INSIGHT EMEA

ANNUAL REPORT 2016

NORMA GROUP

NORMA Group is an international market and technology leader in engineered joining technology. The Company manufactures a wide range of innovative joining technology solutions in three product categories – CLAMP, CONNECT and FLUID – and offers more than 35,000 high-quality products and solutions to around 10,000 customers in 100 countries. NORMA Group's joining products are used in various industries and can be found in vehicles, ships, trains, aircrafts, 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.

Overview of Key Figures 2016

T 001

		2016	2015	change in %
Order situation				
Order book (Dec 31)	EUR millions	**302.4**	295.8	
Income statement				
Revenue	EUR millions	**894.9**	889.6	0.6
Adjusted gross profit [1]	EUR millions	**545.6**	533.1	2.3
Adjusted EBITA [1]	EUR millions	**157.5**	156.3	0.8
Adjusted EBITA margin [1]	%	**17.6**	17.6	n/a
EBITA	EUR millions	**150.4**	150.5	0.0
Adjusted profit for the period [1]	EUR millions	**94.6**	88.7	6.6
Adjusted EPS [1]	EUR	**2.96**	2.78	6.7
Profit for the period	EUR millions	**75.9**	73.8	2.7
EPS	EUR	**2.38**	2.31	3.0
Cash flow				
Operating cash flow	EUR millions	**149.2**	128.2	16.4
Net operating cash flow	EUR millions	**148.5**	134.7	10.3
Cash flow from investing activities	EUR millions	**– 133.8**	– 44.5	201.0
Cash flow from financing activities	EUR millions	**49.6**	– 70.4	n/a
		Dec 31, 2016	Dec 31, 2015	change in %
Balance sheet				
Total assets	EUR millions	**1,337.7**	1,167.9	14.5
Total equity	EUR millions	**483.6**	429.8	12.5
Equity ratio	%	**36.2**	36.8	n/a
Net debt	EUR millions	**394.2**	360.9	9.2
Employees				
Core workforce		**5,450**	5,121	6.4
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 2016 [2]	EUR	51.54		
Lowest price 2016 [2]	EUR	35.20		
Year-end share price on Dec 31, 2016 [2]	EUR	40.55		
Market capitalization as of Dec 31, 2016 [2]	EUR millions	1,292		
Number of shares		31,862,400		

[1] Adjustments are described in the Notes to the Consolidated Financial Statements. → Notes, p. 138.
[2] Xetra price.

Date of publication: March 22, 2017

Two Strong Distribution Channels

Engineered Joining Technology
Tailored, high-tech products developed to meet specific requirements of individual OEM customers

Distribution Services
High-quality standardized brand products for a variety of applications

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 BREEZE Clamp-All CONNECTORS FISH FiveStar Gemi NDS NORMA R.G.RAY SERFLEX TERRY Torca

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 6,000 employees and an intellectual property rights portfolio that consists of more than 700 patents.

EMEA

AN ENORMOUS ECONOMIC SPACE WITH GREAT POTENTIAL

Europe, Middle East & Africa. This economic zone includes some of the richest and poorest countries in the world. The living and development standards within these regions are incredibly diverse, and their ethnic and cultural diversity is immense. However, some basic industrial requirements are the same no matter where you are – reliable joining technology for instance, whether for applications in the motor vehicle industry, in mechanical engineering, in the infrastructure sector, in the water industry or in agriculture.

2.3

BILLION

people live in the EMEA region.

6.5

PERCENT

more passenger cars were registered in 2016 than last year according to the European industry association ACEA – total number: 15.1 million (EU28 + EFTA).

1/3

of the world's gross domestic product is generated in EMEA.

2.7

PERCENT

growth of EMEA's recent economic output in a year (averaged over the last ten years).

23

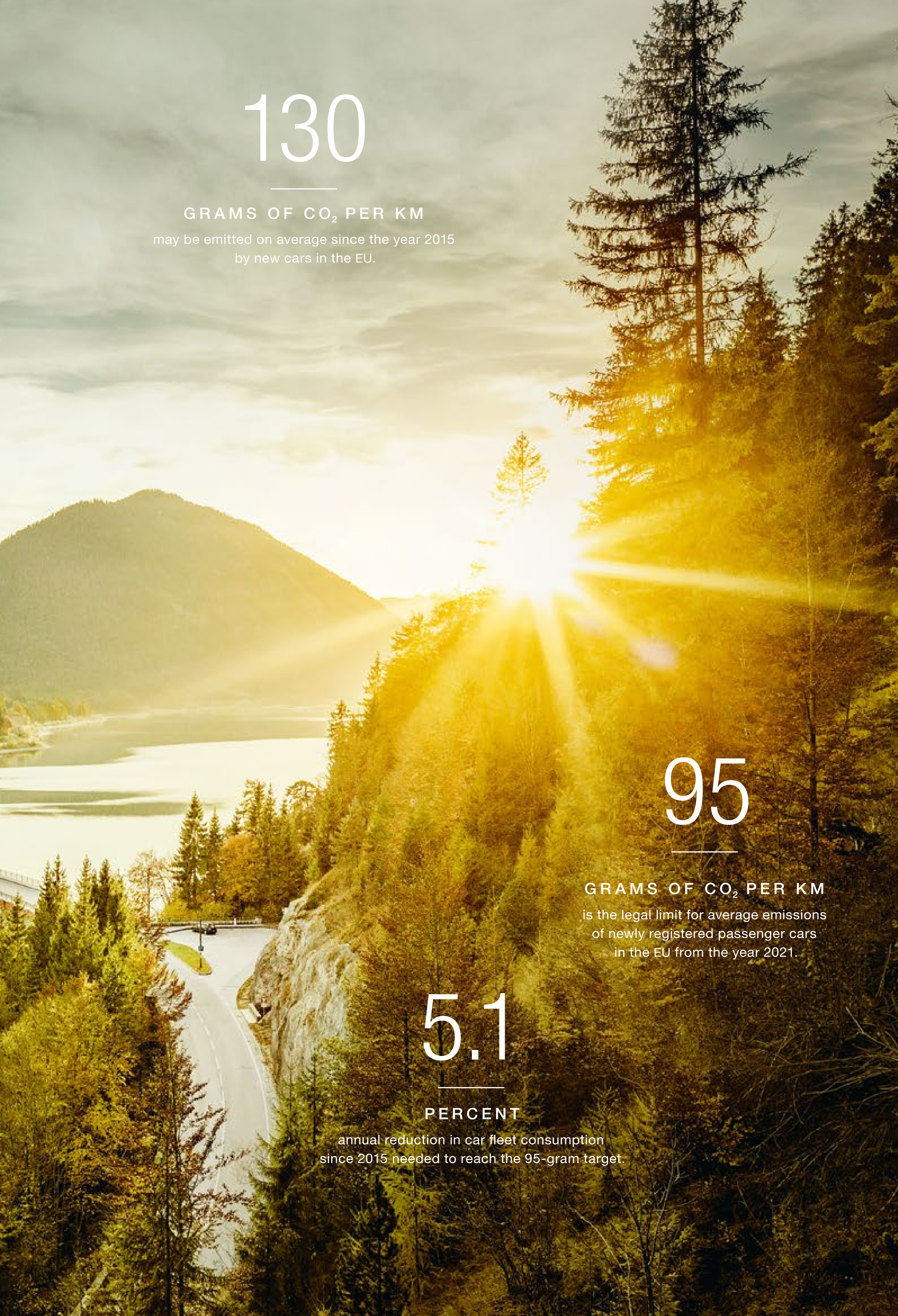
MILLION

motor vehicles are manufactured in EMEA every year – a quarter of the world's total production.

EFFICIENCY

A MEGATREND FOR THE CLIMATE'S SAKE

Droughts, extreme storms, rising sea levels: The threats of climate change are obvious and their effects are global. Climate protection is the order of the day. Reducing carbon dioxide emissions plays an important role in this. The motor vehicle industry is an important starting point here. Reducing emissions by increasing efficiency is the motto. To meet the high demands of manufacturers, suppliers must also offer innovative solutions.



130

GRAMS OF CO_2 PER KM

may be emitted on average since the year 2015 by new cars in the EU.

95

GRAMS OF CO_2 PER KM

is the legal limit for average emissions of newly registered passenger cars in the EU from the year 2021.

5.1

PERCENT

annual reduction in car fleet consumption since 2015 needed to reach the 95-gram target.

TECHNOLOGY

HOW INCREASED EFFICIENCY IS BECOMING POSSIBLE

Smaller, lighter, more refined – many measures are being combined to meet the stringent emissions requirements in the motor vehicle industry. Downsizing and turbocharging are two starting points to make combustion engines more powerful. The challenge is that many individual components have to be adapted in order to withstand thermal and mechanical stress. As a result, the complexity and technical requirements of the components are increasing.

61.4

KILOWATT

performance per liter of displacement for the average registered car in Germany today. Ten years ago, that number was only 48.9.

260

PERCENT

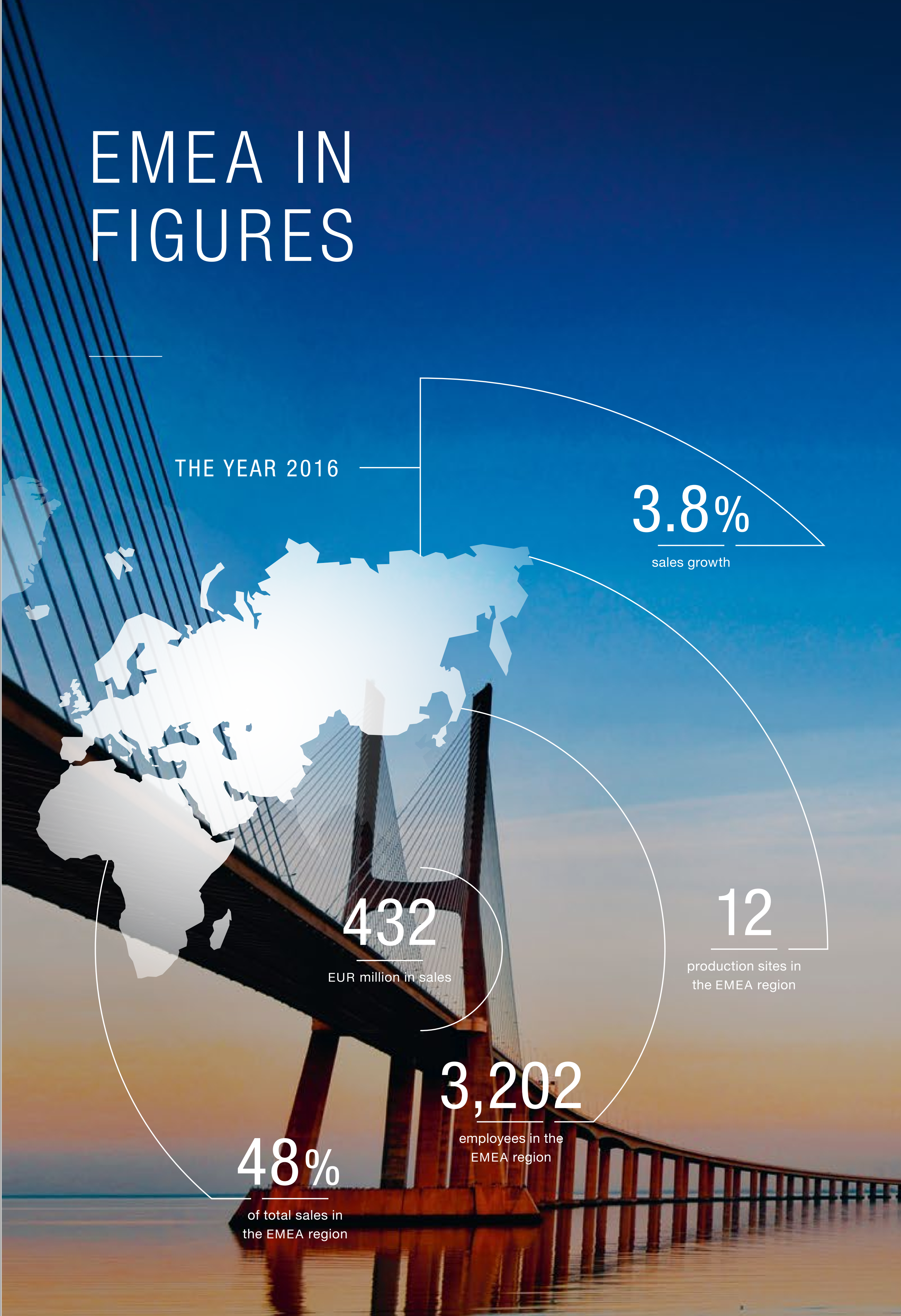
increase in hybrid vehicle registrations between 2010 and 2015 in the EU.

2.5

PERCENT

decrease in total mass of newly registered passenger cars in Europe from 2010 to 2015 (empty weight divided by product of vehicle length, width and height).

EMEA IN FIGURES



THE YEAR 2016

3.8%
sales growth

12
production sites in the EMEA region

432
EUR million in sales

3,202
employees in the EMEA region

48%
of total sales in the EMEA region

FOUR QUESTIONS TO…

JOACHIM GEIMER President EMEA

Mr. Geimer, the Swedish company ABA and the German company Rasmussen merged to form NORMA Group in 2006. So, in a way EMEA, or even better said Europe, is the Group's home market. But how important is the region today? After all, NORMA Group now has over 6,000 employees at 27 sites around the world.

That's right. NORMA Group has grown steadily in the ten years of its existence, both organically and through numerous acquisitions. Today, we are globally active. The Americas and Asia-Pacific regions account for more than 50% of sales and earnings.

But this also means that we still generate almost half of all sales in the EMEA region. The EU as the largest economic area in the region is and remains an important sales market for us. Our largest customers and some of the most important players in the automotive industry are based here.

Does that mean the focus in the EMEA region is on the automotive industry?

We certainly have a focus on business with the automotive industry in EMEA, but without neglecting our projects in the construction industry, mechanical engineering and the infrastructure sector. It is simply grown like this and also intended. However, that does not mean we exclude acquisitions of companies from other industries in EMEA. On the contrary, we are seeing exciting applications in megatrends for our joining technology in Europe, in the water sector, for example.

Does that mean diversification is in EMEA's future?

Diversification is part of our corporate strategy, in the EMEA region as well as worldwide. We have made eleven acquisitions in the past ten years, including four in the water sector and one in the pharma/biotech sector. Lifial, the Portuguese company which we acquired in January 2017, is a producer of metal clamps for use in industry and agriculture for example. We are constantly looking for new companies, but are buying companies from the automotive industry as well, as in the case of Autoline. Of course, seeing potential synergies is prerequisite. Our demands are high: the companies we acquire must match us. They must be consistent with our acquisition strategy and contribute to our growth. In addition, their business must be as profitable as NORMA Group's in order to be considered an acquisition target. There are already many companies that do not meet these criteria.

So where do you see the key drivers for future growth in the EMEA region: in the automotive sector or rather in other areas?

Yes and yes. Emissions regulations alongside general developments in mobility significantly determine our business in the automotive industry. Our products are tailored precisely to the needs of every industry and are therefore in great demand. This promises potential for further growth in all industries. Our product applications are endless – we are far from exhausting their possibilities.

Sources: EMEA: World Bank, http://databank.worldbank.org | European Automobile Manufacturers' Association, http://www.acea.be/statistics/ | OICA, http://www.oica.net/category/production-statistics/ | EFFICIENCY: EU regulation no. 443/2009 | TECHNOLOGY: Federal Motor Transport Authority | ICCT EU Pocketbook 2016, http://eupocketbook.theicct.org

CONTENTS

EXPLANATION OF SYMBOLS

@ Internet

→ Cross reference

The Management Board

WERNER DEGGIM
CHIEF EXECUTIVE OFFICER (CEO)

- Vice President and General Manager, TRW Automotive, USA
- Managing Director / Chairman of the Management Board, Peguform GmbH
- Various executive management positions, thereof seven years in the USA and Canada

DR. MICHAEL SCHNEIDER
CHIEF FINANCIAL OFFICER (CFO)

- Managing Director, FTE automotive Group
- Member of the Management Board, Veritas AG
- Director of Finance and IT, Aesculap AG (B. Braun Melsungen Group)
- Various international management positions, thereof three years in Brazil

BERND KLEINHENS
BOARD MEMBER BUSINESS DEVELOPMENT

With NORMA Group since the beginning of his professional career:
- Global Sales Director for Commercial & Passenger Vehicles
- Business Area Sales Manager for NORMACLAMP
- Marketing Manager Automotive
- Development Engineer

JOHN STEPHENSON
CHIEF OPERATING OFFICER (COO)

- Vice President Operations, Hayes Lemmerz International
- Director of Operations for Northern Europe, Textron Fastening Systems
- Plant Manager and Managing Director, APW Electronics
- Various positions, among others in the area of project and production management at Valeo

Further information regarding the professional careers of the Management and the Supervisory Board can be found in the Investor Relations section on the NORMA Group website @ http://investors.normagroup.com.

JOHN STEPHENSON WERNER DEGGIM BERND KLEINHENS DR. MICHAEL SCHNEIDER

Letter from the Management Board

Dear shareholders, customers
and business partners,

2016 was a year that posed many challenges. Political events such as Great Britain's decision to leave the EU and the outcome of the US presidential election shaped the mood on the international markets. The global economic development was moderate and important growth markets lacked momentum.

For NORMA Group, 2016 was a mixed year in this challenging economic environment in which we were unable to achieve all of our original goals. Although the business segments of importance to us in the automotive and water industries were driven by increased production numbers and strong demand and developed well, we had to adjust our sales forecast in November 2016 due to the persistently weak development of the US markets for commercial vehicles and agricultural machinery. This came as a surprise not only to us, but also for many investors and analysts and led to clear reactions on the capital market with a negative impact on our share.

At the end of the year, however, we proved that our business rests on a solid foundation that ensures stability, even in an economically difficult environment. We succeeded in increasing our sales slightly by 0.6% – by 0.9% organically – to EUR 894.9 million and maintained our adjusted EBITA margin at the usual high level of 17.6%. We are satisfied with the year-on-year increase of 6.6% higher adjusted profit for the period of EUR 94.6 million and adjusted earnings per share of EUR 2.96.

We also managed to achieve further successes in the area of M&A in fiscal year 2016. Autoline has been part of our Group since the end of November. With production facilities in France, Mexico and China, Autoline operates globally and enhances our existing portfolio with its products in the area of quick connectors for applications in the automotive industry. With the acquisition of Autoline, we have once again come one step closer to our goal of offering our customers in the vehicle industry holistic joining solutions.

In January 2017, we also acquired the Portuguese clamp manufacturer Lifial. Lifial produces metal clamps for use in industry and agriculture and employs around 100 people. The company markets its products to customers in Europe and North Africa. By acquiring Lifial, we have strengthened our product line in the Distribution Services business and our market position on the Iberian Peninsula and in Europe.

Autoline already made a contribution of EUR 3.5 million to Group sales in fiscal year 2016, and these two highly profitable companies will continue to contribute to sales growth in the future.

Acquisitions are and will remain an important part of our Company strategy of strengthening its growth and contributing to the diversification of our business activities. Organic growth, in other words growth through our own strength, is another even more important pillar of our success. And this is primarily based on our innovative strength and the quality of our products and processes. We leave nothing to chance here. As a result, our Research & Development department has developed a long-term roadmap to meet the challenges of the future with targeted, innovative solutions. Global megatrends, such as climate change and resource scarcity, and addressing the resulting requirements for our products and our customers' end products are at the forefront.

The sustainability of our activities is always the focus and forms the basis of all decision-making. For this reason, we once again issued an invitation to a stakeholder roundtable on corporate responsibility in fiscal year 2016. This year, the focus of the dialogue event was on sustainability in purchasing and the holistic integration of sustainability aspects in the value chain. The results of the discussion round gave us important impulses for the further development of our Corporate Responsibility (CR) strategy, which we have anchored in our CR roadmap 2018 and published on our website.

