. The pension entitlement arises when the contract has expired, but not before reaching the age of 65, or if that individual is unable to work. The percentage depends on the number of years of service as a Management Board member. The percentage amounts to 4% of the last fixed annual salary prior to leaving for each completed year of service. The percentage can increase to a maximum of 55%. Furthermore, a survivor's pension is to be provided as well. The obligations arising from the plan are subject to certain actuarial risks associated with defined benefit plans, such as longevity and compensation increases.

Besides the German plans, there is a further benefit plan in Switzerland resulting from the Swiss 'Berufliches Vorsorgegesetz' law (BVG). According to the BVG, each employer has to grant post-employment benefits for qualifying employees. The plan is a capital-based plan under which the Company has to make contributions equivalent to at least the limits specified in the plan conditions for employee contributions. These plans are administered by foundations that are legally separated from the entity and subject to the BVG. The Group has outsourced the investment process to a foundation, which sets the strategic asset allocation in its group life portfolio. All regulatory granted obligations out of the plan are reinsured by an insurance company. This covers risks of disability, death and longevity. Furthermore, there is a 100% capital and interest guarantee for the retirement assets invested. In the case of a shortfall, the employer and plan participants' contribution might be increased according to decisions of the relevant foundation board. Strategies of the foundation boards to make up for potential shortfalls are subject to approval by the regulator.

Besides the plans described in Germany and Switzerland, NORMA Group also participates in a multi-employer pension plan in the US for the benefit of employees of one of its US based plants. NORMA Group's obligation to participate in the fund arises from the agreement with the employees' labor organization. The multi-employer pension plan is governed by US federal law under which the plan funds are held in trust and the plan administration and procedures substantially governed by federal regulation. The multi-employer pension plan is a defined benefit plan, and would normally be treated as such based on its associated actuarial estimates; however, the plan trustees do not provide the participating employers with sufficient information to individually account for the plan (or their portioned participation therein) as a defined benefit plan. For this reason, the plan is being treated in accordance with the rules for defined contribution pension plans (IAS 19.34). The share of contributions that NORMA Group paid to the pension schemes in the previous fiscal year amounts to EUR 1.2 million (2016: EUR 1.1 million). Contributions to the plan are recognized directly in personnel expenses for the period. Future changes to the contributions, if any, would be determined through negotiations with the workers' organization, as they may be slightly modified from time to time by regulation, and except for which NORMA Group has no other fixed commitment to the plan. Conditionally, in the unlikely event that NORMA Group withdraws from the fund or a significant employer in the fund experiences a major solvency event, additional future contribution payment obligations could arise. The funded status of the multi-employer plan is reported annually by the US Department of Labor, and is influenced by various factors, including investment performance, inflation, changes in demographics and changes in the participants' levels of performance. Based on the information provided by the plan administrator, the plan is undercapitalized. The value of the undercapitalization amounts to USD 836.4 million for all plan participants (over 150 companies). The portion of NORMA Group to this shortfall is 3.0% (based on information provided for 2016). The expected employer contributions to the pension schemes for the following year 2018 amount to EUR 1,265 thousand.

Reconciliation of defined benefit obligations (DBO) and plan assets

The amounts included in the Group's Consolidated Financial Statements arising from its post-employment defined benefit plans are as follows:

T094 COMPONENTS PENSION LIABILITY

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Present value of obligations	15,537	14,805
Fair value of plan assets	3,410	3,019
Liability in the balance sheet	**12,127**	**11,786**

The reconciliation of the net defined benefit liability (liability in the balance sheet) is as follows:

T095 RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY

IN EUR THOUSANDS	2017	2016
As of January 1	**11,786**	**11,951**
Current service cost	747	745
Past service cost	0	0
Administration costs	16	20
Interest expenses	124	162
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	–78	30
Actuarial (gains) losses from changes in demographic assumptions	51	–155
Actuarial (gains) losses from changes in financial assumptions	56	275
Experience (gains) losses	429	–1,269
Employer contributions	–211	–221
Benefits paid	–646	–638
Settlement payments	0	0
Business combinations, disposals and other	–53	883
Foreign currency translation effects	–94	3
As of December 31	**12,127**	**11,786**

A detailed reconciliation for the changes in the DBO is provided in the following table:

T096 RECONCILIATION OF THE CHANGES IN THE DBO

IN EUR THOUSANDS	2017	2016
As of January 1	**14,805**	**15,785**
Current service cost	747	745
Past service cost	0	0
Administration costs	16	20
Interest expenses	146	192
Remeasurements:		
Actuarial (gains) losses from changes in demographic assumptions	51	–155
Actuarial (gains) losses from changes in financial assumptions	56	275
Experience (gains) losses	429	–1,269
Plan participants contribution	731	1,068
Benefits paid	–646	–638
Transfers	–383	–2,110
Settlement payments	0	0
Business combinations, disposals and other	–53	883
Foreign currency translation effects	–362	9
As of December 31	**15,537**	**14,805**

The total defined benefit obligation at the end of fiscal year 2017 includes EUR 7,996 thousand for active employees, EUR 87 thousand for former employees with vested benefits and EUR 7,454 thousand for retirees and surviving dependents.

The transfer in the amount of EUR 383 thousand (2016: EUR 2,110 thousand) relates to the benefit plan in Switzerland and is a result of the legally required transfer of net defined benefit obligation to the new employer upon the departure of an employee.

Experience gains and losses recognized in fiscal year 2017 are also a result of the described transfers within the benefit plan in Switzerland and a result of changes in the number of participants within the plan in Germany.

A detailed reconciliation of the changes in the fair value of plan assets is provided in the following table:

T 097 RECONCILIATION OF CHANGES IN THE FAIR VALUE OF PLAN ASSETS

IN EUR THOUSANDS	2017	2016
As of January 1	**3,019**	**3,834**
Interest income	22	30
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	78	–30
Employer contributions	211	221
Plan participants contributions	731	1,068
Benefits paid	0	0
Transfers	–383	–2,110
Foreign currency translation effects	–268	6
Fair value of plan assets at end of year	**3,410**	**3,019**

Disaggregation of plan assets

The allocation of the plan assets of the benefit plans is as follows:

T 098 DISAGGREGATION OF PLAN ASSETS

IN EUR THOUSANDS	2017	2016
Asset class		
Insurance contracts	3,357	2,948
Cash deposit	47	66
Equity securities	6	5
Total	**3,410**	**3,019**

Cash deposits and equity securities have quoted prices in active markets. The values for insurance contracts represent the redemption value. No quoted prices in an active market are available for these.

Actuarial assumptions

The principal actuarial assumptions are as follows:

T 099 ACTUARIAL ASSUMPTIONS

IN %	2017	2016
Discount rate	1.11	1.24
Inflation rate	1.55	1.59
Future salary increases	2.30	2.32
Future pension increases	1.62	1.66

The biometric assumptions are based on the 2005 G Heubeck life-expectancy tables (revised 2016) for the German plan and on the life-expectancy tables of the BVG 2015 G for the Swiss plan. The tables are generation tables and hence differ according to sex, status and year of birth.

Sensitivity analysis

If the discount rate were to differ by +0.25%/–0.25% from the interest rate used on the balance sheet date, the defined benefit obligation for pension benefits would be an estimated EUR 435 thousand lower or EUR 476 thousand higher. If the future pension increase used were to differ by +0.25%/–0.25% from Management's estimates, the defined benefit obligation for pension benefits would be an estimated EUR 201 thousand higher or EUR 195 thousand lower. The reduction/increase of the mortality rates by 10% results in an increase/deduction of life expectancy depending on the individual age of each beneficiary. That means, for example, that the life expectancy of a male NORMA Group employee age 55 years as of December 31, 2017, increases/decreases by approximately one year. In order to determine the longevity sensitivity, the mortality rates were reduced/increased by 10% for all beneficiaries. The effect on DBO as of December 31, 2017, due to a 10% reduction/increase in mortality rates would result in an increase of EUR 727 thousand or a decrease of EUR 737 thousand.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method) has been applied as when calculating the post-employment benefit obligation recognized in the Consolidated Statement of Financial Position. Increases and decreases in the discount rate or rate of pension progression which are used in determining the DBO do not have a symmetrical effect on the DBO due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions are changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Future cash flows

Employer contributions expected to be paid to the post-employment defined benefit plans in fiscal year 2018 are EUR 209 thousand (2017: EUR 199 thousand).

Expected payments from post-employment benefit plans are as follows:

T 100 EXPECTED PAYMENTS FROM POST-EMPLOYMENT BENEFIT PLANS

IN EUR THOUSANDS	2017
Expected benefit payments	
2018	834
2019	741
2020	962
2021	714
2022	723
2023 – 2027	3,860

IN EUR THOUSANDS	2016
Expected benefit payments	
2017	731
2018	715
2019	702
2020	916
2021	677
2022 – 2026	3,152

The weighted average duration of the defined benefit obligation is 11.5 years (2016: 11.3 years).

30. PROVISIONS

The development of provisions is as follows:

T 101 DEVELOPMENT OF PROVISIONS

IN EUR THOUSANDS	As of Jan 1, 2017	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consolidation	Transfers	Foreign currency translation	As of Dec 31, 2017
Guarantees	1,207	316	–216	–176	0	0	0	–3	1,128
Severance	622	360	–437	–112	0	0	0	–25	408
Early retirement	3,339	1,562	–1,859	0	33	0	0	0	3,075
Other personnel-related obligations	11,999	5,592	–5,124	–543	0	225	244	–229	12,164
Outstanding invoices	780	816	–781	–2	0	0	0	–83	730
Others	1,210	1,133	–763	–231	0	0	–24	–46	1,279
Total provisions	**19,157**	**9,779**	**–9,180**	**–1,064**	**33**	**225**	**220**	**–386**	**18,784**

IN EUR THOUSANDS	As of Jan 1, 2016	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consolidation	Transfers	Foreign currency translation	As of Dec 31, 2016
Guarantees	1,226	325	–187	–154	0	0	0	–3	1,207
Severance	899	257	–338	–334	0	140	0	–2	622
Early retirement	3,410	1,139	–1,266	0	55	0	0	1	3,339
Other personnel-related obligations	11,481	4,585	–4,166	–6	4	0	58	43	11,999
Outstanding credit notes	1,072	0	0	–307	0	0	–757	–8	0
Outstanding invoices	798	811	–878	–1	0	0	0	50	780
Others	1,928	1,364	–1,370	–443	0	0	–267	–2	1,210
Total provisions	**20,814**	**8,481**	**–8,205**	**–1,245**	**59**	**140**	**–966**	**79**	**19,157**

T102 PROVISIONS – SPLIT CURRENT/NON-CURRENT

IN EUR THOUSANDS	Dec 31, 2017 Total	Dec 31, 2017 thereof current	Dec 31, 2017 thereof non-current	Dec 31, 2016 Total	Dec 31, 2016 thereof current	Dec 31, 2016 thereof non-current
Guarantees	1,128	934	194	1,207	1,010	197
Severance	408	408	0	622	622	0
Early retirement	3,075	0	3,075	3,339	0	3,339
Other personnel-related obligations	12,164	5,549	6,615	11,999	6,127	5,872
Outstanding invoices	730	730	0	780	780	0
Others	1,279	924	355	1,210	950	260
Total provisions	**18,784**	**8,545**	**10,239**	**19,157**	**9,489**	**9,668**

Early retirement contracts

Employees at NORMA Group in Germany can in general engage in an early retirement contract ('Altersteilzeit'). In the first phase, the employee works 100% ('Arbeitsphase'). In the second phase, he / she is exempt from work ('Freistellungsphase'). The employees receive half of their pay for the total early retirement-phase as well as top-up payments (including social security costs paid by the employer). The duration of the early retirement has a maximum of six years.