With this clear focus on innovation and sustainability, we are looking confidently to the current year 2017. The broad diversification of our business activities, our high cost-awareness and the emerging slight recovery of global markets will have a positive effect on business development and growth. We see opportunities for our Company to continue its growth, especially in the increasing regulatory density in environmental law, both in the area of emissions reduction and in the water sector.

Dear shareholders, our anniversary year 2016 has now come to an end and we look back on 10 years of NORMA Group, in which we have achieved a lot. We have continuously grown, developed from a predominantly European company into a global Group, professionalized our processes and structures and multiplied our number of employees. We would like to thank you for the fact that you have accompanied us on this path and placed your trust in us. Be assured that our goals are no less ambitious for the coming years.

Of course, we would like you to participate again in the success of the Company in the past year and will therefore propose a dividend of EUR 0.95 per share at the Annual General Meeting on May 23, 2017, in Frankfurt for fiscal year 2016.

We would also like to thank our more than 6,000 employees worldwide for their commitment in 2016. Furthermore, we would like to thank our customers and business partners. We look forward to continuing our good relationships. Let us work together to make 2017 a successful year.

Sincerely,

Werner Deggim | Dr. Michael Schneider | Bernd Kleinhens | John Stephenson

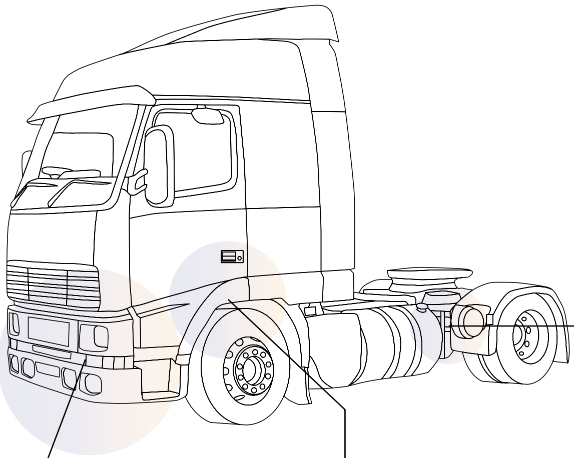
Whether it is in Germany, Europe or the rest of the world, the signs for freight transport are characterized by growth in the long term. One important means of transport still is by road.

"The increasingly urgent demand for more ENVIRONMENTALLY FRIENDLY TECHNOLOGIES presents major challenges for commercial vehicle manufacturers and suppliers alike. Through our LONG-STANDING COOPERATION with OEMs, we know the specific requirements of the industry in terms of the quality, performance and longevity of the components and work with customers every day to make our products even better, lighter and more powerful."

PETER VOLKERT

TEAM LEADER HEAVY EQUIPMENT
NORMA GROUP HOLDING GMBH

104



76
CONNECTING PRODUCTS
IN ENGINE AND COOLING SYSTEMS

24
CONNECTING PRODUCTS
IN OTHER APPLICATIONS

4
CONNECTING PRODUCTS
IN EXHAUST SYSTEM

A

TO OUR SHAREHOLDERS

NORMA Group on the Capital Market

Dividend of EUR 0.90 resolved at the Annual General Meeting

Research coverage at a high level

2015 Annual Report and Investor Relations work won several awards

POSITIVE BALANCE ON THE CAPITAL MARKETS DESPITE ROUGH START TO THE YEAR

The stock market year 2016 got off to a very weak start and the global stock markets suffered severe price losses in the first two months of the year. The growing economic difficulties that China is experiencing, which also pose a threat to profits for European companies and investors around the world, were one reason for this. The DAX fell by approximately 17% by the middle of February to its low for the year of 8,699 points and was shaken again in June by the unexpected outcome of the Brexit referendum. The stock exchanges recovered in the second half of the year, however. The continuing expansionary monetary policy of the central banks, improving economic indicators and the strong US dollar gave the markets a boost. The surprising result of the presidential election in the US in November caused a damper, but only temporarily. Most of the markets ended the year in positive territory. The DAX ended the year up 6.9% at 11,481 points, while the MDAX closed at 22,188 points, 6.8% higher than at the end of 2015. The US stock exchanges painted an even brighter picture. There, the S&P 500 rose by 9.5%, while the Dow Jones Index even recorded a plus of 13.4%.

PERFORMANCE OF THE NORMA GROUP SHARE

The NORMA Group share was unable to continue its upward trend in 2016 and developed weaker than the overall market during the year. Whereas the benchmark indices MDAX and DAX slowly recovered in the second half of the year, the NORMA Group share continued its negative trend. Weaker than expected sales due to the declining business in the areas of commercial vehicles and agricultural machinery in the US and the resulting correction of the annual sales forecast in November disappointed many investors and analysts. The NORMA Group SE share lost significantly in value and closed the year at EUR 40.55 in 2016, 20.7% lower than in the previous year (2015: EUR 51.15). The market capitalization amounted to EUR 1.29 billion as of December 31, 2016 (2015: EUR 1.63 billion). This is based on an unchanged number of 31,862,400 shares compared to last year.

INDEX-BASED COMPARISON OF NORMA GROUP'S SHARE PRICE PERFORMANCE IN 2016 WITH THE MDAX AND DAX G 002

In terms of free float market capitalization that is of relevance in determining index membership, the NORMA Group share came in 46th place out of 50 in the MDAX in December 2016 (Dec. 2015: 33rd).

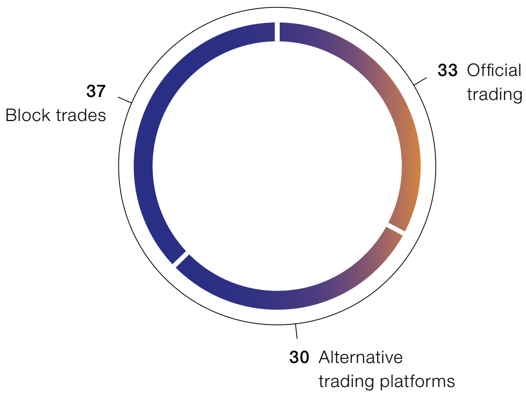
TRADING VOLUME INCREASED

The average Xetra trading volume of the NORMA Group share was 73,571 shares per day (2015: 88,888 shares) in the period from January to December 2016. The NORMA Group share thus ranked 48th out of 50 (2015: 46th) in the MDAX in December 2016 based on trading volume. This represents an average trading volume per day of EUR 3.2 million and thus a decline compared to last year.

The total average number of shares traded per day in 2016 was 223,983 (2015: 273,943). Trading on the various trading platforms can be broken down as follows:

DISTRIBUTION OF TRADING ACTIVITY IN 2016 G 003

in %



The percentage of shares traded on the official market remained constant at 33% compared to last year. By contrast, the percentage of trading on alternative platforms increased from 25% to 30%. The percentage of shares traded via block trades declined to 37% compared to last year (2015: 42%).

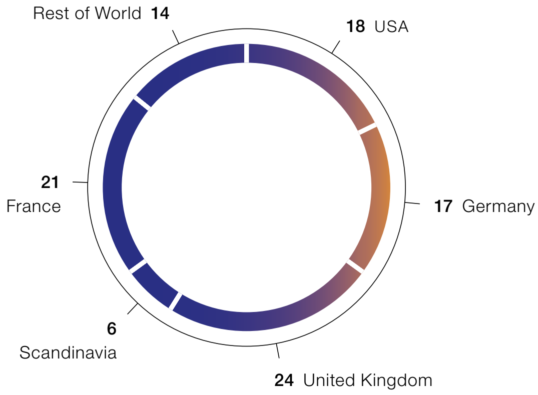
BROADLY DIVERSIFIED SHAREHOLDER STRUCTURE

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. In the meantime, 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 004: Free Float by Region.

At the end of the reporting year, 94.7% of NORMA Group shares were held by institutional investors, 2.3% (2015: 2.3%) by management, and 3.0% (2015: 2.1%) by private investors. The number of private investors (excluding management) increased from 2,833 to 4,231 over the course of fiscal year 2016.

FREE FLOAT BY REGION G 004

in % as of December 31, 2016



VOTING RIGHTS NOTIFICATIONS IN 2016

Based on the voting rights notifications received by the end of 2016, shares of NORMA Group designated as free floating and amounting to over 3% are held by the following institutional investors:

OVERVIEW OF VOTING RIGHTS NOTIFICATIONS T 002

in %

Ameriprise Financial Inc., Wilmington, DE, USA	5.57
Allianz Global Investors Europe GmbH, Frankfurt/Main, Germany	5.02
AXA S.A., Paris, France	5.02
BNP Paribas Investment Partners S.A., Paris, France	4.91
Mondrian Investment Partners, Ltd., London, UK	4.85
T. Rowe Price Group, Inc. Baltimore, MD, USA	3.11
The Capital Group Companies, Inc., Los Angeles, CA, USA	3.05

As of December 31, 2016. Please refer to the Notes on page 176 for further information on the voting right notifications received. All voting rights notifications are published on the Company's website @ http://investors.normagroup.com.

2016 ANNUAL GENERAL MEETING

The Ordinary Annual General Meeting of NORMA Group SE was held on the premises of the Jahrhunderthalle in Frankfurt/Main on June 2, 2016. 23,694,807 of the 31,862,400 shares with voting rights, i.e. 74.37% of the share capital, were represented at the meeting. The participating shareholders resolved a dividend of EUR 0.90 per share. This corresponds to a distribution rate of 32.3% based on NORMA Group's adjusted net profit for the fiscal year of EUR 88.7 million. All items on the agenda were approved by clear majorities. The voting results are available on the website @ http://investors.normagroup.com/hv.

DIRECTORS' DEALINGS

In fiscal year 2016, two transactions were reported as Directors' Dealings. These can be found in the Corporate Governance Report. → Corporate Governance Report, p. 37.

RESEARCH COVERAGE AT HIGH LEVEL

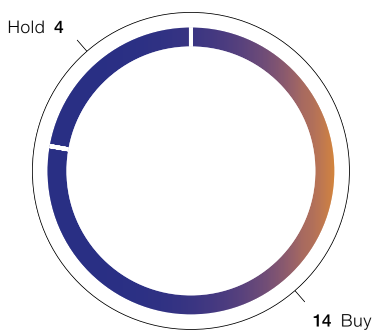
18 analysts from various banks and research firms currently follow NORMA Group. As of December 31, 2016, there were 14 recommendations to buy the share. Four analysts advised to hold the share. The average price target was EUR 45.72 at the end of December 2016 (2015: EUR 52.86).

ANALYSTS COVERING NORMA GROUP T 003

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

ANALYST RECOMMENDATIONS G 005

as of December 31, 2016



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 meetings 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 35 roadshows in Europe and North America's most important financial centers in 2016. Furthermore, NORMA Group attended the following conferences:

- Oddo Forum, Lyon
- Commerzbank German Investment Seminar, New York
- Kepler Cheuvreux German Corporate Conference, Frankfurt / Main
- Goldman Sachs European Small & Mid Cap Symposium, London
- Kepler Cheuvreux Mid Cap Days, Paris
- Société Générale Nice Conference, Nice
- Berenberg European Conference, Tarrytown
- Berenberg Energy Efficiency & Construction Conference, Zurich
- db Access German, Swiss & Austrian Conference, Berlin
- Equinet Europakonferenz, Frankfurt / Main
- 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 2016, Frankfurt / Main
- Berenberg European Conference 2016, Surrey

SERVICE FOR SHAREHOLDERS

Shareholders and those interested can register in the investor relations section of the Company website @ http://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 2015 ANNUAL REPORT RECEIVES NUMEROUS AWARDS

NORMA Group's 2015 Annual Report excelled in several national and international competitions and received the following awards:

- **The Best Annual Report 2015:** 3rd place in the MDAX segment, 6th place in the overall ranking
- **Investors' Darling:** 2nd place in the MDAX segment, 10th place in the overall ranking
- **ICMA Award:** Award of Excellence
- **2016 LACP Vision Award:** Silver
- **2016 ARC Awards:** Bronze

KEY FIGURES FOR THE NORMA GROUP SHARE SINCE THE IPO

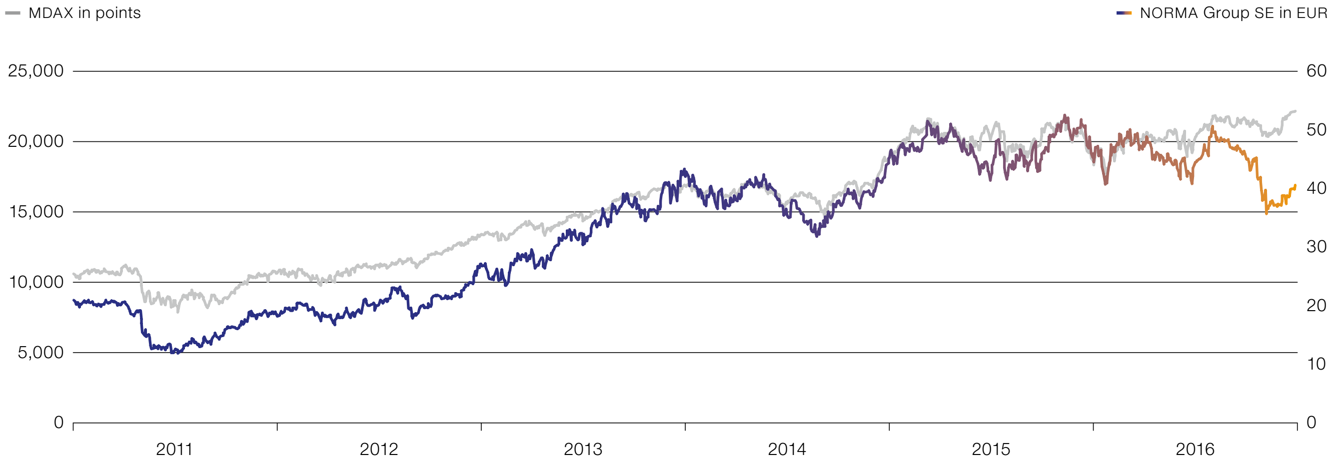
T 004

	2016	2015	2014	2013	2012	2011	Apr 8, 2011[1]
Closing price on Dec 31 (in EUR)	**40.55**	51.15	39.64	36.09	21.00	16.00	21.00[2]
Highest price (in EUR)	**51.54**	53.30	43.59	39.95	23.10	21.58	n/a
Lowest price (in EUR)	**35.20**	38.32	30.76	21.00	15.85	11.41	n/a
MDAX level on Dec 31	**22,188.94**	20,774.62	16,934.85	16,574.45	11,914.37	8,897.81	10,539.6
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
Market capitalization (in EUR millions)	**1,292**	1,630	1,263	1,150	669	510	669
Average daily Xetra volume							
Shares	**73,571**	88,888	73,932	86,570	54,432	46,393	n/a
EUR millions	**3.20**	4.10	2.80	2.53	1.04	1.45	n/a
Earnings per share (in EUR)	**2.38**	2.31	1.72	1.74	1.78	1.19	n/a
Adjusted earnings per share (in EUR)	**2.96**	2.78	2.24	1.95	1.94	1.92	n/a
Dividend per share (in EUR)	**0.95**[3]	0.90	0.75	0.70	0.65	0.60	n/a
Dividend yield (in %)	**2.3**	1.8	1.9	1.9	3.1	3.8	n/a
Distribution rate (in %)	**32.0**[3]	32.3	33.4	35.9	33.5	33.2	n/a
Price-earnings ratio	**17.0**	22.1	23.05	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 23, 2017.

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

G 006



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 2016 in accordance with the rules of the Aktiengesetz (AktG, German Stock Corporation Act), the German Corporate Governance Code and NORMA Group's Articles of Association.

The Management Board reports to the Supervisory Board regularly in written form on a monthly basis 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 current targets. In addition to this monthly reporting and the Supervisory Board meetings, the Chairman of the Management Board and the Chairman of the Supervisory Board engaged in regular exchanges on important topics in fiscal year 2016.

The Management Board began each Supervisory Board meeting by reporting on the overall economic situation and sector-specific conditions. The weakening of the US economy and the consequent impact on NORMA Group were key topics in 2016. 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 and the budget. 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. Furthermore, the Supervisory Board and Management Board discussed NORMA Group's long-term strategic orientation and current M&A projects, particularly the acquisition of Autoline from Parker Hannifin and the acquisition of the Portuguese clamp manufacturer Lifial – Indústria Metalúrgica de Águeda, Lda. The Management Board and the Supervisory Board also dealt with amendments to the EU Market Misuse Directive, particularly with regard to notifications of director's trading transactions (Directors' Dealings) and the instructions that need to be given to persons closely related to executives. The Management Board regularly presented the planning and the current state of the implementation of the Microsoft AX software to both the Supervisory Board and the Audit Committee. Furthermore, the Supervisory Board has decided to raise some thresholds for transactions for which the Management Board requires the approval of the Supervisory Board and to adjust the rules of procedure of the Management Board accordingly.

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

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).

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 2016:

Supervisory Board meeting held on March 21, 2016, in Maintal

The 2015 annual financial statements and management report of NORMA Group SE as well as the corresponding consolidated financial statements and group management report presented by the Management Board were discussed in detail by the Supervisory Board with the auditors in attendance from the engaged auditing firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). The risk report and compliance status were discussed in detail. PwC confirmed, among other topics, that no cases of fraud can be reported at NORMA Group. As part of the presentation of the economic development and the current business situation, the Management Board and the Supervisory Board discussed various technologies, including selective catalytic reduction (SCR) and the hybrid drive, as well as their possible uses in various engine types. The Supervisory Board also approved an agreement with Deutsche Bank on advisory services.

Dr. Stefan Wolf
Chairman of the Supervisory Board

Supervisory Board meeting held on June 2, 2016, in Frankfurt / Main
The Supervisory Board meeting was held after the Annual General Meeting of NORMA Group SE and started with a follow-up assessment of the Annual General Meeting. The participants discussed in detail the consequences of the diesel scandal and the resulting decline in sales of vehicles with diesel engines and the impact of this decline on NORMA Group's business. The Supervisory Board approved the Management Board's proposal to optimize the promissory note and agreed to extend the line of credit.

Supervisory Board meeting held on September 15, 2016, in Maintal
The Management Board presented in detail current M&A projects and informed the Supervisory Board about compliance with the European Market Infrastructure Regulation (EMIR), which had not led to any objections. The auditors' report was handed over to the Supervisory Board. Subsequently, the Management Board and the Supervisory Board discussed the consequences and / or planned measures for the implementation of the CSR (Corporate Social Responsibility) Directive.

Supervisory Board meeting held on November 30, 2016, in Maintal
The Management Board explained in detail the reduction in customer orders in the US, which led to the adjustment of the sales forecast for the full year 2016 on November 10, 2016, which was unexpected at the time of publication of the third quarter figures. The Supervisory Board and the Management Board discussed in detail the current political situations, especially in Europe and China, on electric vehicles and the resulting consequences for the sales figures for vehicles with pure combustion engines and hybrid drives. The Supervisory Board approved the revised budget for 2017 proposed by the Management Board and the medium-term planning until 2021.

In addition, the Supervisory Board met for closed meetings in Frankfurt/Main on January 20, 2016, and in Wiesbaden on October 21, 2016. These meetings focused on fundamental topics, including global and regional corporate and management structures, the growth strategy, remuneration of the Management Board, changes to the Corporate Governance Code, necessary business process harmonization, future IT structures, Deutsche Bank's advisory mandate proposed by the Management Board, a regulation concerning audit-independent services to be rendered by the auditor and requirements for the agendas of the Supervisory Board and the Audit Committee for the year 2017.