The accounting for early retirement ('Altersteilzeit') is based on actuarial valuations taking into account assumptions such as a discount rate of –0.12% p.a. (2016: 0.2% p.a.) as well as the 2005 G Heubeck life-expectancy tables. For signed early retirement contracts, a liability has been recognized. The liability includes top-up payments ('Aufstockungsbeträge') as well as deferred salary payments ('Erfüllungsrückstände').

Guarantees

Provisions for guarantees include provisions due to circumstances where a final agreement has not yet been achieved and provisions based on experience (customer claim quota, amount of damage, etc.). Future price increases are considered if material.

Severance payments

Provisions for severance payments include expected severance payments for NORMA Group employees due to circumstances where a final agreement has not yet been reached. The provisions will be paid out in the following fiscal year and are therefore reported under current provisions.

Other personnel-related provisions

Other personnel-related provisions are as follows:

T 103 PROVISIONS – OTHER PERSONNEL-RELATED

		Dec 31, 2017			Dec 31, 2016		
IN EUR THOUSANDS	Notes	Total	thereof current	thereof non-current	Total	thereof current	thereof non-current
LTI – Board Members		1,428	791	637	1,800	796	1,004
LTI – Management	(28)	3,667	899	2,768	3,661	996	2,665
STI – Board Members		856	856	0	880	880	0
Matching Stock Program (MSP)	(28)	3,858	1,746	2,112	3,650	2,400	1,250
NORMA-VA-Bonus		314	314	0	300	300	0
Anniversary provisions		839	0	839	788	0	788
Other personnel-related		1,202	943	259	920	755	165
		12,164	**5,549**	**6,615**	**11,999**	**6,127**	**5,872**

The Company's Long-Term Incentive Plan (LTI) for the Management Board consists of two different long-term compensation elements. The variable compensation is designed differently depending on the time when a Board member took office. With the Board members present before 2015, it consists of an EBITA component and an operating free cash flow before external use (FCF) component, each of which is observed over a period of three years (performance period). A new three-year performance period begins every year. Both components are calculated by multiplying the average annual adjusted EBITA and FCF values actually achieved in the performance period by the adjusted EBITA and FCF bonus percentages specified in the employment contract. In the second step, the actual value of a component is compared to the medium-term plan approved by the Supervisory Board to evaluate the Company's performance and adjustments are made to the LTI plan. The LTI plan is limited to two and a half times the amount that would be arrived at on the basis of the figures in the Company's medium-term plan. If the actual value is lower than the planned value, the LTI plan is reduced on a straight-line basis down to a minimum of EUR 0 if the three-year targets are missed by a significant amount. Due to the calculation of the variable remuneration based on future results of the Group, uncertainties exist regarding the amount of the future outflows. Parts of the long-term compensation component will be paid out in the first half of the following fiscal year and are therefore reported under the current provisions.

When entering service as from reporting year 2015, the variable compensation of the Management Board consists of the NORMA VA Bonus. This variable remuneration for the members of the Management Board who are not part of the MSP provides a long-term incentive for the Management Board to work hard to make the Company successful. The LTI is an appreciation bonus that is based on the Group's performance. The Board member receives a percentage of the calculated increase in value. The NORMA Value Added Bonus corresponds to the percentage of the average increase in value from the current and the two previous fiscal years. The annual increase in value is calculated using the following formula:

$$\text{NORMA Value Added} = (\text{EBIT} \times (1 - t)) - (\text{WACC} \times \text{invested capital})$$

The calculation of the first component is based on the consolidated earnings before interest and taxes (Group EBIT) for the fiscal year and the average corporate tax rate (t). The second component is calculated from the Group cost of capital (WACC) multiplied by the capital invested. The NORMA Value Added Bonus is limited to a fixed annual salary. 75% of the amount attributable to the LTI is paid to each Management Board member the following year. The Company then uses the remaining 25% attributable to the LTI to purchase shares of NORMA Group SE in the name and on behalf of the individual Board members. Alternatively, the Company may pay out this balance to the Board member. In this case, the Management Board obligates itself to purchase shares of NORMA Group SE with the balance of this amount within 120 days after the annual financial statements are approved at the Supervisory Board meeting. The Management Board member may not dispose of the shares for four years. Dividends and subscription rights 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.

The LTI for Management (Long-Term Incentive Plan) is a variable compensation component based on the share price of the NORMA Group. A detailed description can be found in → NOTE 28 'SHARE-BASED PAYMENTS.'

The STI of the Management Board (Short-Term Incentive Plan) results from short term variable cash payment. A description can be found in the → REMUNERATION REPORT, P. 97.

As of December 31, 2017, provisions for the Matching Stock Program (MSP) for NORMA Group's Management Board amount to EUR 3,858 thousand (2016: EUR 3,650 thousand). In fiscal year 2017, EUR 3,004 thousand were paid for exercised options from the 2013 tranche. → NOTE 28 'SHARE-BASED PAYMENTS.'

Anniversary provisions are based on actuarial valuations taking into account assumptions such as a discount rate of 1.25% p.a. as well as the 2005 G Heubeck life-expectancy tables.

Furthermore, other personnel-related provisions mainly include payable income tax and social security contributions in foreign countries.

Other non-personnel-related provisions

Provisions for outstanding invoices in the amount of EUR 730 thousand (2016: EUR 780 thousand) include expected obligations for the audit and advisory services. There are uncertainties regarding the amount and timing of the outflows. However, it is expected that this results in payments within a year.

Other provisions mainly include obligations for long-term customer bonus agreements as well as for other taxes. The amount of the long-term customer bonus agreements depends on future sales volumes. Therefore, uncertainties exist regarding the amount of the final obligation.

31. BORROWINGS

The borrowings were as follows:

T 104 BORROWINGS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Non-current		
Bank borrowings	455,111	513,105
	455,111	**513,105**
Current		
Bank borrowings	33,136	42,176
	33,136	**42,176**
Total borrowings	**488,247**	**555,281**

Bank borrowings

As of December 31, 2017, NORMA Group's financing consists in the amount of EUR 18.0 million (2016: EUR 19.0 million) and USD 79.1 million of syndicated bank facilities (value in euros on December 31, 2017: EUR 66.0 million, 2016: USD 83.5 million or EUR 79.2 million). The adjusted syndicated bank facilities in fiscal year 2015 led to a further improved interest profile and now much better reflect the currency of NORMA Group's US dollar cash flows. Both tranches are due in 2021 but include an option to prolongate until 2022. In fiscal year 2017, the scheduled repayment of the syndicated bank facilities amounts to EUR 4.8 million (2016: EUR 5.1 million).

Furthermore, NORMA Group issued a promissory note valued at EUR 125.0 million with 5, 7 and 10-year terms in 2013, of which EUR 49.0 million were paid back in 2016. In the fourth quarter of 2014, NORMA Group issued a second promissory note valued at EUR 106.0 million with 3, 5, 7 and 10-year terms and at USD 128.5 million with 3, 5, and 7-year terms, of which EUR 14.5 million and USD 21.0 million were paid back in 2017 (value of the US dollar tranche in euro on December 31, 2017: EUR 89.6 million, 2016: EUR 121.9 million). In the third quarter of 2016, a third promissory note was issued with euro tranches in the amount of EUR 102.0 million with 5, 7 and 10-year terms and US dollar tranches in the amount of USD 52.5 million (value in euros on Dec 31, 2017: EUR 43.8 million; 2016: EUR 49.8 million) with 5 and 7-year terms.

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

Costs directly attributable to financing were netted with the bank borrowings in accordance with IAS 39.43. They are amortized over the financing period using the effective interest method. The total amount, which was amortized over the remaining financing period, amounts to EUR 1,114 thousand as of December 31, 2017 (2016: EUR 1,467 thousand).

Furthermore, parts of the syndicated bank facilities and the maturity of tranches of the promissory note with variable interest rates are hedged against interest rate changes. The derivative net assets amount to EUR 659 thousand on December 31, 2017 (Dec 31, 2016: net liabilities in the amount of EUR 438 thousand).

The bank borrowings were unsecured on December 31, 2017, and 2016.

T105 MATURITY BANK BORROWINGS 2017

IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Syndicated bank facilities, net	4,665	4,665	74,648	0
Promissory note, net	26,000	102,544	125,528	148,840
Total	**30,665**	**107,209**	**200,176**	**148,840**

The maturity of the syndicated bank facilities and the promissory note on December 31, 2016, was as follows:

T106 MATURITY BANK BORROWINGS 2016

IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Syndicated bank facilities, net	5,170	5,170	87,897	0
Promissory note, net	34,422	26,000	244,955	150,333
Total	**39,592**	**31,170**	**332,852**	**150,333**

32. OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities are as follows:

T107 OTHER NON-FINANCIAL LIABILITIES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Non-current		
Government grants	446	521
Other liabilities	43	89
	489	**610**
Current		
Government grants	50	341
Non-income tax liabilities	2,004	2,892
Social liabilities	5,582	4,438
Personnel-related liabilities (e.g. vacation, bonuses, premiums)	23,274	22,421
Other liabilities	383	398
Deferred income	567	722
	31,860	**31,212**
Total other non-financial liabilities	**32,349**	**31,822**

NORMA Group received government grants, of which EUR 446 thousand were not recognized in profit or loss. They consist of grants in cash as well as land. The grants are bound to capital expenditures and employees. NORMA Group recognizes the government grants as income over the period in which related expenses occur. In 2017, EUR 409 thousand were recognized as income (2016: EUR 450 thousand).

33. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows:

T108 OTHER FINANCIAL LIABILITIES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Non-current		
Lease liabilities	33	133
Other liabilities	4,191	1,107
	4,224	**1,240**
Current		
Lease liabilities	123	138
Acquisition liability	2,981	0
Liabilities from ABS and Factoring	467	496
Other liabilities	2,736	485
	6,307	**1,119**
Total other financial liabilities	**10,531**	**2,359**

The future aggregate minimum lease payments under non-cancellable finance leases and their respective present values are as follows:

T109 FUTURE MINIMUM LEASE PAYMENTS NON-CANCELLABLE FINANCE LEASES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Gross finance lease liabilities – minimum lease payments		
Up to 1 year	123	139
> 1 year up to 5 years	33	138
> 5 years	0	0
	156	**277**
Future finance charges on finance lease	**0**	**6**
Present value of finance lease liabilities		
Up to 1 year	123	138
> 1 year up to 5 years	33	133
> 5 years	0	0
	156	**271**

Lease liabilities are effectively secured because the rights to the leased assets will revert to the lessor in the event of default.

34. TRADE AND OTHER PAYABLES

Trade and other payables were as follows:

T110 TRADE AND OTHER PAYABLES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Trade payables and other payables	120,351	96,189
Reverse factoring liabilities	25,398	23,388
	145,749	**119,577**

All trade and other payables are due to third parties within one year. For information regarding trade and other payables, please refer to → NOTE 3. 'SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES – TRADE AND OTHER PAYABLES.'

35. FINANCIAL LIABILITIES AND NET DEBT

The financial liabilities of NORMA Group have the following maturity:

T111 MATURITY OF FINANCIAL LIABILITIES

Dec 31, 2017

IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	33,136	106,612	199,782	148,717
Trade and other payables	145,749			
Finance lease liabilities	123	32	1	
Other financial liabilities	6,184	245	3,946	
	185,192	**106,889**	**203,729**	**148,717**

Dec 31, 2016

IN EUR THOUSANDS	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	42,176	30,563	332,383	150,159
Trade and other payables	119,577			
Finance lease liabilities	138	133		
Other financial liabilities	981	862	245	
	162,872	**31,558**	**332,628**	**150,159**

Net debt of NORMA Group is as follows:

T112 NET DEBT

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Bank borrowings, net	488,247	555,281
Derivative financial liabilities – hedge accounting	1,419	2,181
Finance lease liabilities	156	271
Other financial liabilities	10,375	2,088
Financial debt	**500,197**	**559,821**
Cash and cash equivalents	155,323	165,596
Net debt	**344,874**	**394,225**

NORMA Group's financial debt decreased by 10.7% from EUR 559,821 thousand as of December 31, 2016, to EUR 500,197 thousand as of December 31, 2017. The decrease in the bank borrowings is due to the scheduled repayment of the syndicated bank facilities in the amount of EUR 4,759 thousand and of the promissory note in the amount of EUR 32,288 thousand as well as effects from changes in the exchange rates on the US dollar portion of parts of the syndicated bank facilities and the promissory note.

Within the derivatives, the negative market value of the hedging derivatives decreased. The increase in other financial liabilities is mainly due to a purchase price liability amounting to EUR 2,981 thousand as well as the liability in the amount of EUR 3,946 thousand recognized for the put option to acquire the remaining non-controlling interests of Fengfan. → NOTE 40 'BUSINESS COMBINATIONS'

Compared to December 31, 2016 (EUR 394,225 thousand), net debt decreased by EUR 49,351 thousand or 12.5% to EUR 344,874 thousand. The main reason for this was the aforementioned effect from exchange rate changes on the foreign currency loans.

Other Notes

36. INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

In the Statement of Cash Flows, a distinction is made between cash flows from operating activities, investing activities and financing activities.

Net cash provided by operating activities is derived indirectly from profit for the period. The profit for the period is adjusted to eliminate non-cash expenses such as depreciation and amortization as well as expenses and payments for which the cash effects are investing or financing cash flows and to eliminate other non-cash expenses and income. Net cash provided by operating activities of EUR 145,996 thousand (2016: EUR 149,198 thousand) represents changes in current assets, provisions and liabilities (excluding liabilities in connection with financing activities).

As in the prior year, the Group participates in a reverse factoring program, a factoring program and an ABS program. Liabilities in the reverse factoring program are reported under trade and other payables. As of December 31, 2017, reverse factoring liabilities in the amount of EUR 25,398 thousand are recognized (Dec 31, 2016: EUR 23,388 thousand). → NOTE 34 'TRADE AND OTHER PAYABLES' The cash flows from the reverse factoring, the factoring and the ABS program are shown under the cash flow from operating activities as this corresponds to the economic substance of the transactions.

The total amount of trade receivables sold within the factoring and ABS program can be found in → NOTE 23 'TRADE AND OTHER RECEIVABLES.'

Net cash provided by operating activities includes in 2017 cash outflows from the payments of the cash-settled share-based payments in the amount of EUR 3,981 thousand (2016: EUR 2,534 thousand), which result from the MSP tranche 2013 (2016: tranche 2012) for the Management Board of NORMA Group and in 2017 from the Long-Term Incentive Plan (LTI) for NORMA Group employees.

The correction of income due to measurement of derivatives in the amount of EUR 4,552 thousand (2016: expenses in the amount of EUR 2,435 thousand) relates to fair value gains and losses recognized within the income statement assigned to the cash flows from financing activities.

In 2016, other payments classified as investing activities resulted from the transfer tax amounting to EUR 1,650 thousand paid in connection with the acquisition of the Autoline business which were classified as cash flows from investing activities.

Other non-cash income (–) / expenses (+) in net cash provided by operating activities mainly include foreign exchange rate gains and losses on external debt and intragroup monetary items in the amount of EUR 5,911 thousand (2016: EUR –1,616 thousand).

Furthermore, other non-cash income (–) / expenses (+) include non-cash interest expenses from the amortization of accrued costs, amounting to EUR 354 thousand (2016: EUR 421 thousand).

Cash flows resulting from interest paid are disclosed as cash flows from financing activities.

Cash flows from investing activities include net cash outflows from the acquisition and disposal of property, plant and equipment and intangible assets amounting to EUR 47,016 thousand (2016: EUR 46,226 thousand) including the change of liabilities from investments in property, plant and equipment and intangible assets amounting to EUR 217 thousand (2016: EUR –636 thousand). From the investments in non-current assets of EUR 47,654 thousand (2016: EUR 47,611 thousand), expenditures in the amount of EUR 28,507 thousand (2016: EUR 29,097 thousand) relate to growth and expenditures amounting to EUR 19,147 thousand (2016: EUR 18,514 thousand) to maintenance and continuous improvements.

In 2017, also, net payments for acquisitions of subsidiaries in the amount of EUR 23,746 thousand (2016: EUR 87,623 thousand) which result from the payments due to the acquisition of Fengfan Fastener (Shaoxing) Co., Ltd ('Fengfan') in the second quarter of 2017 in the amount of EUR 12,185 thousand, for the acquisition of Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial') in the first quarter of 2017 in the amount of EUR 11,909 thousand as well as from payments in connection with the acquisition of the Autoline business in the fourth quarter of 2016 in the amount of EUR 1,090 thousand are included in the cash flows from investing activities. Furthermore, net payments for acquisitions of subsidiaries consist of acquired cash and cash equivalents in the amount of EUR 1,438 thousand. → NOTE 40 'BUSINESS COMBINATIONS'

The net payments for acquisitions of subsidiaries in 2017 and 2016 were as follows:

T113 NET PAYMENTS FOR ACQUISITIONS OF SUBSIDIARIES

IN EUR THOUSANDS	2017	2016
Acquisition liability at the beginning of the period	0	5,094
Payment for acquisitions	28,173	81,031
Payment for transfer taxes	0	1,650
Acquired cash and cash equivalents	–1,438	0
Other changes	–8	–152
Less acquisition liability at the end of the period	2,981	0
Net payments for acquisitions of subsidiaries	**23,746**	**87,623**

Cash flows from financing activities mainly comprise outflows resulting from the payment of the dividend paid to shareholders of NORMA Group, amounting to EUR 30,269 thousand (2016: EUR 28,676 thousand), cash outflows resulting from interest paid (2017: EUR 13,672 thousand, 2016: EUR 12,026 thousand) as well as proceeds from derivatives in the amount of EUR 4,941 thousand (2016: repayment of EUR 3,485 thousand).

Furthermore, net repayment from loans amounting to EUR 42,255 thousand (2016: net proceeds of EUR 94,271 thousand), dividend payments to non-controlling interests in the amount of EUR 159 thousand (2016: EUR 204 thousand) and repayments from finance lease liabilities in the amount of EUR 201 thousand (2016: EUR 294 thousand) are disclosed as cash flows from financing activities. → NOTE 31 'BORROWINGS'

In connection with the acquisition of Fengfan, proceeds from outstanding capital contributions to a newly acquired subsidiary from former owners in the amount of EUR 3,924 thousand (2016: EUR 0 thousand) are included in the cash flows from financing activities.

The changes in balance sheet items that are presented in the Consolidated Statement of Cash Flows cannot be derived directly from the balance sheet, as the effects of currency translation are non-cash transactions and changes in the consolidated Group are shown directly in the net cash used in investing activities.

Cash is comprised of cash on hand and demand deposits of EUR 155,198 thousand on December 31, 2017 (Dec 31, 2016: EUR 165,470 thousand), as well as cash equivalents with a value of EUR 125 thousand (Dec 31, 2016: EUR 125 thousand).

Cash from China, India, Russia, Brazil and Malaysia (Dec 31, 2017: EUR 21,760 thousand, Dec 31, 2016: EUR 10,668 thousand) cannot currently be distributed due to restrictions on capital movements.

Reconciliation of Debt Movements to Cash Flows from Financing Activities

The following table represents the reconciliation from the opening balance sheet values of the financial statements of debt arising from financing activities for the relevant closing balance sheet items and which led to changes in equity.

C

CONSOLIDATED FINANCIAL STATEMENTS

T114 RECONCILIATION OF CHANGES IN ASSETS AND LIABILITIES TO CASH FLOWS FROM FINANCING ACTIVITIES

IN EUR THOUSANDS	Note	Financial liabilites			Derivatives held to hedge financial liabilities (assets (-) / liabilities (+))		Equity		Other effects	Total
		Short-term loans payable	Long-term loans payable	Finance lease obligations	Interest rate swaps – cash flow hedge	Foreign currency derivatives – fair value hedge	Retained earnings	Non-controlling interests		
Balance as of December 31, 2016		**42,176**	**513,105**	**271**	**438**	**–420**	**213,504**	**819**	**n/a**	**769,893**
Changes in cash flow from financing activities										
Loan proceeds	(31, 35)	498								498
Loan repayments	(31, 35)	–42,753								–42,753
Inflow (+) / outflow (–) from hedging derivatives	(22)					4,941				4,941
Interest paid		–13,672								–13,672
Repayment of debts from finance leases	(33)			–201						–201
Dividends paid	(27)						–30,269	–159		–30,428
Procceeds from original shareholders from outstanding capital contributions into a newly acquired subsidiary	(36)								3,924	3,924
Total change in cash flow from the financing activities	**(36)**	**–55,927**	**0**	**–201**	**0**	**4,941**	**–30,269**	**–159**	**3,924**	**–77,691**
Changes from the acquisition or loss of subsidiaries or other business operations		**4,942**							**n/a**	**4,942**
Effects of changes in exchange rates		**–2,957**	**–27,045**	**–4**					**n/a**	**–30,006**
Changes in the fair value					**–1,097**	**–4,553**			**n/a**	**–5,650**
Other changes										
Based on debt										
Interest expense		13,599	354	10			n/a	n/a	n/a	13,963
New finance leases				80			n/a	n/a	n/a	80
Transfer		31,303	–31,303				n/a	n/a	n/a	0
Other changes related to debt		**44,902**	**–30,949**	**90**	**0**	**0**	**n/a**	**n/a**	**n/a**	**14,043**
Other changes related to equity	**(27)**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**114,842**	**1,763**	**n/a**	**116,605**
Balance as of December 31, 2017		**33,136**	**455,111**	**156**	**–659**	**–32**	**298,077**	**2,423**	**3,924**	**792,136**

37. SEGMENT REPORTING

T115 SEGMENT REPORTING

IN EUR THOUSANDS	EMEA 2017	EMEA 2016	America 2017	America 2016	Asia-Pacific 2017	Asia-Pacific 2016	Total segments 2017	Total segments 2016	Central functions 2017	Central functions 2016	Consolidation 2017	Consolidation 2016	Consolidated Group 2017	Consolidated Group 2016
Total revenue	527,935	459,049	423,054	390,303	124,227	84,126	1,075,216	933,478	24,050	35,802	–82,182	–74,393	1,017,084	894,887
thereof inter-segment revenue	42,060	27,043	11,782	8,686	4,290	2,862	58,132	38,591	24,050	35,802	–82,182	–74,393	0	0
Revenue from external customers	**485,875**	**432,006**	**411,272**	**381,617**	**119,937**	**81,264**	**1,017,084**	**894,887**	**0**	**0**	**0**	**0**	**1,017,084**	**894,887**
Contribution to consolidated Group sales	48%	48%	40%	43%	12%	9%	100%	100%						
Adjusted gross profit[1]	305,095	271,116	243,749	235,941	55,392	41,000	604,236	548,057	n/a	n/a	–2,930	–2,500	601,306	545,557
Adjusted EBITDA[1]	**105,462**	**93,677**	**84,540**	**83,055**	**19,108**	**11,681**	**209,110**	**188,413**	**–9,341**	**–8,568**	**–21**	**–468**	**199,748**	**179,377**
Adjusted EBITDA margin[1, 2]	20.0%	20.4%	20.0%	21.3%	15.4%	13.9%							19.6%	20.0%
Depreciation without PPA depreciation[3]	–11,550	–10,225	–8,915	–7,871	–3,440	–2,683	–23,905	–20,779	–1,325	–1,113	0	0	–25,230	–21,892
Adjusted EBITA[1]	**93,912**	**83,452**	**75,625**	**75,184**	**15,668**	**8,998**	**185,205**	**167,634**	**–10,666**	**–9,681**	**–21**	**–468**	**174,518**	**157,485**
Adjusted EBITA margin[1, 2]	17.8%	18.2%	17.9%	19.3%	12.6%	10.7%							17.2%	17.6%
Assets[4]	601,335	556,935	599,880	673,203	159,056	119,283	1,360,271	1,349,421	383,616	474,932	–431,857	–486,673	1,312,030	1,337,680
Liabilities[5]	206,488	184,247	292,760	354,953	54,016	34,804	553,264	574,004	601,915	672,332	–377,470	–392,241	777,709	854,095
CAPEX	22,931	19,988	16,276	16,921	7,004	5,526	46,211	42,435	1,522	5,452	n/a	n/a	47,733	47,887
Number of employees[6]	3,259	2,950	1,495	1,439	931	780	5,685	5,169	106	97	n/a	n/a	5,791	5,266

1_For details regarding the adjustments, refer to → NOTE 7.
2_Based on segment sales.
3_Depreciation from purchase price allocations.
4_Including allocated goodwill, taxes are shown in the column 'consolidation.'
5_Taxes are shown in the column 'consolidation.'
6_Number of employees (average headcount).

NORMA Group segments the Group at a regional level. The reportable segments of NORMA Group are EMEA, the Americas and Asia-Pacific. NORMA Group's vision includes regional growth targets. Distribution Services are focused regionally and locally. EMEA, the Americas and Asia-Pacific have linked regional intercompany organizations of different functions. As a result, the Group's management reporting and controlling system has a regional focus. The product portfolio does not vary significantly between these segments.

Revenues of each segment are generated from the three product categories clamps (CLAMP), joining elements (CONNECT) and fluid systems / connectors (FLUID).

NORMA Group measures the performance of its segments through profit or loss indicators which are referred to as 'adjusted EBITDA' and 'adjusted EBITA.'

'Adjusted EBITDA' comprises revenue, changes in inventories of finished goods and work in progress, other own work capitalized, raw materials and consumables used, other operating income and expenses, and employee benefits expense, adjusted for material one-time effects. EBITDA is measured in a manner consistent with that used in the Consolidated Statement of Comprehensive Income.

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

In 2017, acquisition-related expenses in connection with the acquisition of the Autoline business, Lifial and Fengfan in the amount of EUR 3,494 thousand were adjusted within EBITDA and EBITA. → NOTE 7 'ADJUSTMENTS'

Inter-segment revenue is recorded at values that approximate third-party selling prices.

Segment assets comprise all assets less (current and deferred) income tax assets. Taxes are shown in the reconciliation. Segment assets and liabilities are measured in a manner consistent with that used in the Consolidated Statement of Financial Position. Assets of the 'Central Functions' include mainly cash and intercompany receivables.

Segment liabilities comprise all liabilities less (current and deferred) income tax liabilities. Taxes are shown in the consolidation. Segment assets and liabilities are measured in a manner consistent with that used in the Consolidated Statement of Financial Position. Liabilities of the 'Central Functions' include mainly borrowings.

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

Current and deferred tax assets and liabilities are shown in the consolidation. On December 31, 2017, EUR 14,805 thousand (Dec 31, 2016: EUR 18,148 thousand) in tax assets and EUR 68,503 thousand (Dec 31, 2016: EUR 111,932 thousand) in tax liabilities were shown in the consolidation.

External sales per country, measured according to the place of domicile of the company which manufactures the products, are as follows:

T116 EXTERNAL SALES PER COUNTRY

IN EUR THOUSANDS	2017	2016
Germany	200,563	189,911
USA, Mexico, Brazil	411,272	381,617
Other countries	405,249	323,359
	1,017,084	**894,887**

Non-current assets per country include non-current assets less deferred tax assets, derivative financial instruments, and shares in consolidated related parties and are as follows:

T117 NON-CURRENT ASSETS PER COUNTRY

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Germany	117,021	119,414
USA, Mexico, Brazil	434,498	506,566
Sweden	49,116	49,996
Other countries	231,007	204,676
Consolidation	–12,919	–14,822
	818,723	**865,830**

38. CONTINGENCIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business (e.g. warranty obligations).

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

39. COMMITMENTS

Capital commitments

Capital expenditure (nominal value) contracted for on the balance sheet date but not yet incurred is as follows:

T118 COMMITMENTS

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Property, plant and equipment	7,538	5,698
Inventory	1,484	1,383
Service contracts	109	90
	9,131	**7,171**

There are no material commitments concerning intangible assets.

Operating lease commitments

The Group leases various vehicles, property and technical equipment under non-cancellable operating lease agreements. The lease terms are between 1 and 15 years. The Group also leases various technical equipment under cancellable operating lease agreements.

NORMA Group has significant operating lease arrangements with annual lease payments of more than EUR 200 thousand concerning the leasing of land and buildings. Except for usual renewable options, the lease contracts do not comprise other options. The lease arrangements are held by the following companies.

- NORMA UK Ltd. (Great Britain): lease term from 2006 to 2016, prolonged to 2028, soonest termination in 2021,
- NORMA Pacific Pty Ltd. (Australia): lease term from 2016 to 2021, soonest termination in 2021,
- NORMA Michigan Inc. (USA): lease term from 2013 to 2019, soonest termination in 2019,
- Connectors Verbindungstechnik AG (Switzerland): lease term from 2012 to 2019, soonest termination in 2019,
- National Diversified Sales, Inc. (USA): lease terms from 2013 to 2020, soonest termination in 2020; 2015 to 2018, soonest termination in 2018; 2016 to 2019, soonest termination in 2019; 2016 to 2021, soonest termination in 2021 and 2017 to 2019, soonest termination in 2019,
- R.G.RAY Corporation (USA): lease term from 2014 to 2019, soonest termination in 2019.

Lease expenditure (including non-cancellable and cancellable operating leases) amounting to EUR 10,967 thousand in 2017 (2016: EUR 10,101 thousand) is included in profit or loss in 'other operating expenses.'

The following table shows the future aggregate minimum lease payments (nominal value) under non-cancellable operating leases:

T119 FUTURE MINIMUM LEASE PAYMENTS OF NON-CANCELLABLE OPERATING LEASES

IN EUR THOUSANDS	Dec 31, 2017	Dec 31, 2016
Up to 1 year	8,579	6,936
> 1 year up to 5 years	11,496	12,163
> 5 years	933	1,180
	21,008	**20,279**

40. BUSINESS COMBINATIONS

Changes of the preliminary purchase price allocation of the Autoline business acquired in the fourth quarter of 2016

The purchase price allocation was adjusted in the second quarter of 2017 based on the final determination of the Trade Working Capital Adjustment and new information regarding facts and circumstances that existed as of the acquisition date. Had this information been available at the time, it would have had an effect on the allocation of the purchase price. The following table summarizes the consideration paid and the amounts of the assets acquired and liabilities assumed recognized on the acquisition date.