TOPICS OF THE AUDIT COMMITTEE IN 2016

The Audit Committee of NORMA Group convened three times in 2016. In addition, it also held four telephone conferences. CFO Dr. Michael Schneider took part in every meeting and telephone conference. Other participants were departmental managers of the second management level to advise on technical issues in their areas of responsibility, in particular Accounting & Reporting, Treasury, Compliance and Internal Revision.

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. One focus of the work of the Audit Committee in 2016 was on NORMA Group Good Practice Controls. These are rules that are part of the internal control system that were bindingly introduced at all NORMA Group sites in 2015. The Audit Committee discussed the quarterly reporting with the CFO. Other topics for the Audit Committee were the adoption and details of budget planning and medium-term planning, as well as the compliance management system (including fraud protection) and current compliance issues, the risk management process and what was learned from Internal Revision for the revision plan for 2017. The Audit Committee also discussed topics that pertained to the Treasury with the CFO, in particular promissory notes, foreign currency hedging instruments, asset backed securities and reversed factoring, but also improvements to the financing agreements, and gave an overview of the current pension plans at NORMA Group.

In addition to 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 2016 annual financial statements as well as the focus of the work of the Audit Committee in the coming year 2017. Furthermore, personal discussions took place involving an Audit Committee member, the CFO and the CIO Group ICT on the status of standard process implementation with Microsoft AX.

ATTENDANCE OF MEETINGS AND CONFERENCE CALLS, NO CONFLICTS OF INTEREST

All Supervisory Board members, Dr. Stefan Wolf (Chairman), Lars Berg (Vice-Chairman), Günter Hauptmann, Knut Michelberger, Dr. Christoph Schug and Erika Schulte, participated in all of the Supervisory Board meetings held in 2016. All members of the Supervisory Board attended the first closed meeting. Dr. Wolf was prevented from attending the second closed meeting due to personal reasons; all other members of the Supervisory Board attended this meeting.

All members of the Audit Committee, Lars Berg, Knut Michelberger, Dr. Christoph Schug (until September 2016) and Erika Schulte (from October 2016), participated in all meetings and telephone conferences of the Audit Committee.

The General and Nomination Committee did not convene in 2016. 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 2016. In order to reduce the risk of potential conflicts of interest before they even arise, the Chairman of the Supervisory Board, Mr. Hauptmann and the Management Board discussed the extent to which Mr. Hauptmann's membership in an advisory council of a company that competes with NORMA Group in some areas could have an effect. No conflicts of interest have yet arisen from this activity.

INFORMATION ON THE AUDITOR

The 2016 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 September 28, 2016.

The auditors Dr. Ulrich Störk and Benjamin Hessel as well as 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 and conference calls with the Audit Committee.

APPROVAL OF THE 2016 ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements of NORMA Group SE were prepared in accordance with section 315a 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 2016 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 2016 consolidated financial statements together with their respective management reports at its meeting on March 20, 2017. 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.

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, 2017: NORMA Group SE has complied with the recommendations of the German Corporate Governance Code as amended on May 5, 2015, (published on June 12, 2015) 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 @ http://investors.normagroup.com.

The Supervisory Board would like to thank all employees of NORMA Group all around the world and the Management Board for their personal efforts and successful work once again in fiscal year 2016. The Supervisory Board is confident that NORMA Group will continue to grow successfully in fiscal year 2017.

Dettingen/Erms, March 20, 2017

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 289a of the German Commercial Code (Handelsgesetzbuch, HGB) and section 3.10 of the German Corporate Governance Code. The Declaration is part of the Consolidated Group Management Report.

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 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, 2017, as well as all the other Declarations are published on NORMA Group's website. @ http://investors.normagroup.com.

The Declaration dated January 31, 2017, 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 May 05, 2015 (published on June 12, 2015 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 of the German Corporate Governance Code).**
   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. **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 of the German Corporate Governance Code).**
   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.

   In addition, the Supervisory Board may grant in 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.

3. **The remuneration of the Management Board has not yet been disclosed on an individual basis (section 4.2.5 para. 3 of the German Corporate Governance Code).**
   The Annual General Meeting which was held on April 6, 2011 resolved not to disclose the remuneration for individual Management Board members between 2011 and 2015. The Board was committed to upholding this resolution. For this reason, the reference tables attached to the German Corporate Governance Code could not be used unchanged,

but rather only the individual components of remuneration each as a total sum for the entire Management Board. From publication for the fiscal year 2016, the remuneration of the Management Board will be disclosed individually in accordance with the German Corporate Governance Code.

4. **Concrete objectives regarding the composition of the Supervisory Board have not been set and, therefore, are not published in the Corporate Governance Report. There is no regular limit of length of membership of the Supervisory Board (section 5.4.1 para. 2 of the German Corporate Governance Code).**
   All members of the Supervisory Board will continue to comply with all pertinent legislation related to Supervisory Board proposals for new Supervisory Board members. In doing so, the Supervisory Board takes into account the individual professional and personal qualifications of the relevant candidates independently of their gender. According to section 2 para. 2 of the rules of procedure of the Supervisory Board each member of the Supervisory Board shall have the required knowledge, abilities and functional experience to fulfil the duties properly and shall be sufficiently independent. The tenure of a Supervisory Board member shall not be extended beyond his or her 70th birthday; a regular limit of length of membership of the Supervisory Board does not exist. Section 2 para. 3 of the rules of procedure of the Supervisory Board provides for further principles which shall be taken into account in the Supervisory Board's proposals for the election of the Supervisory Board by the general shareholders' meeting. These principles comprise, amongst others, a maximum number of positions in other listed companies and of former members of the Management Board within the Supervisory Board as well as the requirements of independence. In addition, attention shall be paid to the international activities of the company and diversity.

   Taking into account the size of the Supervisory Board with only six members, the Supervisory Board does not believe the definition of additional concrete objectives for its composition to be appropriate.

5. **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 of the German Corporate Governance Code).**
   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.

ALLOCATION OF COMPETENCES BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

NORMA Group SE uses the same 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 composed of four members: Werner Deggim (Chief Executive Officer), Dr. Michael Schneider (CFO), Bernd Kleinhens (Managing Director for Business Development), and John Stephenson (Chief Operating Officer). 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.

RESPONSIBILITIES OF THE MANAGEMENT BOARD T 005

Werner Deggim Chief Executive Officer (CEO)	Compliance Personnel Legal and M&A Group Development Group Communications Internal Revision Corporate Responsibility / Sustainability Risk Management
Dr. Michael Schneider Chief Financial Officer (CFO)	Finances Controlling Investor Relations Treasury IT Insurances
Bernd Kleinhens Managing Director Business Development	Sales Product Development Marketing
John Stephenson Chief Operating Officer (COO)	Production Purchasing Supply Chain Management Global Excellence Program Quality Assurance

The Chief Executive Officer heads the Corporate Responsibility initiative of NORMA Group and is responsible for the topics Environmental, Social and Governance (ESG), insofar as this does not concern individual issues, especially on the environment. Chief Operating Officer, Mr. Stephenson, is responsible for these matters.

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 will 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 2016.

The Supervisory Board must approve of 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 2016.

The Supervisory Board must also approve any secondary activities by a member of the Management Board. In 2016, it agreed to Mr. Stephenson as a shareholder of a family-run English company and had already agreed in 2015 that the CFO Dr. Schneider would continue to be a member of the Supervisory Boards of two German companies. The other members of the Board of Management do 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.

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 CEO. 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

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)
- Dr. Christoph Schug
- Günter Hauptmann
- Knut J. Michelberger
- 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.

CONSOLIDATED MANAGEMENT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

All members of the Supervisory Board are independent as defined in section 5.4.2 of the German Corporate Governance Code. 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, Dr. Wolf, Mr. Berg, Mr. Hauptmann, Mr. 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 (the 2013 fiscal year 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 2018 Annual General Meeting, 2019 at the latest.

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.

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. No such conflicts of interest arose in 2016. After Mr. Hauptmann became a member of the advisory council of a company that competes in some areas with NORMA Group in September 2016, the Chairman of the Supervisory Board, Mr. Hauptmann and the Management Board discussed whether this activity could lead to conflicts of interest in the future and how this could be avoided. So far, there have been no conflicts of interest.

The Supervisory Board of NORMA Group convened for four regular meetings in fiscal year 2016. All members of the Supervisory Board and the Management Board took part in these meetings. In addition, two closed meetings of the Supervisory Board were held without the Management Board. All members of the Supervisory Board attended the first closed meeting. Dr. Wolf was prevented from attending the second closed meeting for personal reasons, while all other members of the Supervisory Board attended this meeting.

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.

Mr. Michelberger took on the role of Chairman of the Audit Committee on October 1, 2016. Other members are Lars M. Berg and, since October 1, 2016, Erika Schulte. At the end of September 2016, Dr. Christoph Schug stepped down from the Audit Committee, until which time he was Chairman. Mr. 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 2016 and held four telephone conferences. All Audit Committee members 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. In 2016, the Chairman of the Supervisory Board, Dr. Stefan Wolf, served as the Chairman of the General and Nomination Committee and its other members were Dr. Christoph Schug and Lars M. Berg. No formal meeting of the General and Nomination Committee was held in 2016.

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 selection 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. @ http://investors.normagroup.com/hv.

SHAREHOLDINGS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

On December 31, 2016, the Management Board and the Supervisory Board jointly held 728,858 (2.3%) of the total 31,862,400 shares of NORMA Group SE. Members of the Supervisory Board held 87,083 (0.3%), and members of the Management Board 641,775 (2.0%), whereby no member of the Management Board held more than 1% of the shares in NORMA Group SE.

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.

The following transactions were reported in connection with Directors' Dealings in 2016:

DIRECTORS' DEALINGS T 006

Buyer/Seller	Dr. Michael Schneider	John-Leonard Stephenson
Type of financial instrument	NORMA Group SE share (ISIN: DE000A1H8BV3)	NORMA Group SE share (ISIN: DE000A1H8BV3)
Type of transaction	Purchase	Sale
Date of transaction	June 28, 2016	August 11, 2016
Place of transaction	Xetra	Xetra
Average price per share in EUR	44.49	50.40
Total value in EUR	104,996.40	223,119.84

STOCK OPTION PLANS AND EQUITY-BASED INCENTIVE PROGRAMS

The principles of management remuneration are described in the remuneration report which is also part of the management report. → Remuneration Report, p. 94.

In fiscal year 2013, a Long-Term Incentive Program (LTI) was launched for the second management level, which involves the employees participating in NORMA Group's success over the medium term.

OTHER MANDATES IN MANAGEMENT BOARDS OF LISTED COMPANIES OR SUPERVISORY BODIES

Exercised professions and other mandates on Supervisory Boards or comparable Supervisory Bodies of the members of NORMA Group's Supervisory Board in fiscal year 2016 are shown in → Table 007 on p. 38.

TARGETS FOR THE SHARE OF WOMEN

According to the statutory requirements introduced in 2015, the Supervisory Board of NORMA Group SE has set targets for the proportion of women for the Supervisory Board 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 have not been adjusted since then. They are expected to be valid until the end of June 2017.

The Supervisory Board of NORMA Group SE is not subject to the statutory provisions binding women quotas. The legal provisions for mandatory women quotas apply only to companies that are listed and codetermined. NORMA Group SE is listed, but not codetermined. The members of the Supervisory Board of NORMA Group SE are elected solely by the shareholders; employee representatives are not represented on the Supervisory Board.

In setting the target values for the Supervisory Board and the Management Board, the Supervisory Board bases its decisions on the remaining term of office of the Supervisory Board and the terms of the Management Board member's contracts of employment. The latest deadline for implementation of the targets that are to be set for the first time is June 30, 2017. The term of office of all Supervisory Board members and the terms of Management Board members end only after this date. For this reason, the proportion of women cannot be expected to change before this date. Accordingly, the current status quo has been set as the target for the Supervisory Board and the Management Board until June 30, 2017. The Supervisory Board currently has a female member; therefore the target for the proportion of women is one female member out of the six members in total. The Management Board is currently composed exclusively of men. Therefore, the target for the proportion of women on the Management Board remains zero. These unchanged targets were achieved in 2016.

OTHER MANDATES OF THE SUPERVISORY BOARD MEMBERS T 007

Supervisory Board member, exercised office	Other mandates on Supervisory Boards and comparable committees
Dr. Stefan Wolf, Chairman of the Management Board (CEO) of ElringKlinger AG	Member of the Supervisory Board of Allgaier Werke GmbH, Uhingen, Germany
Lars Berg, Consultant to various companies in the fields of telecommunications, media and finances	Chairman of the Supervisory Board of Net Insight AB, Stockholm, Sweden
	Member of the Supervisory Board of Greater Than AB, Stockholm, Sweden (since February 5, 2016)
	Member of the Supervisory Board of BioElectric Solutions AB, Stockholm, Sweden
Günter Hauptmann, Consultant	Chairman of the Advisory Board of Atesteo GmbH (formerly GIF GmbH), Alsdorf, Germany
	Member of the Supervisory Board of Geka GmbH, Bechhofen, Germany (until August 31, 2016)
	Member of the Advisory Board of Moon TopCo GmbH, formerly mertus 268. GmbH (Schlemmer Group), Poing, Germany (since September 1, 2016)
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, The Netherlands (since January 1, 2016)
	Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany (since June 1, 2016)
Dr. Christoph Schug, Entrepreneur	Member of the Advisory Board of Bomedus GmbH, Bonn, Germany
	Member of the Advisory Board of MoebelFirst GmbH, Cologne, Germany
	Member of the Administrative Board of AMEOS Gruppe AG, Zurich, Switzerland (until December 31, 2016)
Erika Schulte, Managing Director of Hanau Wirtschaftsförderung GmbH and Liquidator of Technologie- und Gründerzentrum Hanau GmbH (until February 3, 2017)	No seats on other boards or comparable committees

NORMA Group SE has only one layer of management below the Management Board. It includes all persons who report directly to the Management Board and have management responsibilities towards employees. Given the female representation of 50% at the time of the adoption of the resolution in 2015, the Management Board has set the target for the proportion of women in the first management level below the Management Board that is to be met by June 30, 2017 at at least 25% or one woman. No reduction in the proportion of women is intended, nor is it to be ruled out that the percentage of women will increase from 50%. The Management Board has in its opinion proven with the current filling of management positions that it has succeeded and should be able to continue to recruit qualified women for leadership positions at NORMA Group SE in the future. There is no second management level for which the Management Board would have also had to set targets. At the balance sheet date 2016, 11 out of 18 employees were women. Of the total of four people, who form the first management level below the Management Board, two are women. This means that the level was maintained since the resolution was passed in 2015 and exceeded the target of 25%.

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.

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.

The Group-wide compliance activities are headed by the Chief Compliance Officer of NORMA Group, who reports directly to the CEO. 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 Compliance Officer, who reports to the respective Regional Compliance Officer. The Supervisory Board monitors compliance with the compliance rules defined by the Management Board.

The compliance organization performs risk analysis together with the relevant functions and 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 2016, for example, worldwide online training was held on approval procedures. 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, through the employee newsletter and in the form of e-mails and notices.

The compliance guidelines of NORMA Group are an important means of demonstrating to employees their ethical and legal obligations. All compliance documents are reviewed regularly and, if necessary, adapted to new legal or social requirements and thus always kept up-to-date. The current versions of the main compliance documents, the 'Code of Conduct,' and the two principle directives 'Conflicts of Interest' and 'Anti-Corruption' were revised and published in March 2016 with the approval of the Supervisory Board. They are binding for all employees of NORMA Group. A separate 'Supplier Code of Conduct' applies for suppliers. It is intended to help ensure that laws and ethical rules are observed within the NORMA Group supply chain. In addition, a compliance manual was compiled in 2016, which defines responsibilities and regulatory areas, describes basic compliance processes, and provides a summary of key compliance issues.

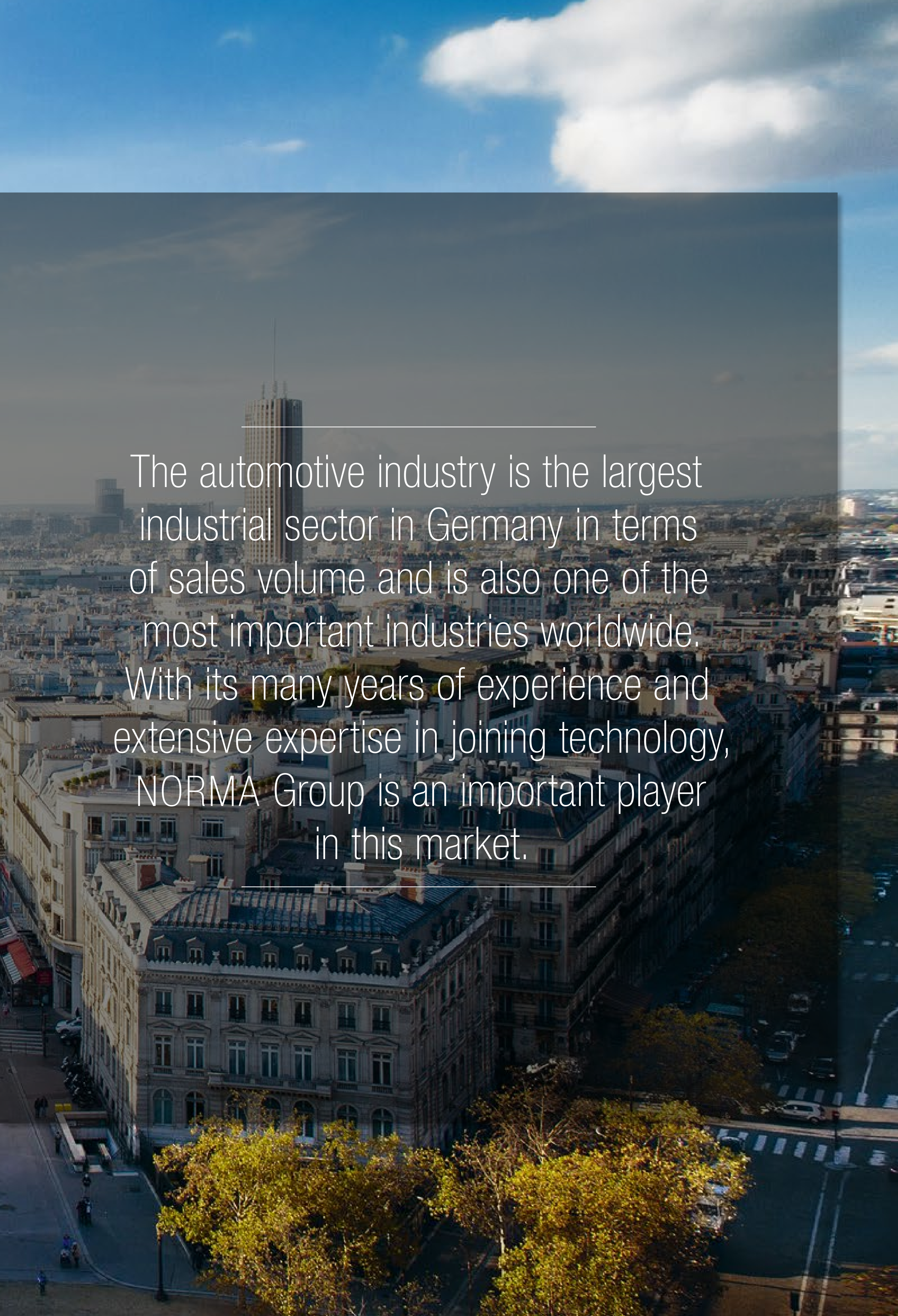
NORMA Group encourages its employees to report breaches of regulations and internal policies for all hierarchies. Besides directly approaching superiors, the personnel department or Compliance Officers, an Internet-based 'whistleblower system' is available for this purpose. With this whistleblower system, 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.

INFORMATION ON THE AUDITOR AND INTERNAL ROTATION

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), Frankfurt / Main, audited the financial statements of NORMA Group SE / NORMA Group AG as well as the consolidated financial statements for the fiscal years 2011 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.



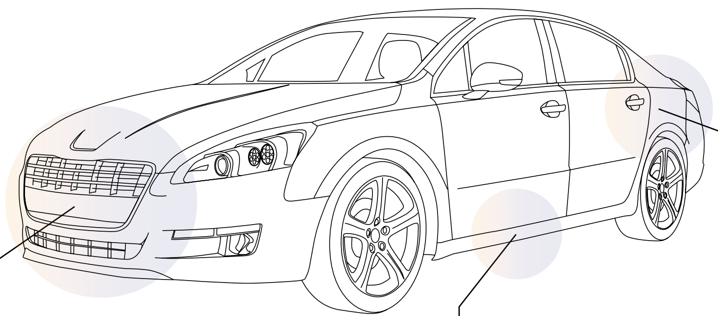
The automotive industry is the largest industrial sector in Germany in terms of sales volume and is also one of the most important industries worldwide. With its many years of experience and extensive expertise in joining technology, NORMA Group is an important player in this market.

"With the acquisition of the FRENCH AUTOLINE BUSINESS, we significantly strengthened our market position in the area of quick connectors. Autoline's products perfectly complement our existing product portfolio in the plastic area and allow access to new customers and NEW APPLICATIONS IN THE AUTOMOTIVE INDUSTRY – not only in Europe, but also on a global scale."

EDOUARD GENHO

KEY ACCOUNT MANAGER FOR EJT
NORMA DISTRIBUTION FRANCE S.A.S.

35



25
CONNECTING PRODUCTS
IN ENGINE AND COOLING SYSTEMS

3
CONNECTING PRODUCTS
IN FUEL SYSTEM

7
CONNECTING PRODUCTS
IN EXHAUST SYSTEM

B

CONSOLIDATED MANAGEMENT REPORT

Consolidated Management Report 2016

Principles of the Group

BUSINESS MODEL

NORMA Group is an international market and technology leader in the area of advanced and standardized engineered joining and mounting 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 over 100 countries. NORMA Group's product portfolio includes more than 35,000 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 and the Internal Revision.

Group-wide central management responsibilities such as IT, Treasury, Group Accounting and Group Controlling, are all based at the 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, 2016, NORMA Group SE holds shares in 46 companies that belong to NORMA Group either directly or indirectly and are fully consolidated. → Notes, p. 134.

Acquisitions

Economically effective as of November 30, 2016, NORMA Group acquired all of Autoline's assets from Parker Hannifin. The company was included in the scope of consolidation as of December 1, 2016. Autoline's main production site is located in Guichen, France. Furthermore, it has production sites in Mexico and China. → Significant Developments in 2016, p. 61.

Changes of legal structure

In fiscal year 2016, NORMA Türkei Verwaltungs GmbH, headquartered in Maintal, was renamed NORMA Verwaltungs GmbH. NORMA Verwaltungs GmbH as a controlled company and its sole shareholder NORMA Group Holding GmbH as the controlling company concluded a domination and profit transfer agreement, which was entered into the commercial register on December 21, 2016. NORMA Verwaltungs GmbH holds the shares in the Turkish Group company NORMA Turkey Bağlantı ve Birleştirme Teknolojileri Sanayi ve Ticaret Limited Şirketi as well as minority interests in the Russian Group company NORMA Group CIS and, since January 2017, a minority interest in the newly acquired Portuguese company Lifial – Indústria Metalúrgica de Águeda, Lda. → Events after the End of the Fiscal Year, p. 78.

NORMA GROUP (SIMPLIFIED STRUCTURE)[1] G 007

NORMA Group SE

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

[1] The graph gives an overview of the operating companies of NORMA Group. A complete list of the Group companies and NORMA Group's shareholdings as of December 31, 2016, can be found in the → Notes, p. 134.
[2] NORMA China is organizationally assigned to the Asia-Pacific segment. In terms of company law, it belongs to NORMA Group Holding GmbH.

These corporate changes will have no impact on the operational business.

In connection with the acquisition of Autoline, NORMA Group has set up a new subsidiary in France (NORMA Autoline France SAS) and in China (NORMA EJT (Wuxi) Co., Ltd.). These new companies have been running the Autoline business in France and China since December 1, 2016. The American-Mexican part of the Autoline business has been integrated into NORMA Group's existing American Group companies.

Group management

NORMA Group SE has a dual management system that consists of a Management Board and a Supervisory Board. The Management Board comprised of four members, manages the Company under its own responsibility, while the Supervisory Board advises and monitors the Management Board. 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 Management Report. The Statement of Corporate Governance pursuant to section 289a HGB, including the Declaration of Conformity pursuant to section 161 AktG, a description of the procedures of the Management Board and the Supervisory Board, and relevant information on corporate governance practices, is also part of the Corporate Governance Report. → Corporate Governance Report, p. 33. The curriculum vitae of the Supervisory and Management Board members are published on NORMA Group's website. @ http://investors.normagroup.com.

ORGANIZATIONAL STRUCTURE OF NORMA GROUP G 008

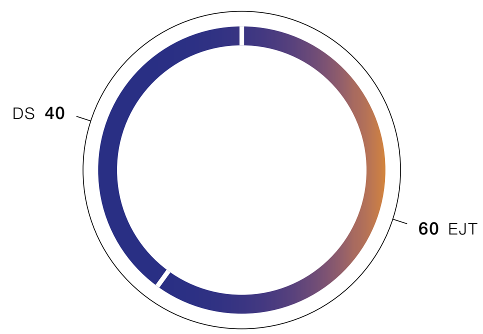
NORMA Group SE			PARENT COMPANY UNDER COMPANY LAW
EMEA	Americas	Asia-Pacific	SEGMENTS
Engineered Joining Technology (EJT)		Distribution Services (DS)	DISTRIBUTION CHANNELS

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 (Europe, Middle East and Africa), the Americas and Asia-Pacific (APAC). 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.

SALES BY DISTRIBUTION CHANNELS G 009

in %



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 either single or multiple layer thermoplastic plug-in connectors for 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.

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 quality assurance.

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

OVERVIEW OF END MARKETS AND BRANDS BY SEGMENT T 008

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®, TERRY®
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®

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 small application industries. The brands ABA®, Breeze®, Clamp-All®, CONNECTORS®, FISH®, Five Star®, Gemi®, NDS®, NORMA®, R.G.RAY®, Serflex®, TERRY® and TORCA® exemplify technological know-how, high quality and reliability and meet the technical standards of the countries in which they are sold.

UNIQUE SELLING PROPOSITIONS AND COMPETITIVE SITUATION

Economies of scale and synergies

By combining know-how in developing customized solutions for industrial customers (EJT) and providing high-quality standard brand products through global distribution (DS), NORMA Group is not only able to realize cross-selling effects, but also many synergies in the areas of production, logistics and sales. In addition, the Company benefits from significant economies of scale and scope due to the broad variety of its product offerings and high quantities and therefore differentiates itself clearly from smaller, usually more specialized competitors.

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 solutions that are based on rubber and 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 is active 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.

ECONOMIC AND LEGAL 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. For example, the downturn in demand for commercial vehicles and agricultural machinery in the US last year had a marked negative impact on NORMA Group's US business in this segment and led to a decline in organic growth in the Americas segment. → Sales and Earnings Performance, p. 63.

Thanks to its diversified product portfolio and broad customer base, NORMA Group is, however, perfectly equipped to compensate for temporary drops in demand. Temporary production peaks can be intercepted quite flexibly due to its efficient production structures and use of temporary workers. Furthermore, the high proportion of long-term development partnerships makes NORMA Group more independent of short-term fluctuations in demand.

Exchange rate fluctuations

Due to NORMA Group's international activities, exchange rate fluctuations also influence its business. While fluctuations between two 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. 86 and Notes, p. 135. In fiscal year 2016, 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 positive sales effect in fiscal year 2016. In contrast, changes in the exchange rates of the following currencies had a negative effect on the development of sales: British pound, Swedish krona, Serbian dinar, Turkish lira, Chinese renminbi 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. Price fluctuations for important materials can therefore have an effect on earnings. NORMA Group hedges against short-term price changes during the purchasing process by contractually fixing the prices for important material groups for a longer period of time – usually one year. This applies to both procurement and sales. Long-term price changes are largely passed on to the customer, which reduces the impact on earnings.

The ongoing productivity improvements defined as part of the Global Excellence Program contribute to continuous optimization of the cost structure and help to compensate for negative developments with regard to costs. → Production and Logistics, p. 70.

Legal and regulatory 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. 91.

The growing density of regulation in environmental law, in particular, has an impact on NORMA Group's product strategy. For example, new emission regulations, especially in the automotive and commercial vehicle industry, increase the demand for innovative joining technology and thus benefit NORMA Group's business. In this context, NORMA Group also expects country-specific regulations for car fleets to have a positive effect on sales in the medium term. In this case, lower average emission ceilings per vehicle fleet will be mandatory in the years to come. → T 009, p. 53. Vehicle manufacturers will have to invest in low-emission technologies in order to achieve the required emission targets. NORMA Group's products are of great benefit to OEM customers as they strive to comply with these requirements.

By acquiring National Diversified Sales (NDS) at the end of 2014, the various regulatory initiatives due to increasing environmental problems, water shortages and water pollution 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.

GOALS AND STRATEGY

NORMA Group's strategic goal is the sustainable increase of the company value. In each regional segment 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. In doing so, the Group always focuses on maintaining its high profitability and stable cash flows. 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.

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

T 009

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.

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. 50.

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. → Economic and Legal Factors of Influence, p. 51. 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 installation time. Innovations play an important role in meeting customer requirements, which increase with each new production cycle. Therefore, NORMA Group employs more than 300 R&D employees 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. 57.

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. Quality management therefore plays a crucial role for NORMA Group. → Quality Management, p. 71.

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. 77. 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-added acquisitions to supplement organic growth

By making select acquisitions, NORMA Group intends to contribute to the diversification of its business and strengthen its growth. Acquisitions are therefore an integral part of the Company's long-term growth strategy. NORMA Group observes the market for engineered joining technology very closely and contributes to its consolidation through targeted acquisitions. NORMA Group has acquired eleven companies (including Lifial which was acquired in January 2017 → Events after the End of the Fiscal Year, p. 78) 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.

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 launched back in 2009 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.

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.

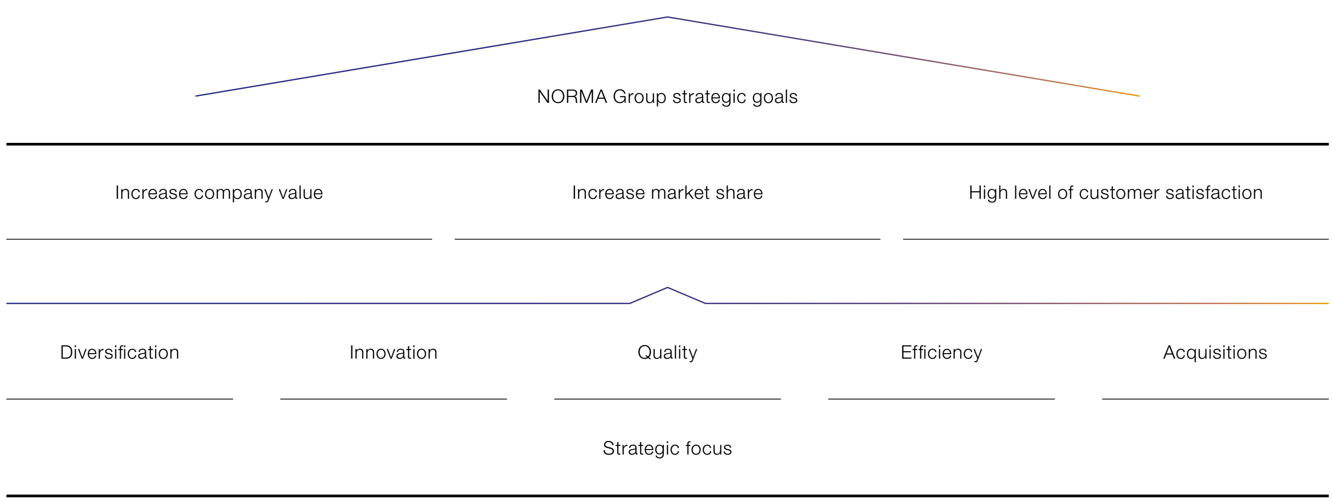
Important financial control parameters

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: Group sales, 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. 138. The adjusted EBITA margin (EBITA as a percentage of sales) as another key indicator for

STRATEGIC GOALS OF NORMA GROUP G 010



FINANCIAL CONTROL PARAMETERS

T 010

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

NON-FINANCIAL CONTROL PARAMETERS

T 011

	2016	2015	2014	2013	2012
Number of new patent applications	**52**	74	95	68	77
Defective parts per million (PMP)	**32**	21	17	24	34
Quality-related customer complaints per month	**8**	8	8	9	10

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 operating net 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.

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.

Sustainably securing its innovation capability is a key driver for the future growth of NORMA Group. The Group uses patents as a way of protecting its innovations. Up until 2016, the number of patent applications per year is therefore part of the internal control system and an important indicator of NORMA Group's innovative capacity.

For the reporting year 2016, NORMA Group decided to file mainly cross-national patent applications (European and global (PCT)) rather than new individual patent applications. This reduces costs, lowers the application efforts and increases the quality of the patent portfolio. Since a single cross-national patent application can lead to patent protection in several countries, inventions are no longer required to be registered individually in each individual country. This leads to a reduction in the absolute number of new patent applications. Nevertheless, this strategy does not necessarily have to lead to a reduction in the number of patents granted in the long term, since new cross-national patent applications are followed by validations in various countries. NORMA Group does not include these new registrations as new applications but rather as part of the patents held after the respective national patents have been granted. In fiscal year 2016, this optimization of the patent filing strategy resulted in a reduction in the number of new patent applications to 52 (2015: 74).

From reporting year 2017 onwards, NORMA Group will introduce the number of invention applications as a new indicator for measuring and managing the Company's innovative strength. Details can be found in the Forecast Report → Forecast Report, p. 78.

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. 71.

NORMA Group considers it to be its main responsibility to bring the effects of its business activity into balance with the expectations and needs of society. For this reason, operational decisions are based on the principles of responsible company management and sustainable actions. NORMA Group's strategy and goals are influenced by its Corporate Responsibility (CR) policies and described in detail on the Corporate Responsibility website of NORMA Group. @ http://normagroup.com/cr.

Other non-financial performance indicators include employee and environmental indicators and indicators on occupational safety and healthcare within the Group. They are discussed in the respective chapters of this management report.

The target figures for the financial and non-financial control parameters for 2017 and the assumptions underlying the forecast are presented in the Forecast Report. → Forecast Report, p. 78.

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 taken advantage of in different currencies and terms. NORMA Group uses Asset Backed Security (ABS), factoring and reverse factoring programs to manage liquidity, optimize working capital and make its cash flows more predictable.

The financing measures implemented in fiscal year 2016 are described in detail in the Notes to the Financial Position. →Notes, p. 141.

II. Limiting financial risks

The Group Treasury division constantly identifies and assesses interest rate and currency risks and selects suitable hedging instruments to reduce these risks. Here, not only derivatives, but also the appropriate foreign currency financing, are used to reduce currency risks. In the reporting year 2016, a significant share of financing (the equivalent of around EUR 50 million) was issued in US dollars as part of the new promissory note that was issued. More detailed information can be found in the chapter → Financial Management, p. 66. 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, 2016, around 12% 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. The 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 external auditing. Compliance with the EMIR (European Market Infrastructure Regulation) requirements, which was audited in 2016 for the year 2015 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 in the area of engineered joining technology and detecting and addressing technological trends as early as possible. The focus is on opening up new markets, 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. 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 products.

Focus on innovations

A clear focus of NORMA Group's R&D department is on strengthening the Company's innovative strength. 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 started with their work in fiscal year 2016. These NORMA Group employees collect ideas on future trends throughout the Group and examine them in terms of their feasibility during their regular meetings.

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. 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. 77.

Development focuses in 2016

The main focus of R&D activities in 2016 was still on driving implementation of the SCR (Selective Catalytic Reduction) systems with major automotive customers. These customers have to continuously optimize their systems in order to achieve the EU targets, which will make a further reduction of nitrogen oxide emissions for diesel vehicles mandatory by 2020. NORMA Group supports several automotive manufacturers 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, 2016, 843 patents and utility models (2015: 727) were held in 196 patent families (2015: 179). In 2016, 52 new patent rights (2015: 74) were filed in 18 patent families (2015: 23). The lower number of new patent applications compared to the previous year is due to the changeover in the patent strategy in fiscal year 2016 that now calls for cross-national, regional and international patents to be applied for (European and / or global) instead of filing individual national applications. → Control Sys-

R&D KEY FIGURES T 012

	2016	2015	2014	2013	2012	2011
Number of R&D employees	**305**	271	250	205	190	174
R&D employee ratio in relation to permanent staff (in %)	**5.6**	5.3	5.2	5.0	5.1	5.1
R&D expenses in the area of EJT (in EUR millions)	**28.8**	25.4	25.7	21.9	22.1	16.8
R&D ratio in relation to EJT sales (in %)	**5.4**	4.7	5.3	4.9	5.1	4.1
R&D subsidies received (in EUR thousands)	**0**	0	231	0	55	58

tem and Control Parameters, p. 54. These secure a protection position in several countries at the same time, which results in lower registration expenses, reduced costs and a higher quality of the patent portfolio.

R&D expenses

Research and development expenses in the area of EJT totaled EUR 28.8 million in 2016 (2015: EUR 25.4 million). This represents approximately 5.4% (2015: 4.7%) 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 12% (EUR 3.3 million).

R&D employees

As of December 31, 2016, 305 employees (2015: 271) worldwide worked for NORMA Group in the R&D department, which represents approximately 5.6% of all permanent employees of the Group (2015: 5.3%). Most of the employees who work in R&D are engineers, technicians and technical draftsmen.

Important product launches

NORMA Group develops new and innovative products for various types of applications each year. Newly introduced products accounted for EUR 48.2 million in sales in 2016 (2015: EUR 42.2 million). This corresponds to 5.3% of total sales (2015: 4.6%).

Economic Report

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Global economy in 2016 still predominantly weak

The global economy continued to develop moderately without reviving in fiscal year 2016. According to the International Monetary Fund (IMF), growth in 2016 was even slightly lower than in the previous year at 3.1%. The pace of expansion in China plateaued as expected. Impetus was also weak in other emerging and developing countries as well as in the US. Low oil prices and high uncertainties were burdens. The latter resulted from conflicts in Syria and Turkey as well as the Brexit vote in the UK and the government and banking crisis in Italy. On the other hand, expansive monetary policy supported economic activity in industrialized countries. The ECB continued its extremely relaxed monetary policy. The US Central Bank (FED) raised interest rates only slightly towards the end of the year.

The Chinese Gross Domestic Product grew by 6.7% in 2016. The state-controlled economic transformation toward stronger domestic demand and the economic transformation process from basic and heavy industry toward a technology-oriented industry were further advanced. In addition, governmental support measures were again taken up. Industrial production grew robustly by 6.0% (2015: 6.1%), with significantly higher automotive production, but losses in the iron and steel industry. The emerging markets of Southeast Asia (ASEAN-5) grew moderately by only 4.8% as a result of moderate global demand. Growth in India slowed from 7.6% to 6.6%. Restrained investment and a slump in private consumption after the currency reform in November slowed down the local economy. Brazil remained deep in recession, while the Russian economy stabilized at a low level after shrinking throughout the entire year. Emerging and developing countries grew overall by 4.1%, as in the previous year.