T120 PURCHASE PRICE ALLOCATION AUTOLINE

	Preliminary purchase price allocation				Adjustments during the evaluation period				Final purchase price allocation			
IN EUR THOUSANDS	Total	France	China	Mexico	Total	France	China	Mexico	Total	France	China	Mexico
Consideration on Nov 30, 2016	**80,624**	**49,655**	**20,610**	**10,359**	**1,084**	**195**	**542**	**347**	**81,708**	**49,850**	**21,152**	**10,706**
Acquisition-related costs (included in other operating expenses in the Consolidated Statement of Comprehensive Income)	2,076	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Recognized amounts of identifiable assets acquired and liabilities assumed												
Property, plant and equipment	15,915	14,039	316	1,560	–170	–10	0	–160	15,745	14,029	316	1,400
Trademarks	1,410	1,410	0	0	0	0	0	0	1,410	1,410	0	0
Customer lists	26,901	5,633	15,496	5,772	240	–3	89	154	27,141	5,630	15,585	5,926
Patented technology	10,606	10,606	0	0	26	26	0	0	10,632	10,632	0	0
Inventory	8,520	2,255	4,647	1,618	529	285	–100	344	9,049	2,540	4,547	1,962
Personnel-related liabilities	–2,200	–1,829	–348	–23	213	–126	316	23	–1,987	–1,955	–32	0
Deferred tax assets	550	550	0	0	–550	–550	0	0	0	0	0	0
Total identifiable net assets	**61,702**	**32,664**	**20,111**	**8,927**	**288**	**–378**	**305**	**361**	**61,990**	**32,286**	**20,416**	**9,288**
Goodwill	18,922	16,991	499	1,432	796	573	237	–14	19,718	17,564	736	1,418
	80,624	**49,655**	**20,610**	**10,359**	**1,084**	**195**	**542**	**347**	**81,708**	**49,850**	**21,152**	**10,706**

Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial')

On January 12, 2017, NORMA Group acquired Lifial – Indústria Metalúrgica de Águeda, Lda. ('Lifial'), with economic effect on January 1, 2017.

Lifial, based in Águeda, Portugal, has been manufacturing metal clamps for use in industry and agriculture for 28 years. Its portfolio includes heavy duty clamps, pipe supporting clamps, and U-bolt clamps for mounting antennas and solar modules. The company employs around 100 people and sells its trademark products directly and through distributors to a wide range of customers in Europe and North Africa. Annual turnover was around EUR 8 million in 2015. With the acquisition, NORMA Group is strengthening its product offering in the Distribution Services business and its market position on the Iberian Peninsula and across Europe.

Goodwill of EUR 2,113 thousand derives from the acquisition, which mainly relates to the extended product range in the Distribution Services business and the strengthening of NORMA Group's market position.

Of the consideration of EUR 11,909 thousand, EUR 11,909 thousand were paid in cash.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the consideration paid for Lifial and the assets acquired and liabilities assumed recognized as of the acquisition date:

T 121 PURCHASE PRICE ALLOCATION LIFIAL

IN EUR THOUSANDS

Consideration on Jan 1, 2017	**11,909**
Acquisition-related costs (included in other operating expenses in the Consolidated Statement of Comprehensive Income)	101
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	653
Property, plant and equipment	2,519
Trademarks	246
Customer lists	3,937
Inventory	3,998
Trade and other receivables	1,143
Trade and other payables	–646
Personnel-related liabilities	–185
Other provisions	–225
Tax assets	355
Tax liabilities	–820
Deferred tax assets	53
Deferred tax liabilties	–1,232
Total identifiable net assets	**9,796**
Goodwill	2,113
	11,909

Personnel-related liabilities mainly consist of accrued salary payments.

The revenue included in the Consolidated Statement of Comprehensive Income contributed by Lifial was EUR 7,491 thousand since January 1, 2017 (acquisition date). During this period, Lifial contributed EUR 1,458 thousand to the consolidated result (the reported result does not include the step-up effects from the purchase price allocation of Lifial).

Fengfan Fastener (Shaoxing) Co., Ltd. ('Fengfan')

NORMA Group signed a purchase agreement to acquire 80 percent of the shares in Fengfan Fastener (Shaoxing) Co., Ltd. ('Fengfan'), based in Shaoxing City, China, on March 28, 2017. Effective May 18, 2017, NORMA Group acquired this 80 percent shareholding in Fengfan.

Founded in 1988, Fengfan manufactures joining products made of stainless steel, nylon and specialty materials. Its portfolio includes cable ties, fastening elements and specially coated, fire-resistant textiles, for example. The company uses cutting, coating, casting and injection molding processes in production.

With around 190 employees, Fengfan supplies to customers in the shipbuilding and heavy industries as well as to manufacturers of transport vehicles. Its products are marketed on the domestic Chinese market and exported to other countries. Its preliminary annual sales amounted to around EUR 15 million in 2016. Fengfan has a production and sales site in Shaoxing City in the Zhejiang Province.

Goodwill of EUR 8,800 thousand derives from the acquisition, which mainly relates to the strengthening of NORMA Group's market position, the extended product range and expected customer and distribution synergies.

Of the consideration of EUR 15,174 thousand, EUR 12,185 thousand were paid in cash and EUR 2,989 thousand consist of an acquisition liability to the previous owners. In addition, NORMA Group has the right to acquire the remaining 20 percent of the shares. Due to the contract, NORMA Group does not bear the risks and rewards. The expected future payment out of the purchase option of EUR 4,501 thousand is therefore shown in 'other financial liabilities.'

None of the goodwill recognized is expected to be deductible for income tax purposes.

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The purchase price allocation was adjusted in the fourth quarter of 2017 based on new information regarding facts and circumstances that existed as of the acquisition date. Had this information been available at the time, it would have had an effect on the preliminary purchase price allocation published in the second quarter of 2017. The following table summarizes the consideration paid for Fengfan and the amounts of assets acquired and liabilities assumed recognized as of the acquisition date:

T122 PURCHASE PRICE ALLOCATION FENGFAN

IN EUR THOUSANDS	Preliminary purchase price allocation	Adjustments during the evaluation period	Final purchase price allocation
Consideration on May 18, 2017	**15,174**	**n/a**	**15,174**
Acquisition-related costs (included in other operating expenses in the Consolidated Statement of Comprehensive Income)	424	n/a	n/a
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	785	0	785
Property, plant and equipment	1,958	0	1,958
Trademarks	175	−2	173
Customer lists	7,072	−1,507	5,564
Patented technology	519	2	521
Inventory	883	−2	881
Other non-financial assets	449	0	449
Other finacial assets	3,924	0	3,924
Other borrowings	−4,942	0	−4,942
Deferred tax assets	81	−1	80
Deferred tax liabilties	−1,805	378	−1,428
Total identifiable net assets	**9,100**	**−1,133**	**7,967**
Goodwill	7,894	906	8,800
Acquired non-controlling interests	−1,820	227	−1,593
	15,174	**0**	**15,174**

Fengfan was acquired with effect from May 18, 2017. The acquired other financial assets consist of outstanding capital contributions of the previous owners which were settled as of December 31, 2017. In the Statement of Cash Flows, this position was shown within cash flows from financing activities.

The revenue included in the Consolidated Statement of Comprehensive Income contributed by Fengfan was EUR 7,174 thousand since May 18, 2017 (acquisition date). During this period, Fengfan contributed EUR 613 thousand to the consolidated result (the reported result does not include the step-up effects from the purchase price allocation of Fengfan).

No information can be provided on Fengfan's sales and earnings prior to the company being acquired by NORMA Group since it was a newly founded company formed by the seller to which certain assets and processes were sold by the seller in advance of the acquisition.

41. RELATED PARTY TRANSACTIONS

Sales and purchases of goods and services

In 2017 and 2016, no management services were bought from related parties.

There are no material sales or purchases of goods and services from non-consolidated companies, from the shareholders of NORMA Group, from key management or from other related parties in 2017 and 2016.

Compensation of members of the Management Board

Compensation of the members of the Management Board according to IFRS is as follows:

T123 COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD (IFRS)

IN EUR THOUSANDS	2017	2016
Short-term benefits	2,282	2,276
Other long-term benefits	583	1,288
Termination benefits	248	199
Share-based payment	3,078	284
Total compensation according to IFRS	**6,191**	**4,047**

Provisions for the compensation of the members of the Management Board are as follows:

T124 PROVISIONS FOR COMPENSATION OF THE MANAGEMENT BOARD MEMBERS

IN EUR THOUSANDS	Notes	Dec 31, 2017	Dec 31, 2016
LTI – Management Board	(30)	1,428	1,800
STI – Management Board	(30)	856	880
Matching Stock Program (MSP)	(28)	3,858	3,650
NORMA-VA-Bonus	(30)	314	300
Total		**6,456**	**6,630**

Details regarding the individual provisions can be found in the respective notes.

Beside the provisions shown above, a defined benefit obligation exists for the Management Board. The present value of the obligation amounts to EUR 559 thousand as of December 31, 2017 (Dec 31, 2016: EUR 362 thousand). → NOTE 29 'RETIREMENT BENEFIT OBLIGATIONS'

Details regarding the compensation of the Management Board can be found on → PAGES 97 TO 102.

42. ADDITIONAL DISCLOSURES PURSUANT TO SECTION 315E (1) OF THE GERMAN COMMERCIAL CODE (HGB)

Compensation of Board members

The remuneration of the Management Board and Supervisory Board of NORMA Group GmbH was as follows:

T125 COMPENSATION OF BOARD MEMBERS

IN EUR THOUSANDS	2017	2016
Total Management Board	5,943	3,848
Total Supervisory Board	460	460
	6,403	**4,308**

The remuneration of the members of the Management Board was as follows:

T126 COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD (§ 315E HGB)

	Werner Deggim		Dr. Michael Schneider		Bernd Kleinhens		John Stephenson		Total	
IN EUR THOUSANDS	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Fixed compensation	471	471	341	327	320	306	294	294	1,426	1,398
Variable compensation	135	158	0	0	90	105	84	98	309	361
Long-term incentives	1,462	556	861	817	1,256	369	629	347	4,208	2,089
Total compensation	**2,068**	**1,185**	**1,202**	**1,144**	**1,666**	**780**	**1,007**	**739**	**5,943**	**3,848**

Besides these expenses, expenses for a defined benefit obligation for Dr. Michael Schneider in the amount of EUR 248 thousand (2016: EUR 199 thousand) are also recognized within employee benefits expense. → NOTE 29 'RETIREMENT BENEFIT OBLIGATIONS'

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Fees for the auditor

Fees for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt / Main were expensed as follows:

T 127 **FEES FOR THE AUDITOR**

IN EUR THOUSANDS	2017	2016
Auditing services	613	485
Other confirmation services	58	30
Other services	55	50
	726	**565**

In addition to auditing services, the auditor provided confirmation services for financial covenants and for the EMIR audit. Other services include consulting services in connection with IFRS transition projects, the non-financial statement and IT systems.

Headcount

The average headcount breaks down as follows:

T 128 **AVERAGE HEADCOUNT**

NUMBER	2017	2016
Direct labor	2,705	2,416
Indirect labor	1,132	1,169
Salaried	1,954	1,681
	5,791	**5,266**

The category 'direct labor' consists of employees who are directly engaged in the production process. The numbers fluctuate according to the level of output. The category 'indirect labor' consists of personnel that does not directly produce products, but rather supports production. Salaried employees are employees in administrative / sales / central functions.

Consolidation

Name, place of domicile and share in capital pursuant to section 313 (2) No. 1 HGB of the consolidated group of companies is presented in → NOTE 4 'SCOPE OF CONSOLIDATION.'