According to the IMF, advanced economies grew by only 1.6%, weaker than in the previous year (2015: 2.1%). Based on the first official figures, the US economy grew by only 1.6%. After a weak start to the year, an upswing strengthened in the second half. This was driven particularly by private consumption and construction investment. On the other hand, equipment investments declined. According to FED data, US industrial production stagnated in 2016 (–0.3%, excluding energy: –0.1%). Oil and gas production fell massively. The automotive industry and computer and communications equipment manufacturers grew. US capacity utilization in December, at 75.5% (2015: 75.4%), was still well below the long-term average of 80.0% (1972-2015). The Japanese economy showed only weak growth at 0.9% (2015: revised 1.2%). The UK, on the other hand, grew by a robust 2.0%.

GDP GROWTH RATES (REAL) T 013

in %	2016	2015	2014
World	**+3.1**	+3.2	+3.4
USA	**+1.6**	+2.6	+2.4
China	**+6.7**	+6.9	+7.3
Euro zone	**+1.7**	+2.0	+1.1
Germany[1]	**+1.9**	+1.7	+1.6

Sources: IMF, [1] Federal Statistical Office (Destatis)

Euro zone robust, but with restrained industrial activity

The economy in the euro zone developed solidly thanks to low interest rates and low inflation. The Gross Domestic Product (GDP) grew by 1.7% in 2016 (2015: revised 2.0%). The Brexit vote led to high uncertainty, but the real economy has not yet been visibly impaired. Private consumption remained the primary support of the economy. Higher government spending and a buoyant construction industry were also stimulants. In view of weak exports and political crises, company investment activity remained subdued. In the final quarter, the euro lost value primarily to the US dollar. All EU member states have continued to recover economically. Spain and Ireland again showed very strong growth. The upswing in the Netherlands was particularly vigorous. Portugal and France recorded moderate growth. In contrast, the recoveries in Greece and Italy were weak and remained well below the average of the currency union.

Accelerated upswing in Germany, but industry remains sluggish

According to Destatis (Federal Statistical Office), Germany achieved solid and steady economic growth of 1.9% in 2016. The dynamics of the upswing continued to increase compared with previous years as the long-term job market trend continued. On average, 43.5 million people were employed (+1.0%). With growth of 2.0%, private consumption was the main economic driver (2015: 2.0%). In addition, government spending at 4.2% (2015: 2.7%) supported by immigration-related costs, among others, and a boom in housing construction contributed to strong gains in construction investments at a total of 3.1% (2015: 0.3%). Export growth, however, flattened out and did not again reach the increase of imports.

Gross value creation remained moderate in the manufacturing sector, excluding construction. On the other hand, most service areas generated significant growth. The industrial economy lagged behind the generally positive development since a backwind from foreign markets was noticeably lacking. In the course of the year, industrial production developed predominantly robustly, but ineffectually. Coupled with high uncertainties, investment in equipment grew by only 1.7% (2015: 3.7%), more slowly than in previous years. According to Eurostat data, capacity utilization rose steadily to 85.8% in the final quarter (Q4 2015: 84.4%).

Mechanical engineering in stalemate, German manufacturers again in stagnation

Due to the world's restrained industrial activity, mechanical engineering lacked demand stimulus. According to preliminary estimates by the industry association VDMA, the global industry turnover stagnated in fiscal year 2016. Among the major markets, only China recorded growth (real +3%) thanks to government measures. Sales in the US and Japan declined by 2% in real terms. Revenues in South Korea and Latin America declined by 5% in real terms. The development was positive in some Gulf countries, especially in India and the ASEAN-5 countries. However, the important market of Europe (–1%) remained problematic and heterogeneous. In Russia, the market volume fell further (–6%), while Switzerland stagnated. The UK (–4%), the Netherlands (–6%), Scandinavia and eastern EU countries declined. Stagnating sales were recorded in Germany, France and Italy. In sum, the EU and the euro zone maintained only zero growth.

Once again, production of export-oriented German mechanical engineering remained in this environment at the previous year's level. According to the VDMA, capacity utilization was just below the long-term industry average. In the first eleven months, exports from Germany fell by a real 0.8% (imports: +3.2%). Imports to the US, China, Russia and Latin America were not completely offset by higher exports to the ASEAN region, the euro zone and other EU countries. During this period, sales amounted to EUR 197.1 billion (nominal +1.4%, real +0.5%). After rising orders in the first half of the year, demand weakened again due to growing uncertainties on the customer side. In 2016, the industry even recorded a loss of 2% (domestic: –1%, foreign currency: –3%) in real order intake.

Automotive industry grows globally, upswing in China and Western Europe

The automotive industry grew strongly in 2016, although regional trends diverged widely. According to LMC Automotive (LMCA), sales of light vehicles (LV, up to 6 metric tons) in 2016 grew by 4.1% to 92.8 million units worldwide. Global production grew by 4.8% to 93.0 million vehicles. In the more narrowly defined passenger car world market, the VDA branch office is forecasting an increase in sales of 4% to 81.6 million passenger cars. The Chinese automotive industry has grown strongly, supported by tax incentives for passenger cars with smaller cubic capacity. According to the LMCA, sales of LV were up 12.3% to 28.0 million, while the sales figures for passenger cars rose by 17.8% (VDA). Following a decline from the previous year, the Chinese commercial vehicle market also saw a single-digit increase in sales and production, with a drop in buses and growth in trucks (CAAM, China Association of Automobile Manufacturers). With growth of only 0.5%, the US market achieved a new record volume of LV at 17.5 million. The passenger car subsegment shrunk (–9%), while sales in the light truck division rose by 7%. The US heavy truck market fell significantly by posting an 11% decline in sales. Due to recession, the markets in Brazil and Russia again recorded double-digit losses. Japanese car sales fell by 1.6%, while the Indian car market grew by 7.0%.

The European automotive market grew strongly again in 2016. According to data from the European industry association ACEA, new car registrations increased by 6.5% to 15.1 million units (EU28 + EFTA). In Eastern Europe, sales grew by 15.9%, while in Western Europe by 5%. Car production rose by 3.8% here (LMCA). The development was positive in all volume markets. According to ACEA, car sales in Italy (+15.8%) and Spain (+10.9%) even rose by double digits. The demand also remained strong in France (+5.1%) and the UK (+2.3%), while sales in Germany rose strongly by 4.5% to almost 3.4 million passenger cars. Data from the VDA reveals that domestic production rose by 1% in Germany to more than 5.7 million passenger cars. As in the previous year, 4.4 million passenger cars were exported. German manufacturers increased their production abroad by 6% to over 10 million passenger cars.

The dynamic recovery also continued in the European market for commercial vehicles. According to ACEA figures, sales of trucks and buses rose by 11.4% in 2016 to 2.4 million commercial vehicles. In Western Europe, sales rose by 11.0% and in Eastern Europe by 14.8%. Growth in Italy was outstanding (+49.9%). Commercial vehicle sales in Spain (+11.3%), France (+8.3%) and Germany (+7.0%) increased significantly as well. Among the major sub-markets, only the UK (+1.2%) experienced moderate growth. Market growth in Europe was driven by increases in sales of between 11% and 12% for trucks in all weight classes. The bus segment grew by 3.5%.

Construction industry in Western Europe in upswing, housing construction boom in Germany

The European construction industry developed with regional differences, but grew overall. According to a joint analysis from the industry network Euroconstruct and the Ifo Institute, construction output in the 19 largest single European markets rose by 2.0% in real terms (2015: 1.8%). In Western Europe, the upturn accelerated to 2.4% (2015: 1.6%) thanks to strong expansion in housing construction. Eastern Europe suffered a setback of 3.3% (2015: +5.5%) following the expiry of major EU projects. This exerted pressure on civil engineering across Europe (–1%). Scandinavia and Ireland achieved the greatest growth. France and Spain also posted robust growth. Swiss construction stagnated for the most part. In the UK, construction productivity fell slightly.

According to Destatis, investment in construction in Germany increased by 3.1% in real terms (2015: 0.3%). The reasons for this were the boom in housing construction and vigorous public construction activity. According to the IfW (Institute for the World Economy), investment in both sectors rose by more than 4% in real terms. Weighed down by subdued corporate investments, commercial construction enjoyed very little stimulus (real: –0.5%). According to the DIW (German Institute for Economic Research), construction volume in housing construction expanded by a nominal 5.6% to almost EUR 200 billion, with 11.2% for new construction alone. The construction output of existing buildings (modernization, maintenance), which accounts for two-thirds of the total housing construction volume, rose by

3.1%. In building construction excluding apartments, nominal construction output rose by 2.3% and civil engineering by 3.0%.

SIGNIFICANT DEVELOPMENTS IN FISCAL YEAR 2016

Issuance of a new promissory note

In August 2016, NORMA Group issued a new promissory note with euro and US dollar tranches totaling approximately EUR 150 million. The promissory note has maturities of 5, 7 and 10 years and again offers more favorable conditions than the previous promissory notes. The financial resources from the promissory note were used to finance the acquisition of Autoline and to repay the variable euro tranches of the promissory note from 2013 (EUR 49.0 million). → Financial Management, p. 66.

Acquisition of the global Autoline business for quick connectors from Parker

NORMA Group SE acquired all assets of the Autoline business (Autoline) from Parker Hannifin with effect from November 30, 2016. It was included in the scope of consolidation on December 1.

Autoline has been developing, manufacturing and marketing quick connectors for the connection of fluid lines in motor vehicles for over 20 years. These plastic components are used in line systems for fuel, tank ventilation, cooling, brake vacuum and SCR (Selective Catalytic Reduction) in all types of vehicles. Autoline has its headquarters in Guichen, France, and production sites in Mexico and China. The company sells its joining products to customers worldwide. The acquisition of Autoline strengthens NORMA Group's market position through new quick connector products but also by bringing new customers, in Asia, for example. The Autoline business was part of the Fluid System Connectors division of Parker Hannifin Corporation and before that a division of Legris.

COMPARISON OF TARGET AND ACTUAL VALUES

In its 2015 annual report, NORMA Group issued a forecast for the Group and the segments for 2016 for its most important internal control figures. Due to unforeseen developments, the Management Board was forced to adjust the forecast for growth in sales of individual segments and ultimately for Group turnover growth as well during the year. The following report provides an overview of the forecast adjustments and a comparison of the projected values with the actual results of the Group.

Adjustments to the forecast during the year

In August 2016, NORMA Group adjusted its sales forecast at segment level and lowered its sales expectations for the Asia-Pacific region. Instead of growth of more than 10%, the Management Board has since then assumed stable organic sales for the region. The reason for this was the temporal shift of localization projects in the Asia-Pacific region in favor of slightly stronger growth in the EMEA region.

The situation in the area of commercial vehicles and agricultural machinery in the US deteriorated over the course of the second half of 2016, which is why NORMA Group adjusted its sales forecast for the Americas region in November when the Company published its figures for the third quarter of 2016. Instead of solid organic growth, NORMA Group now only expected sales below the previous year in fiscal year 2016 for the Americas.

After the order backlog in the commercial vehicle, agricultural machinery and construction machinery sectors, including aftermarket parts, decelerated even further in the US, the Management Board was forced on November 10, 2016, to reduce the forecast for Group sales growth in 2016. Instead of organic Group sales growth of around 2% to 5%, the Management Board has since then projected organically stable sales for fiscal year 2016.

The forecast for the other target values, including the adjusted EBITA margin of more than 17%, remained unchanged in 2016. → Table 014, p. 62 provides an overview of the target and actual values as well as the adjustments made to the forecasts over the course of the year.

Deviations from the target values

NORMA Group achieved the growth in sales adjusted on November 10, 2016, for fiscal year 2016. In terms of costs, NORMA Group achieved a slightly better-than-forecast material cost ratio due to optimized purchasing and supplier management as well as favorable price developments for some key materials. → Purchasing and Supplier Management, p. 71. On the other hand, the personnel cost ratio was slightly higher than the projected figure. This was due to the higher increase in the number of employees in relation to the increase in sales as well as to the disproportionate development of sales in the US. In combination with tax credits and a reduced average tax rate in the US, the latter also led to a lower adjusted tax rate of 28.9% for the Group. Net operating cash flow was higher than expected at EUR 148.5 million.

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

NORMA Group ended fiscal year 2016 with organic growth of 0.9%, which is lower than originally forecast. Due to the continuing weakness in the commercial vehicle and agricultural machinery markets in the US, which intensified again towards the end of the year, the Management Board was forced to correct the annual sales forecast for fiscal year 2016 on November 10. This was due to the decline in the order backlog in the areas mentioned, including the aftermarket business in the US. Despite the lower than expected sales volume, the cost ratios were kept stable overall so that NORMA Group achieved its profitability target and an adjusted EBITA margin of 17.6%.

The region's sales performance was very heterogeneous due to the above-mentioned causes: while the Americas suffered significantly from the downturn in the US commercial vehicle and agricultural machinery business, the EMEA and Asia-Pacific regions showed solid to strong growth which was driven by good EJT business in particular.

ACTUAL BUSINESS DEVELOPMENT COMPARED TO THE FORECAST

T 014

	Results in 2015[1]	March 2016	May 2016 (Q1 Interim Statement)	August 2016 (Q2 Interim Report)	November 2016 (Q3 Interim Statement)	November 10, 2016	**Results 2016[1]**
Group sales (in EUR millions)	889.6	n/a	n/a	n/a	n/a	n/a	**894.9**
Growth of Group sales	3.7% organic growth, additionally EUR 115.4 million from acquisitions	solid organic growth of around 2% to 5%	no adjustment	no adjustment	no adjustment	Adjustment of guidance: stable organic sales	**0.9% organic growth, additionally EUR 3.5 million from acquisitions**
Sales growth EMEA	5.1% organic	solid organic growth	no adjustment	no adjustment	no adjustment	no adjustment	**4.3% organic**
Sales growth Americas	–1.2% organic	solid organic growth	no adjustment	no adjustment	Adjustment of guidance: sales lower than last year	no adjustment	**–3.8% organic**
Sales growth Asia-Pacific	13.7% organic	more than 10%	no adjustment	Adjustment of guidance: stable organic sales	no adjustment	no adjustment	**5.8% organic**
Adjusted cost of materials ratio	40.8%	roughly at the same level as in previous years	no adjustment	no adjustment	no adjustment	no adjustment	**39.4%**
Adjusted personnel expense ratio	26.3%	roughly at the same level as in previous years	no adjustment	no adjustment	no adjustment	no adjustment	**27.3%**
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	no adjustment	**17.6%**
Financial result (in EUR million)	–17.2 (unadjusted)	up to EUR –15.0 million	no adjustment	no adjustment	no adjustment	no adjustment	**–14.6%**
Adjusted tax ratio	32.1%	around 32% to 34%	no adjustment	no adjustment	no adjustment	no adjustment	**28.9%**
Earnings per share (in EUR)	2.78 (adjusted) 2.31 (reported)	solid increase	no adjustment	no adjustment	no adjustment	no adjustment	**2.96 (adjusted) 2.38 (reported)**
Net operating cash flow (in EUR million)	134.7	slightly higher than the level of the previous year (2015: EUR 134.7 million)	no adjustment	no adjustment	no adjustment	no adjustment	**148.5**
Investments in R&D (related to EJT sales)	4.7%	operationally around 5.0%	no adjustment	no adjustment	no adjustment	no adjustment	**5.4%**
Investment rate (without acquisitions)	4.7%	operationally around 4.5%	no adjustment	no adjustment	no adjustment	no adjustment	**5.4%**
Dividend (in EUR) Payout ratio	0.90[2] 32.3%	approx. 30% to 35% of adjusted annual Group earnings	no adjustment	no adjustment	no adjustment	no adjustment	**0.95[2] 32.0%**

[1] The adjustments refer to one-off effects from acquisitions. → Notes, adjustments, p. 138.
[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 23, 2017.

The Management Board is particularly pleased with the acquisition of the Autoline business, which was completed on November 30, 2016. Autoline's products complement the existing portfolio in the area of quick connectors and strengthen the EJT business.

Overall, fiscal year 2016 was a mixed year for NORMA Group, in a partially challenging economic environment. The Management Board assumes that the commercial vehicle market in the US will recover in the medium term. However, it is difficult to predict from today's point of view whether this will already be the case in 2017 due to the volatile economic environment.

As of December 31, 2016, the order book stood at EUR 302.4 million (2015: EUR 295.8 million), which suggests a good start to fiscal year 2017. The Management Board therefore assumes that NORMA Group's growth will accelerate again in the current fiscal year.

EARNINGS, ASSETS AND FINANCIAL POSITION

Adjustments

NORMA Group adjusts certain expenses for the operational management of the Company, in particular those related to acquisitions made.

In fiscal year 2016, expenditures totaling EUR 4.8 million (2015: EUR 3.6 million) were adjusted within EBITDA (earnings before interest, taxes, depreciation of tangible, amortization and amortization of intangible assets).

The adjustments within EBITDA refer to material expenses (EUR 0.6 million) resulting from the valuation of the inventories taken on as part of the purchase price allocation of the acquisition of the Autoline business. In addition, acquisition-related costs (EUR 2.1 million) and transaction costs (EUR 1.7 million) related to the acquisition were adjusted within other operating expenses. Furthermore, expenses for the integration of the acquired Autoline business (EUR 0.2 million) were adjusted in other operating expenses and expenses for employee benefits (EUR 0.2 million).

In addition to the adjustments described, as in prior years, depreciation on tangible assets in the amount of EUR 2.3 million (2015: EUR 2.2 million) as well as amortization of intangible assets in the amount of EUR 20.6 million (2015: EUR 17.3 million), in each case from purchase price allocations were adjusted. This also includes an unscheduled amortization of capitalized customer relationships in the amount of EUR 3.9 million relating to CONNECTORS Verbindungstechnik AG. This was triggered by the start-up of a competing company with a similar product portfolio. In addition, a major supplier recalled the trading rights for major products with CONNECTORS. These events led to a loss of customers and ultimately resulted in a partial depreciation of customer relationships. → Notes, p. 147.

Fictitious income taxes resulting from the adjustments are calculated using the tax rates of the respective local companies affected and taken into account in the adjusted result after tax. The following overview simplifies the adjustments.

ADJUSTMENTS* T 015

in EUR millions	2016 adjusted	adjustments	2016 reported
Group sales	894.9		894.9
EBITDA	179.4	4.8	174.6
EBITDA margin (in %)	20.0		19.5
EBITA	157.5	7.1	150.4
EBITA margin (in %)	17.6		16.8
EBIT	147.7	27.7	120.0
Financial income	–14.6		–14.6
Profit for the period	94.6	18.7	75.9
EPS (in EUR)	2.96	0.58	2.38

* Deviations may occur due to commercial rounding.

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 2015 are explained in the Notes. → Notes, p. 138.

Sales development

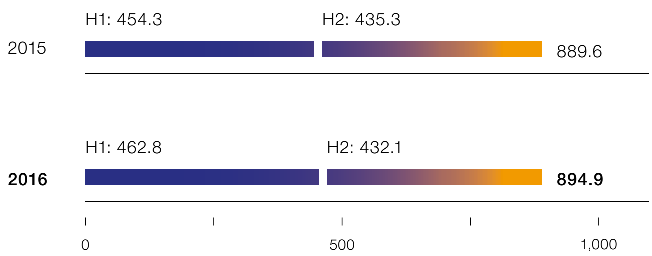
Group sales growth strengthened by acquisitions

In fiscal year 2016, Group sales of NORMA Group increased to EUR 894.9 million, or 0.6%, compared to the prior-year period (2015: EUR 889.6 million). This figure includes organic sales growth of 0.9% (2015: 3.7%) and acquisition-related growth of 0.4%. Changes in exchange rates, particularly in connection with the British pound, the Chinese renminbi and the Malaysian ringgit, had a negative effect of a total of 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 the resulting good growth of the EJT business in the EMEA and Asia-Pacific regions. In addition, the positive development of the DS water business in the Americas region had a positive impact on Group sales growth. On the other hand, the weak demand in the commercial vehicle and agricultural machinery sectors in the US had a negative impact on sales growth.

DEVELOPMENT OF SALES IN 2016 G 011

in EUR millions



EFFECTS ON GROUP SALES T 016

	in EUR millions	Share in %
Sales 2015	889.6	
Organic growth	7.6	0.9
Acquisitions	3.5	0.4
Currency effects	–5.8	–0.7
Sales 2016	**894.9**	**0.6**

Heterogeneous developments in the various regions

The sales performance of NORMA Group in the various regions was very heterogeneous in fiscal year 2016. In Europe, NORMA Group benefited from the positive overall development of the vehicle industry, with rising production and sales figures. → General Economic and Industry-Specific Conditions, p. 59. This had a positive effect on the EJT business in the region and led to solid organic growth in sales in the EMEA region.

In the Americas region, NORMA Group's business was influenced by the declining trend and the negative production figures for commercial vehicles and agricultural machinery in the US in particular. This led to order cancellations and a significant drop in sales in the EJT segment in the Americas, which could not be offset by the positive development of the DS water business.

The Asia-Pacific region recorded strong growth over the year, driven in particular by the good EJT business.

EJT area characterized by weak US business, DS area grew solidly

Sales in the EJT segment amounted to EUR 535.9 million in fiscal year 2016, a decrease of 0.8% compared to the previous year (EUR 540.3 million). This was mainly due to the previously mentioned weak development of the US market for commercial vehicles and agricultural machinery. The EMEA and Asia-Pacific regions each showed strong growth in the EJT business, which is mainly attributable to a positive development of the production figures in the automotive industry and new product developments. In addition, revenues of EUR 3.5 million from the Autoline business acquired in November contributed to sales in the EJT sector.

Sales revenues in the Distribution Services division amounted to EUR 354.5 million in 2016, an increase of 3.0% compared to the previous year (2015: EUR 344.1 million). This growth was due in particular to the strong US water business.

DEVELOPMENT OF SALES CHANNELS T 017

	EJT		DS	
	2016	2015	**2016**	2015
Group sales (in EUR millions)	**535.9**	540.3	**354.5**	344.1
Growth (in %)	**–0.8**	12.3	**3.0**	62.7
Share of sales (in %)	**60**	61	**40**	39

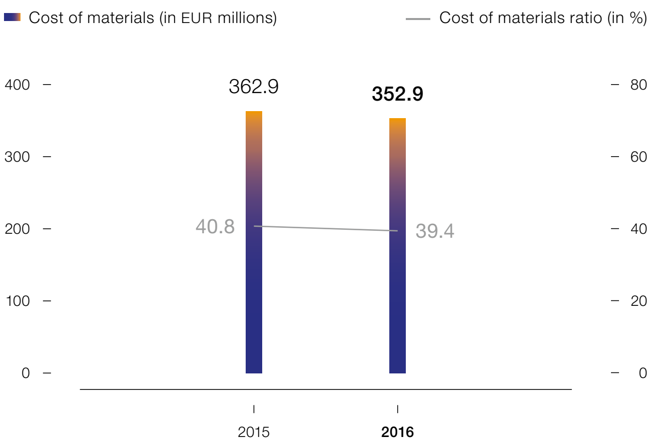
Development of earnings

Adjusted material cost ratio improved again – gross margin increased

Targeted purchasing management and the favorable price development of some important production materials once again led to an improved adjusted material cost ratio in fiscal year 2016. With adjusted material expenses of EUR 352.9 million (2015: EUR 362.9 million), the adjusted material cost ratio amounted to 39.4% in 2016 (2015: 40.8%).

After taking into account changes in inventories (EUR 0.2 million) and other own work capitalized (EUR 3.3 million), this results in adjusted gross profit of EUR 545.6 million. This represents an increase of 2.3% compared to the previous year (EUR 533.1 million). In relation to sales, this resulted in an adjusted gross margin of 61.0% compared to the previous year (2015: 59.9%).

COST OF MATERIALS AND COST OF MATERIALS RATIO (ADJUSTED) G 012



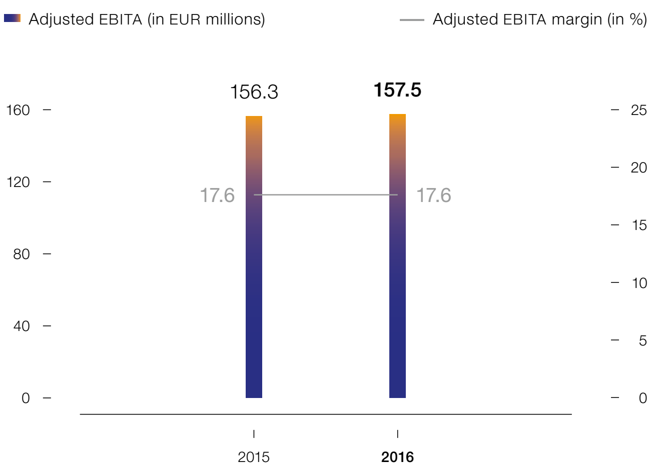
Higher adjusted operating income

Adjusted personnel expenses amounted to EUR 243.9 million in fiscal year 2016, an increase of 4.2% compared to the previous year (2015: EUR 234.1 million). The adjusted personnel cost ratio resulting from the ratio of adjusted personnel expenses and sales amounted to 27.3%, which is a year-on-year increase (2015: 26.3%). This was due in particular to the increase in the number of employees as well as to an increase in the wage level and the relatively lower sales volume in the US in fiscal year 2016.

Adjusted other operating income and expenses increased by 0.6% to EUR 122.3 million in the reporting year (2015: EUR 121.5 million). In relation to sales, this resulted in a constant ratio of 13.7%.

Adjusted operating earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) for fiscal year 2016 amounted to EUR 179.4 million, an increase of 1.1% compared to the previous year (EUR 177.5 million). NORMA Group's main control parameter, adjusted EBITA, amounted to EUR 157.5 million in 2016, 0.8% above the adjusted EBITA of the previous year (EUR 156.3 million). The resulting adjusted EBITA margin remained unchanged at 17.6% compared to the previous year. NORMA Group's business thus again proved to be sustainably profitable in 2016.

ADJUSTED EBITA AND ADJUSTED EBITA MARGIN G 013



Financial result

The financial result amounted to EUR –14.6 million in fiscal year 2016 (2015: EUR –17.2 million). It was mainly affected by interest expenses and expenses from derivative valuation. In addition, the financial result included positive currency effects, which are largely the result of the development of the British pound, the Polish zloty and the Swedish krona. → Notes, p. 141.

Adjusted income taxes

Adjusted income taxes amounted to EUR 38.5 million, resulting in a tax rate of 28.9% (2015: 32.1%). The unadjusted tax rate was 28.0% (2015: 31.4%). The lower tax rate compared to the previous year is due to lower sales growth in the US and to tax credits as well as a lower average tax rate in the US.

Adjusted profit for the period rose

Adjusted profit for the period after tax amounted to EUR 94.6 million in 2016, an increase of 6.6% compared to the previous year (EUR 88.7 million). The unadjusted profit for fiscal year 2016 amounted to EUR 75.9 million, 2.7% higher than the previous year's result (EUR 73.8 million). Overall, the after-tax adjustment effect amounted to EUR 18.7 million → T 015: Adjustments, p. 63.

With an unchanged number of shares of 31,862,400 compared to the previous year, this resulted in adjusted earnings per share of EUR 2.96 (2015: EUR 2.78). Unadjusted earnings per share amounted to EUR 2.38 (2015: EUR 2.31).

Asset position

Total assets

Total assets as of December 31, 2016, amounted to EUR 1,337.7 million, which was 14.5% higher than in the previous year (EUR 1,167.9 million). The increase in the balance sheet total is mainly due to the acquisition of Autoline's business in December 2016 and the associated increase in loan liabilities as well as currency effects.

Non-current and current assets affected by the acquisition of Autoline

The acquisition of Autoline and investments were reflected in an increase in assets. Non-current assets rose by 10.3% year-on-year to EUR 875.0 million (2015: EUR 793.6 million). Property, plant and equipment increased by EUR 31.2 million, goodwill by EUR 25.0 million and other intangible assets by EUR 24.4 million. Intangible assets were also impacted by currency effects, in particular in connection with the US dollar. → Notes, p. 145.

Similarly, current assets increased by 23.6% to EUR 462.7 million as of December 31, 2016. The increase is mainly due to the increase in cash and cash equivalents of EUR 65.6 million and the increase in inventories of EUR 10.0 million.

The share of non-current assets to total assets at the end of 2016 amounted to 65.4%. Consequently, current assets accounted for a share of 34.6%.

Working capital

(Trade) working capital (inventories plus receivables minus liabilities, both primarily from trade payables and trade receivables) amounted to EUR 144.5 million as of December 31, 2016, which was 4.9% lower than in the previous year (2015: EUR 151.9 million). In relation to sales, working capital was 16.1% on the balance sheet date (2015: 17.1%). It was influenced by active working capital management. As in previous years, NORMA Group participates in reverse factoring and an Asset Backed Securities (ABS) program. In addition, in the fourth quarter of 2016, it entered into a factoring agreement on monthly revolving sales of trade receivables, which resulted in a significant reduction in operating receivables at the end of the year.

Equity ratio fell slightly

As of December 31, 2016, consolidated equity amounted to EUR 483.6 million, an increase of 12.5% compared to the previous year (2015: EUR 429.8 million). This increase resulted mainly from the net profit for the period of EUR 75.9 million and positive currency translation differences in the amount of EUR 4.0 million. In contrast, the dividend payment in the amount of EUR 28.7 million in the second quarter reduced equity. At the end of fiscal year 2016, the equity ratio of 36.2% (2015: 36.8%) was only slightly lower than in the previous year, despite the increase in the degree of indebtedness resulting from the acquisition of the Autoline business.

Net debt increased

Net debt at the end of the reporting period was EUR 394.2 million (included herein are derivative financial instruments in the amount of EUR 2.2 million) and thus rose by EUR 33.3 million or 9.2% respectively compared with the previous year (2015: EUR 360.9 million). The reason for this was the debt financing of the acquisition of the Autoline business by issuing another promissory note in August 2016 amounting to around EUR 150 million and the payment of the dividend. Gearing (net debt in relation to equity) was 0.8 and thus at the same level as at the end of 2015, despite higher net debt. Leverage (net debt without hedging derivatives in relation to adjusted EBITDA LTM) was 2.1 (2015: 2.0).

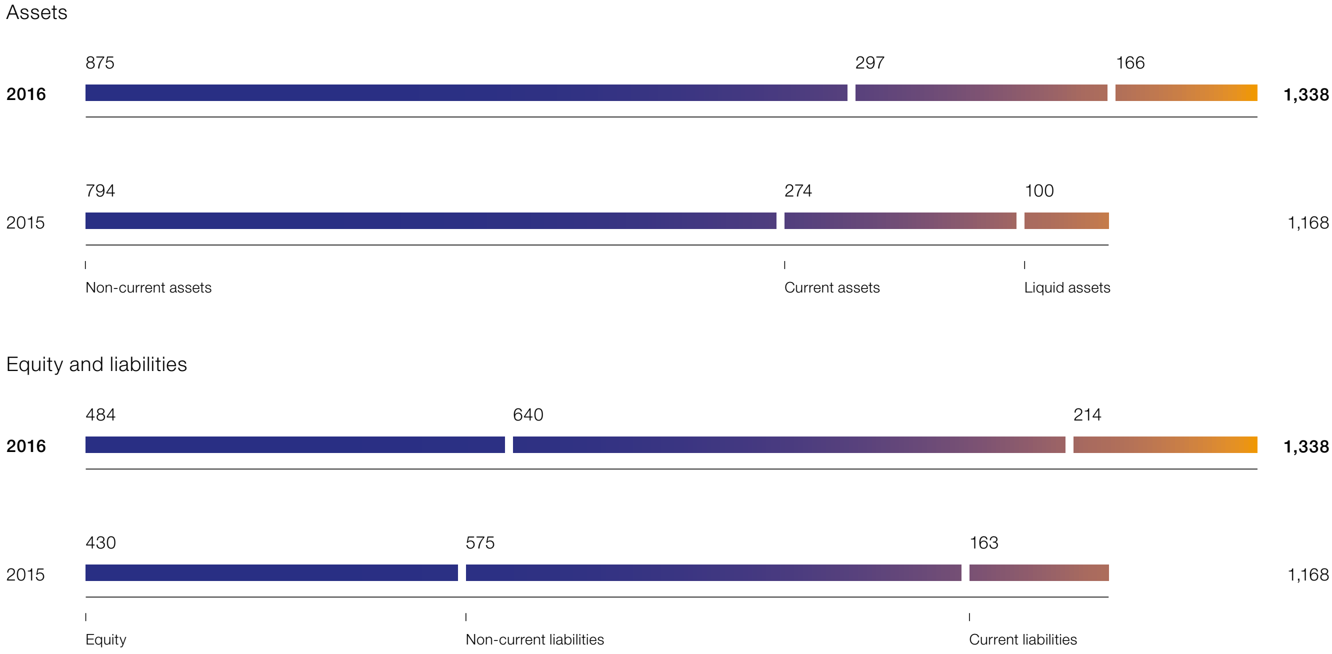
Non-current and current liabilities

Non-current liabilities increased by 11.3% in total to EUR 640.3 million (2015: EUR 575.4 million) and thus amounted to 47.9% of total assets. The increase in long-term debt of EUR 69.4 million or 15.6% which was attributable to the issuance of the new promissory note had a major impact.

Current liabilities amounted to EUR 213.8 million (2015: EUR 162.6 million) as of the balance sheet date in 2016 and thus rose by 31.5% compared to the previous year. This is mainly due to an increase of EUR 35.1 million in current loan liabilities. These include, among other factors, tranches of the promissory note issued in 2014 as well as the syndicated credit line with maturity in 2017. In addition, trade payables rose by EUR 18.7 million to EUR 119.6 million.

ASSET AND CAPITAL STRUCTURE G 014

in EUR millions



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 its success, as does consumer confidence in NORMA Group's products. 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 and capital costs

NORMA Group monitors risks from changes in exchange and interest rates on a regular base 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.

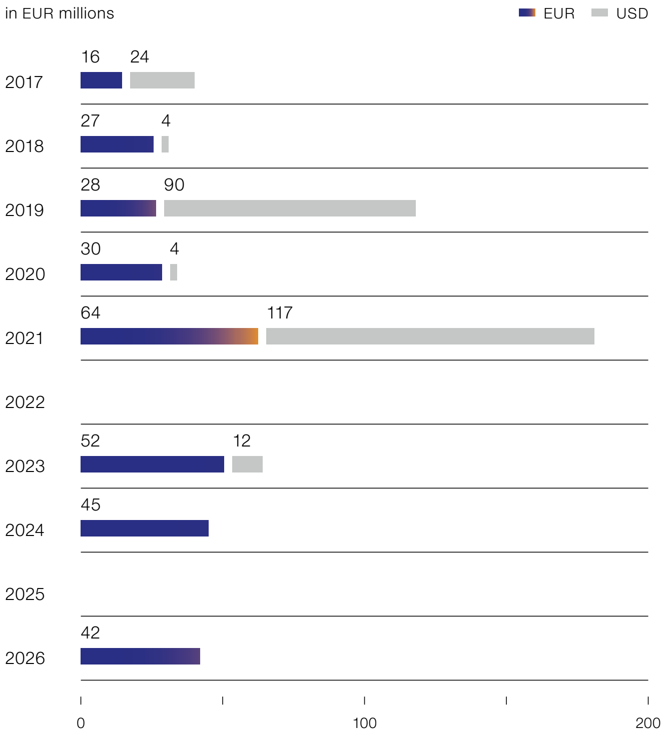
NORMA Group took further steps toward improving its financial structure in fiscal year 2016. For this purpose, a new promissory note that consisted of euro and US dollar tranches with a total volume of approx. EUR 150 million was issued at the beginning of August 2016. The promissory note has maturities of 5, 7 and 10 years and again more favorable interest rates. The funds from the promissory note were partly used to repay the variable euro tranches of the promissory note issued in 2013 (EUR 49.0 million) and to cover payment of the purchase price of the Autoline business (EUR 81.0 million).

As of the reporting date December 31, 2016, 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. 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. This results in a high degree of flexibility when it comes to financing. In order to reduce interest rate risks that could result from the external financing components, US dollar interest rate hedges of EUR 75.3 million were concluded in the fiscal year.

As of December 31, 2016, the average interest rate on total gross debt was 2.3%. NORMA Group's maturity profile for all promissory notes I (2013), II (2014) and III (2016) and the syndicated credit line (2015) was as follows on December 31, 2016:

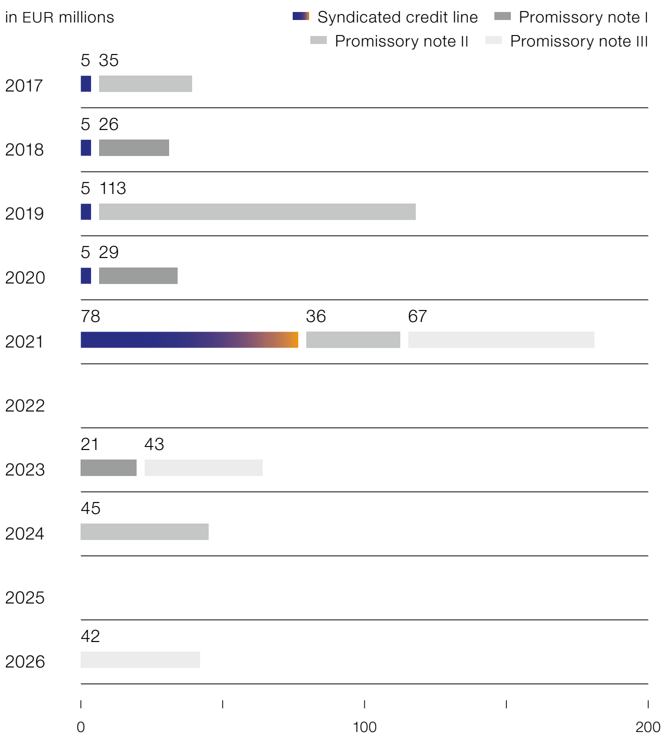
MATURITY PROFILE BY CURRENCY G 015

in EUR millions



MATURITY PROFILE BY FINANCIAL INSTRUMENT G 016

in EUR millions



As of the balance sheet date in 2016, NORMA Group complied with all of the conditions contained in the loan contracts (financial covenants: debt in relation to adjusted Group EBITA and change of control).

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 increased significantly

In 2016, NORMA Group achieved a net operating cash flow of EUR 148.5 million, an increase of 10.3% compared to 2015 (EUR 134.7 million). This was mainly due to slightly higher adjusted EBITDA compared to the previous year and optimized working capital management. Investments increased to EUR 47.9 million compared to the previous year (2015: EUR 42.2 million) and pertained mainly to plants in Germany, Poland, Serbia, the US and China.

Cash flow from operating activities increased

Cash flow from operating activities in fiscal year 2016 amounted to EUR 149.2 million (2015: EUR 128.2 million). It was mainly influenced by the cash-effective reduction in working capital. In this context, the effects of the factoring agreement, which was newly concluded in fiscal year 2016, had a positive effect on cash flow. The total amount of trade receivables sold within the factoring program and Asset Backed Securities (ABS) program amounted to EUR 24.4 million in fiscal year 2016 (2015: EUR 13.9 million). The amount of trade payables in the reverse factoring program amounted to EUR 23.4 million (2015: EUR 21.1 million). → Notes, p. 155 and p. 168.