Proposal for the distribution of earnings

The Management Board proposes that a dividend of EUR 1.05 be paid as a dividend per bearer of shares, leading to a total dividend payment of EUR 33,455,520.

Corporate governance (section 161 AktG)

The Management Board and Supervisory Board have issued a Corporate Governance Declaration pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz) and made it available to shareholders on the website of NORMA Group. HTTPS://INVESTORS.NORMAGROUP.COM

43. EXEMPTIONS UNDER SECTION 264, PARAGRAPH 3 OF THE GERMAN COMMERCIAL CODE (HGB)

In 2017, the following German subsidiaries made use of disclosure exemptions pursuant to section 264, Paragraph 3 of the German Commercial Code (HGB):

› NORMA Group Holding GmbH, Maintal
› NORMA Distribution Center GmbH, Marsberg
› NORMA Germany GmbH, Maintal
› NORMA Verwaltungs GmbH, Maintal

44. EVENTS AFTER THE BALANCE SHEET DATE

As of March 9, 2018, no events were known that would have led to a material change in the disclosure or valuation of the assets and liabilities as of December 31, 2017.

Appendix to the Notes to the Consolidated Financial Statements

Voting Rights Notification

According to section 160 (1) No. 8 AktG, information regarding voting rights that have been notified to the company pursuant to section 33 (1) or (2) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) have to be disclosed.

The following sheet gives an overview of all voting rights that have been sent to the company as of March 9, 2018. It contains the information of the last notification of each shareholder and the percentage and shares may have changed in the meantime.

All notifications of voting rights by the company in the reporting period and up until March 9, 2018 are available on the website of NORMA Group HTTPS://INVESTORS.NORMAGROUP.COM.

T 129 **VOTING RIGHTS NOTIFICATIONS**

Notifying party	Achievement of voting rights	Share in %	Shares	Pursuant to WpHG
Allianz Global Investors Fund SICAV, Senningerberg, Luxembourg	November 16, 2017	3.04	969,853	§ 33, 34 WpHG
Allianz Global Investors GmbH, Frankfurt/Main, Germany	July 28, 2017	10.001	3,186,608	§ 33, 34 WpHG
Ameriprise Financial Inc., Wilmington, Delaware, USA[1]	December 21, 2016	5.57	1,773,418	§ 33, 34 WpHG
Atlantic Value General Partner Limited, London, United Kingdom	November 27, 2017	2.88	918,964	§ 33, 34 WpHG
AXA S.A., Paris, France[2]	June 9, 2017	4.98	1,585,754	§ 33, 34 WpHG
BNP Paribas Asset Management France S.A.S., Paris, France	January 26, 2018	2.98	949,114	§ 33, 34 WpHG
BNP Paribas Investment Partners S.A., Paris, France	July 14, 2016	4.91	1,564,752	§ 33, 34 WpHG
Capital Research and Management Company, Los Angeles, California, USA	March 7, 2014	3.05	973,100	§ 34 (1) sent. 1 no. 6 WpHG
Impax Asset Management Group Plc, London, United Kingdom	September 29, 2017	3.31	1,053,894	§ 33, 34 WpHG
NN Group N.V., Amsterdam, The Netherlands	November 28, 2017	2.96	943,401	§ 33, 34 WpHG
SMALLCAP World Fund, Inc., Los Angeles, California, USA	October 30, 2014	3.05	970,940	
T. Rowe Price Group, Inc., Baltimore, Maryland, USA	September 14, 2017	2.95	940,906	§ 33, 34 WpHG
The Capital Group Companies, Inc., Los Angeles, California, USA	March 7, 2014	3.05	973,100	§ 34 (1) sent. 1 no. 6 in connection with sent. 2 and 3 WpHG

1_The voting rights attributed to the notifying party are held by the following shareholder whose share in the voting rights in NORMA Group SE amounts to 3% or more: Threadneedle Investment Funds ICVC.
2_Chain of controlled undertakings: AXA Investment Managers S.A. (4.52%).

Coporate Bodies of NORMA Group SE

MEMBERS OF THE MANAGEMENT BOARD

Werner Deggim
Master's degree in Mechanical Engineering,
Chief Executive Officer (CEO)
until December 31, 2017

Bernd Kleinhens
Master's degree in Mechanical Engineering,
Managing Director Business Development
until December 31, 2017

Chief Executive Officer (CEO)
since January 1, 2018

Dr. Michael Schneider
PhD in Economics,
Chief Financial Officer (CFO)

John Stephenson
Master of Science,
Chief Operating Officer (COO)
until January 31, 2018

MEMBERS OF THE SUPERVISORY BOARD

Dr. Stefan Wolf (Chairman)
› Chairman of the Management Board (CEO) of ElringKlinger AG, Dettingen, Germany
› Member of the Supervisory Board of Allgaier Werke GmbH, Uhingen, Germany

Lars M. Berg (Vice-Chairman)
› Consultant
› Chairman of the Supervisory Board of Net Insight AB, Stockholm, Sweden
› Chairman of the Supervisory Board of Greater Than AB, Stockholm, Sweden
› Member of the Supervisory Board of BioElectric Solutions AB, Stockholm, Sweden (until May 12, 2017)

Günter Hauptmann
› Consultant
› Chairman of the Advisory Board of Atesteo GmbH (formerly GIF GmbH), Alsdorf, Germany (until February 14, 2018)
› Member of the Advisory Board of Moon TopCo GmbH (Schlemmer Group), Poing, Germany

Dr. Knut Michelberger
› Consultant
› Member of the Advisory Board of Rena Technologies GmbH, Gütenbach, Germany
› Member of the Supervisory Board (raad van commissarissen) of Weener Plastics Group, Ede, Netherlands
› Managing Director of Formel D GmbH, Troisdorf, Germany, and affiliated companies; for the duration of this mandate, the membership in the Advisory Board (Vice-Chairman) of the parent company Racing TopCo GmbH remains dormant
› Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany
› Chairman of the Board of Baltic Coffee Holding, Riga, Latvia (until October 31, 2017)

Dr. Christoph Schug
› Consultant
› Member of the Advisory Board of Bomedus GmbH, Bonn, Germany
› Member of the Advisory Board of MoebelFirst GmbH, Cologne, Germany

Erika Schulte
› Managing Director of Hanau Wirtschaftsförderung GmbH, Hanau, Germany
› No other mandates

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Maintal, March 9, 2018

NORMA Group SE
The Management Board

Bernd Kleinhens

Dr. Michael Schneider

Independent Auditor's Report

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

AUDIT OPINIONS

We have audited the Consolidated Financial Statements of NORMA Group SE, Maintal, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of December 31, 2017, and the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the financial year from January 1 to December 31, 2017, and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of NORMA Group SE for the financial year from January 1 to December 31, 2017. We have not audited the content of those parts of the Group Management Report listed in the 'Other Information' section of our Auditor's Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017 and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Group Management Report does not cover those parts of the Group Management Report listed in the 'Other Information' section of our Auditor's Report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and of the Group Management Report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those requirements and principles are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report' section of our Auditor's Report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the Consolidated Financial Statements and on the Group Management Report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill

2. Company acquisitions

3. Accounting treatment of a new factoring agreement

Our presentation of these key audit matters has been structured in each case as follows:

a) Matter and issue

b) Audit approach and findings

c) Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

a) In the Consolidated Financial Statements of NORMA Group SE, a total amount of EUR 356.7 million, representing around 27% of total assets, is reported under the balance sheet item 'Goodwill'. The Company allocates goodwill to the groups of cash-generating units, which correspond to the Group's operating segments. Goodwill is tested for impairment ('impairment test') on an annual basis or if there are indications that goodwill may be impaired, to determine any possible need for write-downs. For the purposes of the impairment test, the carrying amount of the relevant cash-generating unit is compared with its fair value less costs of disposal. This measurement is generally based on the present value of the future cash flows of the relevant cash-generating unit to which the respective goodwill is allocated. Present values are calculated using discounted cash flow models. For this purpose, the Group's five-year financial plan prepared by the executive directors and adopted by the Supervisory Board forms the starting point for future projections based on assumptions about long-term rates of growth. In doing so, expectations relating to future market developments and country-specific assumptions about the performance of macroeconomic indicators are also taken into account. The discount rate used is the weighted average cost of capital for the relevant cash-generating unit. The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

b) As part of our audit, we evaluated the methodology used for the purposes of performing the impairment test, among other things. We also assessed whether the future cash inflows underlying the measurements and the discount rates used on the whole provide an appropriate basis for the impairment tests of the individual cash-generating units. We assessed the appropriateness of the future cash inflows used in the calculation, inter alia, by comparing this data with the current budgets in the five-year financial plan prepared by the executive directors and approved by the Supervisory Board, and by reconciling it with general and sector-specific market expectations. In addition, we assessed whether the basis for including the costs of Group functions was appropriate. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated using this method, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. Furthermore, in addition to the analyses carried out by the Company we performed our own sensitivity analyses and, taking into account the information available, determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash inflows. Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations and are also within ranges considered by us to be reasonable.

c) The Company's disclosures on goodwill are contained in sections 5, 7 and 19 of the Notes to the Consolidated Financial Statements.

2. Company acquisitions

a) In the financial year 2017, NORMA Group SE acquired 80% of the shares in Fengfan Fastener (Shaoxing) Co., Ltd., headquartered in Shaoxing City, China. Furthermore, all of the shares in Lifial – Indústria Metalúrgica de Águeda, Lda., headquartered in Águeda, Portugal, were also purchased. The purchase price for the two acquisitions totaled EUR 27.1 million. In general, the assets and liabilities acquired are recognized at fair value as of the respective acquisition date, based on a number of assumptions made by the executive directors. After taking into account the share of the net assets acquired attributable to NORMA Group SE of EUR 16.2 million, the resulting purchased goodwill amounts in total to EUR 10.9 million. Due to the complexity of measuring the acquisitions and their material impact, in terms of amount, on the assets, liabilities, financial position, and financial performance of NORMA Group SE, they were of particular significance in the context of our audit.

b) As part of our audit, we assessed the accounting treatment of the acquisitions with the assistance of our internal valuations specialists. For this purpose, we initially inspected and evaluated the respective contractual agreements underlying the acquisitions. At the same time, we reconciled the purchase prices paid by NORMA Group SE as consideration for the shares received with the supporting documentation for the payments made provided to us, among other procedures. We assessed the opening balance sheets underlying the aforementioned acquisitions. We evaluated the fair values, e.g. for customer relationships, calculated by a valuer appointed by NORMA Group SE by reconciling the numerical data with the original financial accounting records and the parameters used. We also used checklists to establish whether the requirements set out in IFRS 3 for disclosures in the Notes to the Consolidated Financial Statements had been complied with in full. In total, based on these and other procedures performed and the information available, we were able to satisfy ourselves that the acquisition of the respective shares was appropriately presented.

c) The Company's disclosures pertaining to the acquisitions are contained in section 40 'Business combinations' of the Notes to the Consolidated Financial Statements enthalten.