Cash flow from operating activities is corrected by interest expenses in the amount of EUR 12.7 million as well as expenses from the valuation of hedging derivatives in the amount of EUR 2.4 million which relate to the change in the fair value of foreign currency derivatives recognized in the income statement and are allocated to financing activities.

The payments for share-based payments amounting to EUR 2.5 million reported in cash flow from operating activities result from the cash remuneration of the 2012 tranche of the Management Board's Matching Stock Program.

The correction of the other payments allocated to the acquisition activity (EUR 1.7 million) relates to transaction taxes in connection with the acquisition of Autoline in December.

Other interest-related expenses and income, which resulted in an outflow in the amount of EUR 0.8 million (2015: EUR –9.8 million) in the reporting year, include non-cash interest expenses from the application of the effective interest method and expenses from stock option programs.

Cash flow from investing activities

Cash outflow from investing activities amounted to EUR 133.8 million in fiscal year 2016 (2015: EUR 44.5 million). This includes net payments for acquisitions amounting to EUR 87.6 million (2015: EUR 0.1 million). These mainly relate to payments in connection with the acquisition of the Autoline business (EUR

82.7 million). In addition, payments for the conditional purchase price liability in connection with the acquisition of the business activities of Five Star (EUR 3.3 million) as well as payments for the settlement of all purchase price liabilities from the acquisition of NDS (EUR 1.6 million) are included.

In addition, cash flow from investing activities was influenced in particular by the cash outflow for the acquisition of intangible assets and property, plant and equipment in the amount of EUR 47.0 million (2015: EUR 44.8 million). This figure includes expenditure on expansion (EUR 29.1 million) and expenditure on the maintenance and improvement of operational capacity (EUR 18.5 million). Furthermore, the cash flow from investing activities includes the change in liabilities for the acquisition of intangible assets and tangible assets in the amount of EUR 0.6 million.

NORMA Group's investing activities in fiscal year 2016 (tangible and intangible assets) in the amount of EUR 47.9 million (2015: EUR 42.2 million) represents an investment ratio of 5.4% (2015: 4.7%) of sales.

Investment analysis

NORMA Group invests the funds from its operating cash flow in its continued growth. Investments made in the reporting year 2016 pertained to investments in production facilities and expansion of capacities mainly in the US, Poland, Serbia, Germany and China. → Production and Logistics, p. 70.

Cash flow from financing activities

Cash flow from financing activities amounted to EUR 49.6 million in 2016 (2015: EUR –70.4 million). This included, among other items, receipts from loans (EUR 188.4 million) relating to the newly issued promissory note in August and interim financing of EUR 40.0 million which was already repaid by the end of September. The repayment of financial debts (EUR –94.2 million) essentially comprises the amortization of the floating-rate tranches of the promissory note issued in fiscal year 2013 as well as the aforementioned repayment of interim financing in the amount of EUR 40.0 million. In addition, the payment of the dividend (EUR –28.7 million) as well as cash flows from interest paid (EUR –12.0 million) and disbursements from derivatives (EUR –3.5 million) affected cash flow from financing activities.

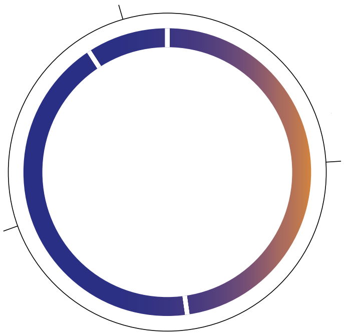
Segment reporting

By developing new markets in line with its continuing strategy of internationalization of NORMA Group, the share of sales realized internationally increased slightly from 78.3% to 78.8%.

The distribution of sales across the three segments EMEA (Europe, Middle East, and Africa), the Americas (North, Central and South America) and Asia-Pacific (APAC) changed slightly due to the continuing weakness in the US commercial vehicle and agricultural machinery markets, the acquisition of the Autoline business in the fiscal year and the growth in the EMEA and Asia-Pacific regions and is now as follows:

BREAKDOWN OF SALES BY SEGMENT G 017

in % 2015 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

DEVELOPMENT OF SEGMENTS T 018

	EMEA			Americas			Asia-Pacific		
in EUR millions	**2016**	2015	Δ	**2016**	2015	Δ	**2016**	2015	Δ
Total segment sales	**459.0**	445.2	3.1%	**390.3**	403.4	–3.3%	**84.1**	81.0	3.8%
External sales	**432.0**	416.0	3.8%	**381.6**	395.3	–3.5%	**81.3**	78.2	3.9%
Contribution to consolidated sales (in %)	**48**	47		**43**	44		**9**	9	
Adjusted EBITDA [1]	**93.7**	88.0	6.4%	**83.1**	87.6	–5.2%	**11.7**	10.1	15.3%
Adjusted EBITDA margin (in %) [2]	**20.4**	19.8		**21.3**	21.7		**13.9**	12.5	
Adjusted EBITA [1]	**83.5**	78.1	6.9%	**75.2**	79.7	–5.7%	**9.0**	7.7	17.3%
Adjusted EBITA margin (in %) [2]	**18.2**	17.5		**19.3**	19.8		**10.7**	9.5	

[1] The adjustments are described in the Notes. → Notes, p. 138.
[2] In relation to segment sales.

ratio and cash generation that is in line with the Group average in the medium-term. → Goals Regarding Finance and Liquidity Management, p. 56.

EMEA

External sales in the EMEA region amounted to EUR 432.0 million in 2016, and thus increased by 3.8% over the previous year (2015: EUR 416.0 million). The region experienced solid organic growth of 4.3%. The main reason for this was the positive development of the EJT business as a result of the positive development of the European automotive industry. In addition, the Group generated sales revenues of EUR 1.3 million from the acquisition of the Autoline business.

The EMEA region's share of total sales increased slightly from 47% to 48% compared to the previous year due to the relatively weak US business and the acquisition effects in fiscal year 2016.

Adjusted EBITDA in the EMEA region improved by 6.4% to EUR 93.7 million (2015: EUR 88.0 million). The adjusted EBITDA margin of 20.4% was higher than in the previous year (2015: 19.8%). In addition, adjusted EBITA rose by 6.9% from EUR 78.1 million to EUR 83.5 million. The adjusted EBITA margin correspondingly amounted to 18.2% (2015: 17.5%).

Assets rose by 13.9% to EUR 556.9 million compared to the previous year (EUR 489.2 million) as a result of the acquisition of the Autoline business.

Investments amounted to EUR 20.0 million, and were thus 38.6% higher than last year (EUR 14.4 million). The funds were invested primarily in Germany, Poland and Serbia. → Production and Logistics, p. 70.

Americas

In the Americas segment, external sales fell by 3.5% to EUR 381.6 million in 2016 (2015: EUR: 395.3 million). This was due to the slump in US business in the areas of commercial vehicles and agricultural machinery, which could not be compensated for by the good performance of the water business and slightly positive currency effects. This led to a negative organic sales development of 3.8%. At 0.1%, acquisition effects related to Autoline's Mexican business had a slightly positive effect on sales growth.

Adjusted EBITDA for the Americas region was EUR 83.1 million in 2016, and thus 5.2% lower than the previous year's level (2015: EUR 87.6 million). The adjusted EBITDA margin amounted to 21.3% (2015: 21.7%) despite weak sales growth in the reporting year. Adjusted EBITA decreased by 5.7% to EUR 75.2 million (2015: EUR 79.7 million). This results in an adjusted EBITA margin of 19.3% (2015: 19.8%).

Assets increased by 5.8% to EUR 673.2 million (2015: EUR 636.3 million) mainly as a result of currency effects and the acquisition of Autoline.

Investments amounted to EUR 16.9 million and were below the previous year's level (2015: EUR 17.8 million). The investment focus was on the US plants, in particular NDS and NORMA Michigan. → Production and Logistics, p. 70.

Asia-Pacific

External sales in the Asia-Pacific region amounted to EUR 81.3 million in 2016 and were thus 3.9% higher compared to the previous year (2015: EUR 78.2 million). The region once again experienced a very dynamic development with solid organic growth of 5.8%.

Adjusted EBITDA in the Asia-Pacific region rose by 15.3% to EUR 11.7 million (2015: EUR 10.1 million). The adjusted EBITDA margin increased to 13.9% (2015: 12.5%). At the same time, adjusted EBITA rose to EUR 9.0 million (2015: EUR 7.7 million), resulting in an adjusted EBITA margin of 10.7% (2015: 9.5%).

Assets increased by 41.3% from EUR 84.4 million to EUR 119.3 million in the reporting period. This is mainly due to the continuing growth of the operating business in the region as well as the acquisition of the Chinese business activities of Autoline.

Investments, which amounted to EUR 5.5 million in 2016 (2015: EUR 5.6 million), were mainly used to expand the two sites in China. → Production and Logistics, p. 70.

SUSTAINABLE VALUE CREATION

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 under the leadership of CEO Werner Deggim 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.

Five key areas of Corporate Responsibility

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 published its second CR report in July 2016. This describes the long-term objectives and strategic measures for all fields of action. These are based on the CR Roadmap 2018, published at the beginning of 2016, which is intended to serve as a cross-departmental framework for the coming years. @ http://normagroup.com/cr.

PRODUCTION AND LOGISTICS

NORMA Group manufactures and markets approximately 35,000 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. → G 001, Back cover.

In fiscal year 2016, NORMA Group acquired the Autoline business for quick connectors from Parker Hannifin, including production facilities in France, China and Mexico.

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, 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 an established 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 2016.

INVESTMENT HIGHLIGHTS IN 2016 T 019

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
	France	Briey	• Installation of multi-layer extrusion processes to support future technology requirements • Investment in new assembly line for air suspension system project • Investment in corrugated extrusion capacity expansion
	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
	Sweden	Anderstorp	• Investment in tube cutting equipment to drive productivity and reduce costs • Investment in new press technology to support the ramp up of a new range of clamps
	Czech Republic	Hustopeče	• Investment in 30 ton press to support new customer projects • Robot implementation on two cells to improve productivity
Americas	USA	Auburn Hills, Michigan	• Final installation of Super Seal equipment • Tooling upgrades to expand capacity and to improve quality • Investment in corrosion chamber for test laboratory
		St. Clair, Michigan	• 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
		Saltsburg, Pennsylvania	• Investment in power seal production line • Investment in three-piece-clamp assembly equipment • Investment in T-bolt production equipment to improve productivity and quality
		Lake Orion, Michigan	• Investment in packaging equipment for new customer acquisitions
		Lindsay, California	• Investment in six new fully electric molding machines to support growth, productivity and cost reductions • Injection molding tool upgrades and refurbishment
	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

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 019, p. 70.

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 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. In each NORMA Group production facility – except for the locations of the newly acquired companies Autoline and Lifial – there are also one or more Operational Excellence Leaders who are familiar with lean management and are driving the local implementation of the NPS forward and transferring it to the distribution centers. This is intended to promote the continuous improvement culture at NORMA Group.

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 programme that is part of the global compliance programme, NORMA Group ensures that its supply chain meets all of the legal requirements. By reviewing all of its business partners at least once a year, NORMA Group is able to rule out 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

The products that NORMA Group supplies are often critical to the ability of its customers' end products to function properly. It is therefore extremely important for NORMA Group to ensure that it delivers outstanding quality. In order to be able to offer the same high quality all over the world, the quality standards ISO 9001, TS 16949 are observed throughout the entire Group, with the exception of NDS and the recently acquired company Autoline. Two sites that supply to the aviation industry have also been certified in accordance with EN 9100, and various product categories have been approved especially for the shipping and construction industries.

Because customer needs vary in the many different regions and markets, regional standards and customer requirements are also taken into consideration in production. This know-how is shared inside the Group through close collaboration between the various sites and gradual implementation of quality management (CAQ) software.

NORMA Group uses the key metrics number of returned parts per million (PPM) and number of quality-related complaints to measure customer satisfaction. The number of returned parts per million (PPM) was 32 in the reporting year and thus higher compared to the previous year (2015: 21) due to two one-off effects. The average number of quality-related customer complaints per month amounted to 8, the same figure as last year.

PURCHASING AND SUPPLIER MANAGEMENT

Material costs represent the highest cost position for NORMA Group next to personnel costs. Because 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 goal for the purchasing department is 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.

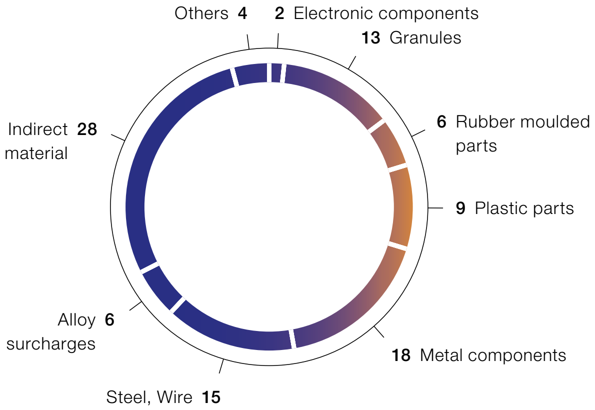
Purchasing and supplier management at NORMA Group is organized primarily on the basis of the following three higher level commodity groups:

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

The commodity organization is integrated into the NORMA Group plants worldwide in the form of a matrix structure. Additional commodity responsibilities emerged in recent years in purchasing and supplier management, particularly in the areas of water infrastructure and pharmaceutical biotechnology, due to the Company's continued growth, acquisitions and the related expansion into new markets.

MATERIAL PURCHASING TURNOVER IN 2016 ACCORDING TO MATERIAL GROUPS G 018

in %



Global Group structure and regional expertise

NORMA Group has further expanded its high-performance Group purchasing structure in recent years. Besides purchasing of production materials, procurement of non-production materials and services, including IT, has been expanded even further.

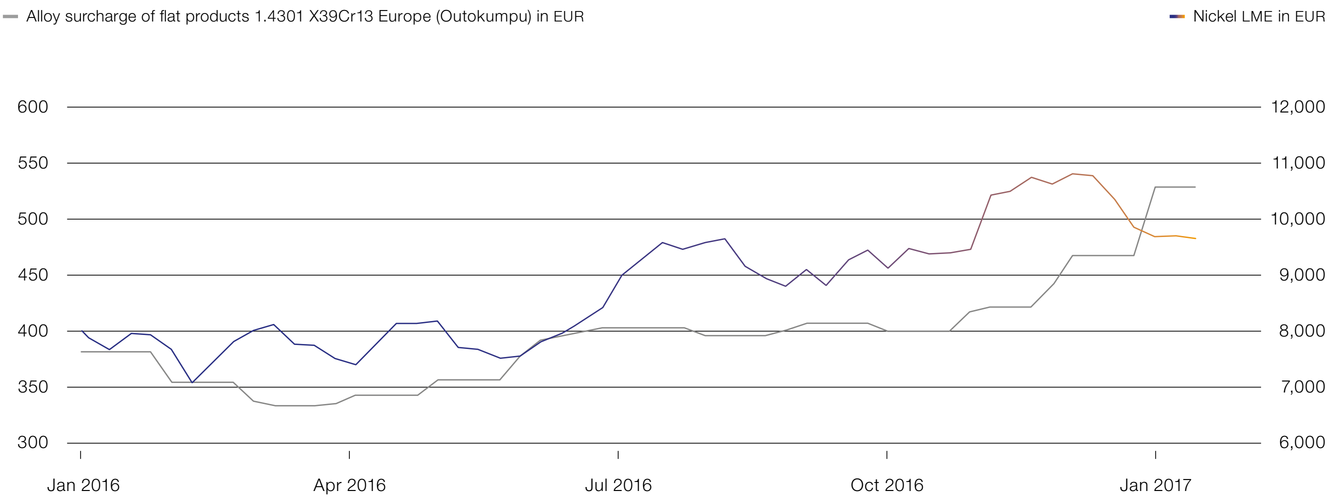
Purchasing at NORMA Group is controlled centrally for all domestic and foreign Group companies, while regional or local teams contribute their specific knowledge of local market conditions and typical regional cost drivers. Due to the high degree of professionalism and the combination of global, regional and local purchasing management, resources and services can be purchased much more competitively; therefore the costs can be reduced. Furthermore, the recent introduction of the new e-procurement solutions have made reporting easier and now even allow for more efficient purchasing management. This is also reflected in an improved adjusted material usage ratio of 39.4% in fiscal year 2016 (2015: 40.8%). → Economic Report, p. 64.

Development of material prices and prices of non-production materials

In fiscal year 2016, the prices of the raw materials nickel, chrome and ferrochrome, which are mainly responsible for setting the prices of alloy surcharges, continued to rise starting in May. This resulted in higher alloy surcharges and thus significant price increases at the end of the year.

With respect to ferritic materials, NORMA Group's total expenditures for the alloy surcharges were on average roughly on par with the previous year, as the attractive prices in the first half of the year were offset by price increases at the end of the year. In the case of austenitic materials, the total expenditures for alloy surcharges were slightly below the previous year's level despite the significant increases in the third and fourth quarters. The base prices for the stainless steels purchased in Europe remained relatively constant in 2016. In North America, the higher price conditions in fiscal year 2015 could be neutralized by negotiating new agreements with suppliers. Price reductions were also negotiated on non-stainless steel commodities and thus contributed to the improvement of the cost of material ratio. → G 019.

DEVELOPMENT OF NICKEL PRICES AND THE ALLOY SURCHARGE 1.4301 IN 2016 G 019



With respect to plastics, the development of oil prices effect the cost of procurement of polypropylenes, in particular. These are mainly used to produce plastic components in the field of water infrastructure.

In the case of technical plastics such as butadiene, for example, the prices are the main factors for their use by NORMA Group. These prices fell sharply again starting in the second half of 2016 despite significant increases in the first half of the year and thus enabled a competitive price level to be maintained throughout the year. Prices experienced significant increases again at the end of 2016, however. This could have a negative impact on purchasing conditions in the future.

Furthermore, improved commodity management led to more competitive conditions with respect to certain polyamide material groups.

By establishing regional and local structures, it was also possible to improve the supply and service conditions in the area of non-production materials, which also had a positive impact on the lower material usage ratio in the reporting year.

Supplier management

Constantly optimizing the selection of suppliers is yet another key task of NORMA Group's purchasing department. This is done not only solely 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 are based on the results of the annual stakeholder survey on sustainability and will be applied as of reporting year 2017. This means that new business will be awarded based on an even more sound decision-making foundation in the future that also takes sustainable aspects into consideration.

The topic of sustainability is of great importance to NORMA Group. → Sustainable Value Creation, p. 69. The aim is to ensure responsible conduct across the entire value chain within the framework of the contractual agreements with suppliers. The main focus will be on topics such as respect for human and workers' rights, assurance of workplace safety and the consideration of environmental and ethical aspects, which have been manifested in a Supplier Code of Conduct. @ http://normagroup.com/cr.

The Group-wide introduction and establishment of e-procurement solutions for more efficient procurement processes was also given further attention in 2016. Standardized purchase processes and transparent and clearly structured supplier interaction processes, which are subject to the compliance principles of NORMA Group, help to ensure a fair procurement process and encourage sustainable relationships with suppliers. Furthermore, all major suppliers were also invited to register on the e-procurement platform, confirming their agreement with NORMA Group's compliance rules.

Based on the supplier evaluation system, two suppliers were recognized with the Supplier Recognition Award for their outstanding achievements at the regional level in the reporting year. This award for outstanding performance and results was presented to Norderband-Stahl in the EMEA region and Aperam in the Americas region. Both suppliers were honored for their long-term reliable delivery to NORMA Group.

Supplier structure

Total production materials turnover amounted to approximately EUR 233.0 million in 2016. The top 10 suppliers accounted for roughly 26%, while the Company's top 50 suppliers accounted for nearly 59% of the total volume. Thus there are no excessive dependencies on individual suppliers.