3. Accounting treatment of a new factoring agreement

a) In the financial year 2017, a number of subsidiaries of NORMA Group SE joined a factoring program. In accordance with the terms of the underlying agreement, receivables due from particular customers may be sold to the factor up to a certain volume. As at balance sheet date December 31, 2017, receivables amounting to EUR 9.0 million had been sold and recorded as a reduction in receivables in the Consolidated Financial Statements. The sales are subject to purchase price retentions and since all the risks and rewards of ownership have neither been transferred nor retained, the Group recognizes a residual exposure (continuing involvement). In light of the complex contractual arrangements and the demanding accounting and reporting requirements under IAS 39, in our view, the initial accounting treatment of the new factoring agreement was of particular significance for our audit.

b) For the purposes of our audit, we included our internal specialists from Corporate Treasury Solutions in the evaluation of the factoring agreement and in the examination of the calculation of the continuing involvement and its presentation in the Consolidated Financial Statements. For the assessment of the accounting treatment of the factoring agreement, among other things we inspected, retraced and evaluated the contractual arrangements. We jointly dealt with the contractual details as well as the information provided by the Company and the criteria set out in IAS 39 on the preconditions for the derecognition of assets. Based on our audit procedures, we were able to satisfy ourselves that the estimates and assumptions made by the executive directors are justified and sufficiently documented to ensure an appropriate presentation in the Consolidated Financial Statements.

c) The Company's disclosures pertaining to the factoring agreement are contained in section 23 'Trade receivables and other receivables' of the Notes to the Consolidated Financial Statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the Group Management Report:

› the Group Statement on Corporate Governance pursuant to § 289f HGB and § 315d HGB included in the section 'Principles of the Group' of the Group Management Report
› the Corporate Governance Report pursuant to No. 3.10 of the German Corporate Governance Code
› the separate Non-Financial Report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB

The other information comprises further the remaining parts of the Annual Report – excluding cross-references to external information – with the exception of the audited Consolidated Financial Statements, the audited Group Management Report and our Auditor's Report.

Our audit opinions on the Consolidated Financial Statements and on the Group Management Report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

› is materially inconsistent with the Consolidated Financial Statements, with the Group Management Report or our knowledge obtained in the audit, or
› otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an Auditor's Report that includes our audit opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

› identify and assess the risks of material misstatement of the Consolidated Financial Statements and of the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
› obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems
› evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures
› conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the Auditor's Report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
› evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB
› obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
› evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with German law, and the view of the Group's position it provides
› perform audit procedures on the prospective information presented by the executive directors in the Group Management Report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assump-

tions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

We were elected as group auditor by the Annual General Meeting on May 23, 2017. We were engaged by the Supervisory Board on October 9, 2017. We have been the group auditor of the NORMA Group SE, Maintal, without interruption since the fiscal year 2010.

We declare that the audit opinions expressed in this Auditor's Report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Tilgner.

Frankfurt/Main, March 9, 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Tilgner Wirtschaftsprüfer	[ppa.] Richard Gudd Wirtschaftsprüfer
German Public Auditor	German Public Auditor

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Glossary

5S METHODOLOGY
5S is a method for organizing a work space for efficiency and effectiveness in order to reduce industrial accidents.

AFTERMARKET SEGMENT
The market concerned with the maintenance / repair of investment goods or long-life final goods (e.g. vehicles) or the sale of replacement parts or complementary parts for the goods. This involves the sale of services and/or parts that are directly related to the previous sale of the goods.

APAC
Abbreviation for the Asia-Pacific region.

ASSET BACKED SECURITIES (ABS) PROGRAM
A specific way of converting payment claims into negotiable securities with a financing company.

BEST-LANDED-COST-APPROACH
Assessment of the total costs of a product including the price of the product as well as the charges for the shipping, taxes and/or duties.

BUBBLE ASSIGNMENT
Short-term exchange program for employees to promote internal knowledge transfer, intercultural awareness, the development of networks and the individual development of participants.

BREXIT
In a referendum on June 23, 2016, the citizens of the United Kingdom voted against the country remaining in the European Union (EU). The collective consequence of the EU exit has taken on the popular, unofficial term of Brexit.

CAQ SOFTWARE
Software for quality assurance.

CASH-POOLING
Consolidating liquidity within the Group through central financial management with the purpose of compensating for excess liquidity or liquidity shortfalls.

CODE OF CONDUCT
A set of policies which can and should be applied in a wide range of contexts and environments depending on the situation. In contrast to a rule, the target audience is not obliged to always comply with the Code of Conduct. A Code of Conduct is more of a personal commitment to follow or abstain from certain patterns of behavior, ensuring that nobody gains an unfair advantage by circumventing these patterns.

COMMODITY
A term used in procurement for any kind of material good used by traders.

COMPLIANCE
Conforming to rules: companies adhering to Codes of Conduct, laws and guidelines.

CORPORATE GOVERNANCE
A set of all international and national rules, regulations, values and principles which apply to companies and determine how these companies are to be managed and monitored.

CORPORATE RESPONSIBILITY
A form of corporate self-regulation integrated into a business model by taking societal and environmental aspects into account.

COVERAGE
The regular assessment of the economic and financial situation of a listed company by banks or financial research institutions.

CROSS-SELLING EFFECTS
The action or practice of selling an additional product or service to an existing customer.

DISTRIBUTION SERVICES (DS)
One of NORMA Group's two ways to market, providing a wide range of high-quality, standardized joining products for a broad range of applications and customers.

E-PROCUREMENT
Electronic purchasing system.

EARNINGS BEFORE INTEREST, TAXES AND AMORTIZATION (EBITA)
EBITA describes earnings before interest, taxes and amortization of intangible assets. For long-term comparison and a better understanding of business development, NORMA Group adjusts the EBITA for certain one-time expenses. These are described in the Management Report as well as in the Notes to the Consolidated Financial Statements.

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EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)
Earnings before interest, taxes, depreciation (of property, plant and equipment) and amortization (of intangible assets). It is a measure of a company's operating performance before investment expenses. For long-term comparison and a better understanding of its business development, NORMA Group adjusts the EBITA for certain one-time expenses. These are described in the Management Report as well as in the Notes to the Consolidated Financial Statements.

EBITA MARGIN (ADJUSTED)
The adjusted EBITA margin is calculated from the ratio of adjusted EBITA to sales and is an indicator of the profitability of NORMA Group's business activities.

EBITDA MARGIN (ADJUSTED)
The adjusted EBITDA margin is calculated from the ratio of adjusted EBITDA to sales.

ECONOMIES OF SCALE
Indicates the ratio of the production volume to the production factors used. In the case of positive scale effects, the production output is also increased with the intensification of production factors.

EDI (ELECTRONIC DATA INTERCHANGE)
Collective term for data exchange using electronic transfer methods.

ELASTOMERS
Stable but elastic plastics which are used at a temperature above their glass transition temperature. The plastics can deform under tensile or compressive load, but then return to their original shape.

EMEA
Abbreviation for the economic area of Europe (comprising Western and Eastern Europe), the Middle East and Africa.

ENGINEERED JOINING TECHNOLOGY (EJT)
One of NORMA Group's two ways to market. It provides customized, highly engineered joining technology products primarily, but not exclusively, for industrial OEM customers.

EQUITY RATIO
Equity in relation to total assets.

EUROPEAN MARKET INFRASTRUCTURE REGULATION (EMIR)
EU regulation that regulates the over-the-counter market with derivative products. The main stipulation of this regulation obligates market participants to clear their over-the-counter standard derivative transactions through a central counterpart and report these transactions to a trade repository.

FREE CASH FLOW
Indicates the amount of money that is available to pay dividends to shareholders and/or repay loans.

GEARING
Gearing is a measure of a company's debt level. Gearing is calculated from the ratio of net debt to equity.

GEMBA WALK
Daily walk through the production halls, inspecting individual processes in the opposite order of workflow and analyzing potential opportunities for improvements.

GLOBAL EXCELLENCE PROGRAM
A cost optimization program started in 2009. It coordinates and manages all of NORMA Group's sites and business units.

INITIAL PUBLIC OFFERING (IPO)
First offering of shares of a company on the organized capital market.

INNOVATION ROADMAPPING
Systematic approach to adapt company-specific product innovations to future market and technological developments.

INNOVATION SCOUTING
Structured observation of changes, potentials and relevant knowledge of technological developments and processes.

INTERNATIONAL LABOUR ORGANIZATION (ILO)
The International Labor Organization is a specialized agency of the United Nations charged with promoting social justice, as well as human and labor rights. This includes the fight against human trafficking.

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)
12-digit alphanumerical code used to identify a security traded on the stock market.

ISO 14001
An international environmental management standard that specifies the internationally accepted requirements for an environmental management system.

ISO 9001
International standard that defines the minimum requirements that quality management systems must meet.

ISO/TS 16949
An international standard that combines the existing general demands on quality management systems of the (mostly North American and European) automotive industry.

KAIZEN
A methodical concept with focus on continuous and infinite improvement. The improvement takes place as a gradual, punctual perfection or optimization of a product or process.

KANBAN
Method of production process control for the reduction of local stocks of precursors.

LEAN MANUFACTURING
A systematic method for the elimination of waste within a manufacturing process. An integrated socio-technical system reduces or minimizes supply-side, customer-side and internal fluctuations.

LEVERAGE
Leverage is a measure of a company's debt and is calculated as the ratio of net debt (without hedging instruments) to adjusted EBITDA over the last 12 months (LTM). For the purpose of a better comparison, adjusted EBITDA LTM includes the companies acquired during the year.

LONG-TERM ASSIGNMENT
Long-term exchange program for employees to promote internal knowledge transfer, intercultural awareness, the development of networks and the individual development of participants.

MATERIAL COST RATIO
The material cost ratio of NORMA Group results from the ratio of material expenses to sales. Furthermore, NORMA Group presents material expenses in relation to total output. The latter is the result of sales plus changes in inventories of finished goods and work in progress and other capitalized own work.

NATIONAL BUREAU OF STATISTICS (NBS)
Chinese statistical office.

NET DEBT
Net debt is the sum of financial liabilities less cash and cash equivalents. Financial liabilities also include liabilities from derivative financial instruments that are held for trading purposes or as hedging instruments.

NET OPERATING CASH FLOW
Net operating cash flow is calculated on the basis of EBITDA plus changes in working capital, less investments from operating activities. Net cash flow is a key financial control figure for NORMA Group and serves as a measure for the Group's liquidity.

OHSAS 18001
Occupational Health and Safety Assessment Series; certification of occupational health and safety management systems.

ORIGINAL EQUIPMENT MANUFACTURER (OEM)
A company that retails products under its own name.

PRIME STANDARD
A segment of the regulated stock market with higher inclusion requirements than the General Standard. It is the private law segment of the Frankfurt Stock Exchange with the highest transparency standards. All companies listed in the DAX, MDAX, TecDAX and SDAX must be included in the Prime Standard.

REVERSE FACTORING
A financing solution initiated by the ordering party in order to help its suppliers finance their receivables more easily and at a lower interest rate than they would normally be offered.

ROADSHOW
Series of corporate presentations made to investors by an issuer at various financial locations to attract investment in the company.

SECURITIES ID NUMBER (WKN)
A six-character combination of numbers and letters used in Germany to identify securities.

SELECTIVE CATALYTIC REDUCTION (SCR)
Selective catalytic reduction is a method used to reduce particle and nitric oxide emissions.

SENIOR FACILITY AGREEMENT (SFA)
Loan agreement.

SMED (SINGLE MINUTE EXCHANGE OF DIE)
Optimization of set up times of processes through both organizational and technical measures.

SOCIETAS EUROPAEA (SE)
Legal form for stock companies in the European Union and the European Economic Area. With the SE, the EU started allowing for companies to be founded in accordance with a largely uniform legal framework at the end of 2004.

SUNSHINE-LINE
A short-term bilateral framework credit line for general company purposes, which can be used as current bank overdrafts as well as in the form of debts or money market loans.

THERMOPLASTS (ALSO KNOWN AS PLASTOMERS)
Plastics which become elastic (thermoplastic) in a particular temperature range, whereby this process is reversible.

UN GLOBAL COMPACT
The United Nations Global Compact is a United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation

UNIVERSAL DECLARATION OF HUMAN RIGHTS (UDHR)
The Universal Declaration of Human Rights (UDHR) is a historic document that contains 30 articles affirming an individual's rights which, although not legally binding in themselves have been elaborated in subsequent international treaties, economic transfers, regional human rights instruments, national constitutions, and other laws.

WORKING CAPITAL
Trade working capital describes the Group's current net operating assets and is calculated as the sum of inventories and trade receivables minus trade payables.

XETRA
An electronic trading system operated by Deutsche Börse AG for the spot market.

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Overview by Quarter 2017[1]

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		Q1 2017[2]	Q2 2017[2]	Q3 2017[2]	Q4 2017[2]
Income statement					
Revenue	EUR millions	254.9	264.1	244.4	253.6
Adjusted gross profit	EUR millions	152.2	157.8	144.2	147.1
Adjusted EBITA	EUR millions	45.0	46.6	42.7	40.1
Adjusted EBITA margin	%	17.7	17.7	17.5	15.8
EBITA	EUR millions	43.1	45.7	39.9	38.1
Adjusted profit for the period	EUR millions	27.1	28.7	24.4	24.8
Adjusted EPS	EUR	0.85	0.90	0.77	0.78
Profit for the period	EUR millions	22.5	24.6	19.1	53.7
EPS	EUR	0.70	0.77	0.60	1.68
Cash flow					
Cash flow from operating activities	EUR millions	9.3	32.9	34.0	69.8
Net operating cash flow	EUR millions	4.5	36.0	31.5	60.9
Cash flow from investing activities	EUR millions	−22.3	−22.2	−12.5	−13.7
Cash flow from financing activities	EUR millions	−1.0	−28.0	−8.8	−39.9
Balance sheet		**Mar 31, 2017**	**Jun 30, 2017**	**Sep 30, 2017**	**Dec 31, 2017**
Total assets	EUR millions	1,363.7	1,323.4	1,314.9	1,312.0
Equity	EUR millions	505.0	476.0	485.5	534.3
Equity ratio	%	37.0	36.0	36.9	40.7
Net debt	EUR millions	407.4	423.9	389.3	344.9

1_Minor deviations may occur due to commercial rounding for the full year 2017 compared with the summation of the corresponding quarterly amounts.
2_The adjustments are described in the Notes. → NOTES, P. 139

Multi-Year Overview[1]

T131 MULTI-YEAR OVERVIEW

		2017	2016	2015	2014	2013	2012[3]	2011	2010
Order situation									
Order book (Dec 31)	EUR millions	329.1	302.4	295.8	279.6	236.7	215.4	218.6	188.0
Income statement									
Revenue	EUR millions	1,017.1	894.9	889.6	694.7	635.5	604.6	581.4	490.4
thereof EMEA	EUR millions	485.9	432.0	416.0	394.5	388.0	367.5	372.7	336.6
thereof Americas	EUR millions	411.3	381.6	395.3	237.8	191.5	193.3	173.0	123.8
thereof Asia-Pacific	EUR millions	119.9	81.3	78.2	62.5	56.0	43.8	35.7	30.0
EJT	EUR millions	638.2	535.9	540.3	481.0	443.9	427.6	411.5	323.6
DS	EUR millions	372.3	354.5	344.1	211.5	193.6	174.5	170.3	168.3
Adjusted gross profit	EUR millions	601.3	545.6	533.1	405.6	371.4	344.4	322.6	274.7
Adjusted EBITA[2]	EUR millions	174.5	157.5	156.3	121.5	112.6	105.4	102.7	85.4
Adjusted EBITA margin[2]	%	17.2	17.6	17.6	17.5	17.7	17.4	17.7	17.4
EBITA	EUR millions	166.8	150.4	150.5	113.3	112.1	105.1	84.7	64.9
Adjusted profit for the period[2]	EUR millions	105.0	94.6	88.7	71.5	62.1	61.8	57.6	48.2
Profit for the period	EUR millions	119.8	75.9	73.8	54.9	55.6	56.6	35.7	30.3
Adjusted EPS[2]	EUR	3.29	2.96	2.78	2.24	1.95	1.94	1.92	1.93
EPS	EUR	3.76	2.38	2.31	1.72	1.74	1.78	1.19	1.21
Financial result	EUR millions	–16.1	–14.6	–17.2	–14.5	–15.6	–13.2	–29.6	–14.9
Adjusted tax rate	%	30.0	28.9	32.1	33.3	32.6	30.3	30.0[4]	27.0
R&D expenses	EUR millions	29.4	28.8	25.4	25.7	21.9	22.1	16.8	16.6
R&D ratio (in relation to EJT sales)	%	4.6	5.4	4.7	5.3	4.9	5.1	4.1	5.1
(Adjusted) cost of materials[2]	EUR millions	418.6	352.9	362.9	289.9	269.4	263.5	262.3	220.5
(Adjsuted) cost of materials ratio[2]	% of sales	41.2	39.4	40.8	41.7	42.4	43.6	45.1	45.0
Personnel expenses[5]	EUR millions	269.6	243.9	234.1	188.3	169.7	156.5	143.7	124.4

→ continued on P. 209

1_Key figures prior to the IPO in 2011 are not shown due to lack of comparability between HGB and IFRS. For this reason, the multi-year-overview includes only the years from 2010 onwards.
2_In 2017 adjustments were made which especially relate to the acquisition of the Autoline business. The adjustments are described in the Notes. → NOTES, P. 139 Adjustments of prior years are shown in the respective Annual Reports from prior years.
3_2012: The accounting rules changed in 2013 due to the first-time use of IAS 19R. In order to better compare the earnings, assets and financial positions, the 2012 figures have been adjusted to suit the new accounting rules and may therefore deviate from the figures published in the 2012 Annual Report.
4_Adjusted for deferred tax liabilities of EUR 2.8 million resulting from 2007.
5_From 2010 to 2011 and 2014 to 2017, adjusted by one-off effects.

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T131 MULTI-YEAR OVERVIEW (CONTINUED)

		2017	2016	2015	2014	2013	2012	2011	2010
Cash flow									
Cash flow from operating activities	EUR millions	146.0	149.2	128.2	96.4	115.4	96.1	71.7	62.1
Net operating cash flow	EUR millions	132.9	148.5	134.7	109.2	103.9	81.0	66.8	51.7
Cash flow from investing activities	EUR millions	–70.8	–133.8	–44.5	–265.1	–43.4	–58.1	–33.7	–56.6
Cash flow from financing activities	EUR millions	–77.7	49.6	–70.4	57.7	51.7	–34.1	–0.5	–3.1
Balance sheet									
Total assets	EUR millions	1,312.0	1,337.70	1,167.90	1,078.40	823.7	691.8	648.6	578.8
Equity	EUR millions	534.3	483.6	429.8	368.0	319.9	289.2	256.0	78.4
Equity ratio	%	40.7	36.2	36.8	34.1	38.8	41.8	39.5	13.5
Net debt	EUR millions	344.9	394.2	360.9	373.1	153.5	199.0	198.5	344.1
Working capital	EUR millions	158.2	144.5	151.9	141.8	110.8	115.9	106.2	86.7
Working capital ratio	% of sales	15.6	16.1	17.1	20.4	17.4	19.2	18.3	17.7
Employees									
Core workforce		6,115	5,450	5,121	4,828	4,134	3,759	3,415	3,028
Total workforce incl. temporary workers		7,667	6,664	6,306	5,975	4,947	4,485	4,252	3,830
Share									
Number of shares (weighted)		31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	30,002,126	24,862,400
Number of shares (year-end)		31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	31,862,400	24,862,400

Financial Calendar 2018, Contact and Imprint

T 132 FINANCIAL CALENDER 2018

Date	Event
May 9, 2018	Publication of Interim Statement Q1 2018
May 17, 2018	Ordinary Annual General Meeting 2018, Frankfurt
August 1, 2018	Publication of Interim Report Q2 2018
November 7, 2018	Publication of Interim Statement Q3 2018

The financial calendar is constantly updated. Please visit the Investor Relations section on the Company website HTTPS://INVESTORS.NORMAGROUP.COM.

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Note on the Annual Report
This Annual Report is also available in German. If there are differences between the two, the German version takes priority.

Note on rounding
Please note that slight differences may arise as a result of the use of rounded amounts and percentages.

Forward-looking statements
This Annual Report contains certain future-oriented statements. Future-oriented statements include all statements which do not relate to historical facts and events and contain future-oriented expressions such as 'believe,' 'estimate,' 'assume,' 'expect,' 'forecast,' 'intend,' 'could' or 'chould' or expressions of a similar kind. Such future-oriented statements are subject to risks and uncertainties since they relate to future events and are based on the Company's current assumptions, which may not in the future take place or be fulfilled as expected. The Company points out that such future-oriented statements provide no guarantee for the future and that the actual events including the financial position and profitability of NORMA Group SE and developments in the economic and regulatory fundamentals may vary substantially (particularly on the down side) from those explicitly or implicitly assumed in these statements. Even if the actual assets for NORMA Group SE, including its financial position and profitability and the economic and regulatory fundamentals, are in accordance with such future-oriented statements in this Annual Report, no guarantee can be given that this will continue to be the case in the future.

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