EMPLOYEES

Personnel development

NORMA Group employed a staff (core workforce including temporary staff) of 6,664 in total at the end of December 2016 and thus 6% more people than in the previous year (2015: 6,306). There were 1,214 temporary workers on this date (2015: 1,185). This equates to around 18% of the total workforce.

NORMA Group recorded the highest increase in employees in the EMEA region in 2016. The permanent workforce here grew by 10% to 3,202 employees. This was due to the purchase of the Autoline business and the expansion of the workforce at the site in Serbia.

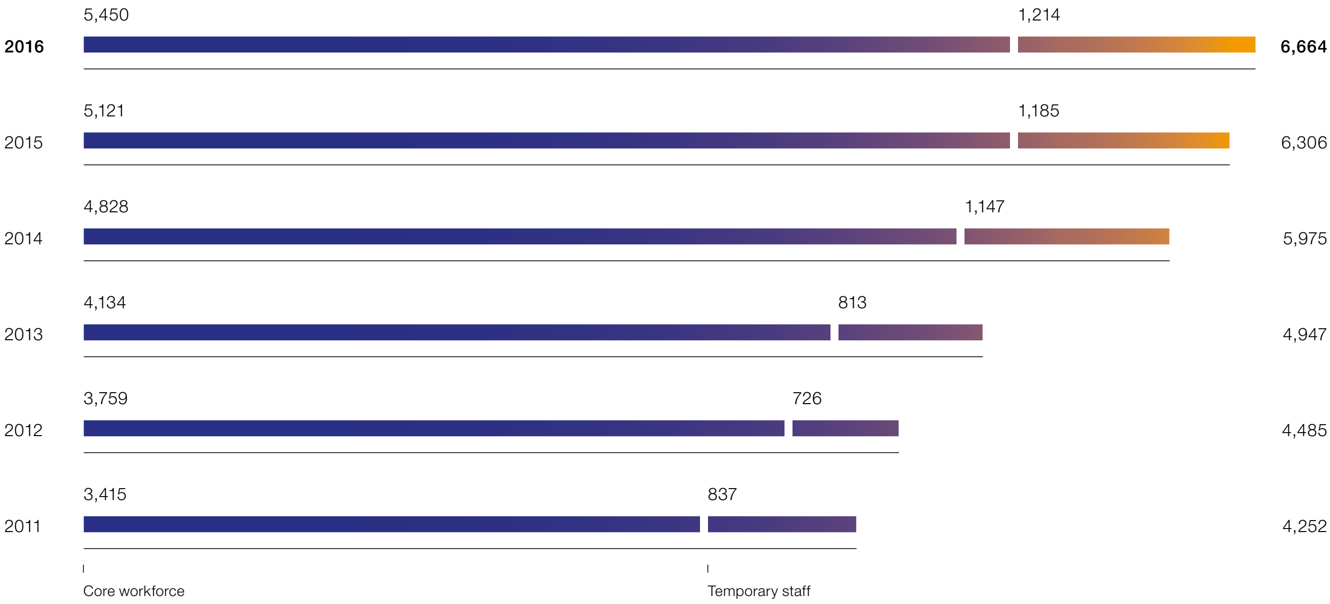
In the Asia-Pacific region, the number of employees rose by 9% to 830 permanent employees. This can be attributed for the most part to the increase in the number of employees at the sites in Ipoh, Malaysia, and Changzhou, China, as a result of growth. In addition, the acquisition of the Autoline plant in Wuxi, China, contributed to the increase in the number of employees in this region.

In the Americas region, the number of employees fell slightly by 3% to 1,418 permanent employees.

CORE WORKFORCE BY SEGMENT — T 020

	2016	in %	2015	in %
EMEA	**3,202**	59	2,899	57
Americas	**1,418**	26	1,462	28
Asia-Pacific	**830**	15	760	15
Total	**5,450**		**5,121**	

PERSONNEL DEVELOPMENT AT NORMA GROUP G 020



AGE STRUCTURE OF NORMA GROUP EMPLOYEES* T 021

< 30 years	30 to 50 years	> 50 years	average age
23.7%	54.6%	21.7%	39.3

* 5,244 employees in total (96.2% of permanent staff). For legal reasons, reporting on employees' ages is not possible for all Group companies.

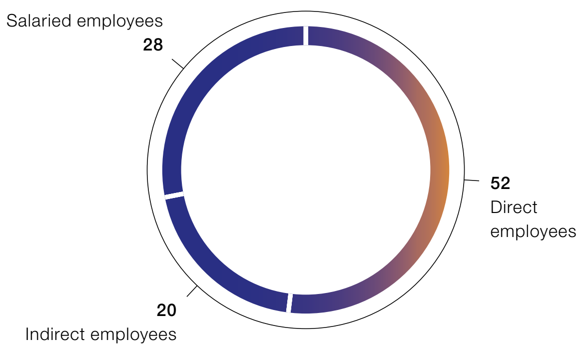
LENGTH OF SERVICE OF NORMA GROUP EMPLOYEES* T 022

up to 5 years	> 5 years	> 10 years	average
54%	20%	26%	7.4 years

* The Autoline business that was acquired in early December 2016 is not yet included in this calculation.

BREAKDOWN OF EMPLOYEES BY GROUP G 021

in %



Stable share of employee groups

The total number of employees (core workforce and permanent staff) in the reporting year consisted of 3,453 direct employees (2015: 3,307), 1,352 indirect employees (2015: 1,374) and 1,859 salaried employees (2015: 1,625). The proportion of the various groups of employees in relation to the total number of employees remained virtually unchanged 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 permanent 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. Therefore, NORMA Group also cooperates closely with universities.

Uniform global talent promotion

The 'Learning & Development' competence center was set up in 2016 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, and is part of the HR Invent initiative, a project on optimizing human resources work. 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.

The process of agreeing on goals and evaluating performance that was redesigned worldwide and implemented as part of this effort in 2016 is also an important part of the Learning & Development program. By introducing a HRIS (Human Resources Information System) software, the process has been simplified, made more transparent and more professional. For example, potential successors for key positions have been made globally more visible and individual development requirements can now be met more quickly in a tailor-made manner. This helps to develop as many professional and managerial employees from within the Company as possible, thus ensuring the Group's ability to innovate in the future.

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. NORMA Germany's training was again recognized for its exemplary commitment by the IHK Hessen in the reporting year.

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 at all levels. 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 that their new colleagues have. 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.

Supporting diversity and internationality

NORMA Group's employees come from several different nations and have various ethnic and cultural backgrounds. In order to systematically encourage diversity and the exchange of ideas at work, NORMA Group's aim is to create a working environment free from prejudice and discrimination. The Group therefore has three regional diversity officers who help maintain a culture of mutual appreciation, respect and equal opportunities. Furthermore, the global Diversity Day, which takes place once a year and invites everyone to experience diversity, is a fixed date in NORMA Group's calendar.

Encouragement of female potential

One objective of NORMA Group's diversity strategy is to increase the share of female employees in management positions in the medium-term. On December 31, 2016, the Group employed 1,916 female employees, which equates to roughly 35% of its core workforce.

Social inclusion

At NORMA Group, people who have handicaps are also given the chance to take part in normal work life. The Group employed 59 men and women with disabilities in Germany in fiscal year 2016.

Employer branding – living company values

The 'Living our Values' initiative was launched in fiscal year 2016 to help the Company to grow together even more as a unit. The objective is to bring NORMA Group's values closer to each employee across cultures. NORMA Group's core values are made directly accessible to employees in inter-department group meetings by taking an experience-oriented approach.

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. The next employee survey will be conducted in 2017 and then every three years in the future.

Care guides to assist employees

In 2016, NORMA Group joined the Hessian initiative 'Balancing Career and Care' and signed the corresponding charter. As part of this program, several NORMA Group employees have been trained to be company care guides and are available to their fellow employees who care for family members. Care guides give an overview of the most important steps in providing care and share the addresses of the relevant contact points both within and outside the Company. The consultations are confidential, fast and unbureaucratic. Through this measure, NORMA Group supports its employees in difficult life situations and thus responds to the demands that are increasingly being placed on employees as a result of demographic change.

Healthy team – healthy company

A productive Company like NORMA Group depends on having healthy and satisfied employees. For this reason, NORMA Group contributes to its employees' health. At its headquarters in Maintal, for example, measures such as skin screening, blood fat measurements, inoculation advice, tests on lung function, cardiovascular disease prevention, back training and flu vaccinations are offered.

Occupational health and safety is of the highest priority

In order to prevent any potential hazards to its employees at work, NORMA Group invests heavily and systematically in the area of occupational health and safety. Thus the Company complies with the applicable laws and regulations that pertain to environmental health and occupational safety. In addition, NORMA Group also sees to it that all workplaces ensure maximum safety and avoid accidents where possible through complementary measures and programs.

NORMA Group has been certifying the safety management systems at its sites in accordance with OHSAS 18001 (Occupational Health and Safety Assessment Series), and thus guarantees a high standard of safety within the Group. Currently 23 sites were already rated accordingly (2015: 22). Certification of the remaining sites will take place in a timely manner.

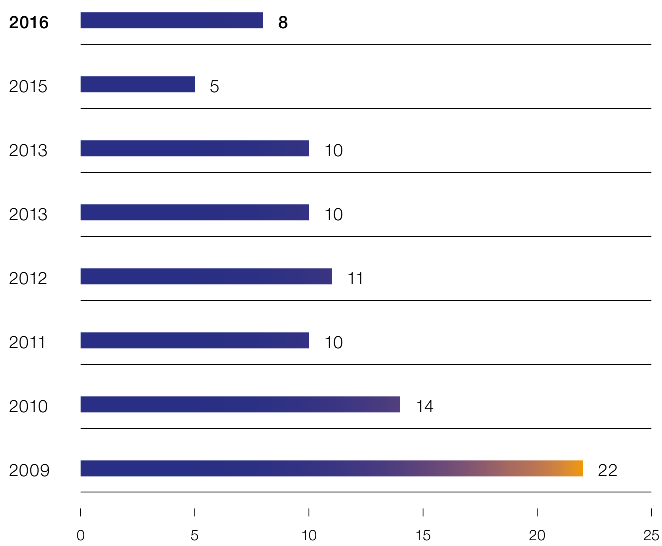
NORMA Group also continued to implement the Value-Based Safety Program in fiscal year 2016. In the context of this program, the employees' activities at work are analyzed and potentially dangerous behaviors are determined as part of regular security checks. The deficits found are corrected using standardized and team-oriented problem solving methods.

Accident rate at a sustainable low level

NORMA Group constantly monitors and analyzes its accident statistics. The number of occupational accidents as well as the total number of reportable accidents are collected on a Group-wide basis each month and the trend is monitored using various key performance indicators (KPIs). The accident rate, which reflects the number of accidents per 1,000 employees, represents the most important indicator in this regard. The figure was 8 for the 2016 reporting year, which means that it rose slightly compared to the previous year (2015: 5). NORMA Group's goal with respect to the current initiatives is to have an accident-free working environment in the long term.

INCIDENT RATE G 022

Incidents per 1,000 employees



ENVIRONMENTAL PROTECTION AND ECOLOGICAL MANAGEMENT

As a manufacturing Company, NORMA Group is well aware of its environmental, economic, and social responsibility. Environmentally compatible and sustainable economic activity is therefore a central element of its corporate strategy. For this reason, the Company considers it important to systematically include environmental aspects in its business decisions. 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 were published in January in the 2018 CR Roadmap. @ http://normagroup.com/cr.

Group-wide environmental management system

In 2016, 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, 22 production sites had been certified according to ISO 14001. The certifications of NDS and the newly acquired companies Autoline and Lifial are planned for the coming years.

NORMA Group has been using a Group-wide reporting tool to record and track resource consumption, emissions and waste since 2013. NORMA Group's objectives are to reduce CO_2 emissions by 9% and water consumption by 6% (in relation to the production activity in fiscal year 2015).

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
- Decentralization of marketing activities
- Optimization of the brand portfolio
- Optimization of marketing tools

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

Marketing focus in 2016

Key marketing activities in 2016 included the following:

- Development of a strong digital presence
- Subtilize the brand strategy in all three regions
- Continue to build a strong corporate identity that reflects the value proposition
- Put in place a future-ready Lean Marketing
- Expedite deep market insights to nurture NORMA Group's agility in product, sales and marketing activities

In order to increase NORMA Group's Internet presence, in 2016 a strong digital campaign was established. This was supported by regional teams of strategic brand and product management and focused on the roll out of several micro websites with a unique look and feel and specific information for each brand. Regional micro sites have also been successfully launched for NORMA Group's EJT business unit in order to emphasize the Company's innovative product solutions and their added values for customers. Furthermore, the Company intensified its activities in social media.

Other key marketing activities in 2016 included the fine-tuning of NORMA Group's global brand strategy and the strengthening of the Company's corporate identity based on its value proposition. These activities were underlined by advertising campaigns, the participation in several fairs and innovation days worldwide, as well as specific online marketing campaigns. It was complimented by internal programs to strengthen knowledge about NORMA Group's corporate identity and value proposition among its employees, including trainings, employer branding and internal communication activities.

Attention was also given to creating a Lean Marketing by streamlining all marketing and sales processes. Therefore, NORMA continued to automatize and interlink the various marketing tools and bring them up to the highest standards of digitalization. The Print-on-Demand system which is technically connected with the existing Digital Asset Management System and easily accessible via the Intranet is being rolled out Company wide. With this, lead times and costs can be significantly reduced, the quality of marketing materials can be improved and an optimal base for further increasing NORMA Group's online and offline presence can be provided.

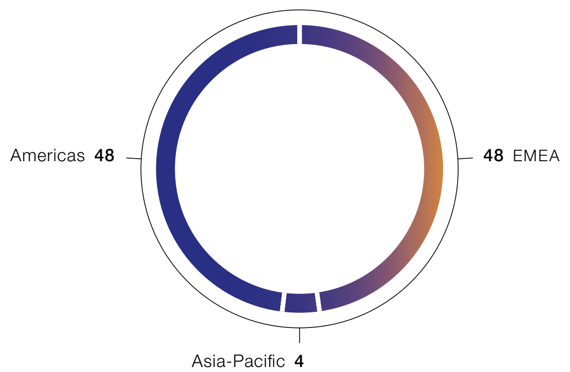
To ensure a deep understanding of customer expectations and needs, marketing strongly increased its efforts in market research. Among other activities, a Customer Radar was installed and is now being rolled out worldwide. This online-based research tool according to neuro-scientific standards allows the Company an almost just-in-time insight into customers' behavior and expectations. The Customer Radar complements the bi-annual Customer Satisfaction Survey that was also conducted in 2016.

Marketing expenditures

Marketing expenditures amounted to EUR 4.7 million in total in 2016 and thus were at the same level as in the previous year (2015: EUR 4.7 million).

MARKETING EXPENDITURES 2016 BY SEGMENT G 023

in % excluding personnel expenses



Events after the End of the Fiscal Year

NORMA Group acquired the Portuguese clamp manufacturer Lifial in January 2017. Based in Águeda, Portugal, Lifial produces metal clamps for use in industry and agriculture. The company employs around 100 people and distributes its trademark products to customers in Europe and North Africa. With the acquisition of Lifial, NORMA Group has strengthened its product offering in the Distribution Services business as well as its market position on the Iberian Peninsula and across Europe. Lifial generated sales of around EUR 8 million in fiscal year 2015. The company was included in the scope of consolidation with effect from January 1, 2017.

Forecast Report

GENERAL ECONOMIC AND INDUSTRY-SPECIFIC CONDITIONS

Global economy nearing slight growth recovery despite rising uncertainties

The International Monetary Fund (IMF) reaffirmed its latest forecast with the new outlook for January 2017. It projects that the global economy will gradually begin to pick up. For 2017, the Fund expects growth of 3.4%, and even a gain of 3.6% for 2018. It projects that industrial production will rise and, especially in industrialized countries, a revival of investment activity will occur. The recovery of oil and commodity prices, for example, is expected to have a positive effect, particularly on the situation of key emerging markets. Another growth driver is predicted to be the upswing in the US, despite the political risks posed by the policies of the new US government. Uncertainties are also resulting from the divergence of monetary policy in industrialized countries and growing nationalism and protectionism.

China should continue its economic transformation into the coming years. The IMF expects a decrease in growth rates to 6.5% (2017) and 6.0% (2018). The high debt of municipalities and companies, among other things, are considered problems. For the ASEAN-5 countries, growth of 4.9% is forecast for 2017 and a gain of 5.2% for 2018. These countries will thus continue to grow strongly in the coming years. The principal drivers here are high infrastructure investments and growing exports. The Indian economy is on a strong expansion course. Although the effects of the currency reform process are likely to be felt for some time, the growth rate should pick up again following the initial setback. Brazil is expected to overcome its recession in 2017 despite structural deficits, and should recover moderately. Russia is expected to revive its economy. Although the sanctions the country is faced with are burdensome, higher oil and gas revenues will stimulate the national budget as well as the economy. For all emerging and developing countries, the IMF is forecasting an acceleration of the economic power to 4.5% (2017) and 4.8% (2018).

Buoyant forces are also strengthening in industrialized countries. In addition to private consumption, more and more stimuli are likely to emerge from a revival of investment in the coming years, provided the risks remain limited. The IMF expects growth of 1.9% for industrialized countries in 2017. For the following year, the IMF is even forecasting an increase in economic output by 2.0%. For the US, the IMF is now expecting a strong upswing, which should also be fueled by the new government's growth measures. In addition, a recovery of the energy sector is expected, which would result in higher US industrial production. The IMF expects GDP growth of 2.3% (2017) and 2.5% (2018) respectively for the US. For the Japanese economy, on the other hand, it projects only minimal growth potential with a tendency to even decrease. For the UK, the IMF is forecasting declines due to the Brexit decision and growth of 1.5% for 2017 (2018: 1.4%).

The euro zone is in tension between an improved international environment and extremely high risks. Besides the Brexit process, elections in important EU countries and future relations with the US could trigger new uncertainties. Moreover, the state budgets of some countries are strained and the banking crisis in Italy has not yet been overcome. This means that there is no further economic recovery projected for the euro zone. The IMF expects moderate growth of 1.6% for both 2017 and 2018. The Kiel Institute for the World Economy (IfW) forecasts rates of 1.7% for the same years. In France, growth is expected to remain modest in 2017; the upswing is expected to slow in Italy and especially in Spain. The economy in the euro zone will continue to be borne by domestic economies, although private consumption will lose momentum despite rising job market growth and rising inflation. Investment activity should therefore gradually be revived as a result of the build-up of demand. In 2017, the IfW expects an increase in gross capital investments of 3.1%. Due to the robust condition that the German economy is in, it should also remain on a growth course in 2017. After the expansion of the previous year, the IfW expects a GDP increase of 1.7% (adjusted for working hours: 2.0%) for 2017 and growth of 2.0% for 2018. Private and public consumption should remain strong, albeit at a slower rate than last year. Exports should continue to pick up, but not as dynamically as imports. Investments are increasingly contributing to growth in both the construction and equipment sectors.

FORECASTS FOR GDP GROWTH (REAL) T 023

in %	2016	2017e	2018e
World	**+3.1**	+3.4	+3.6
USA	**+1.6**	+2.3	+2.5
China	**+6.7**	+6.5	+6.0
Euro zone	**+1.7**	+1.6	+1.6
Germany [1]	**+1.9** [2]	+1.7	+2.0

Sources: IMF, [1] Institute for the World Economy (IfW),
[2] Federal Statistical Office (Destatis)

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

With the expected moderate revival of the international economy in 2017 and 2018, the climate and prospects for NORMA Group's key customer industries are also improving.

Engineering industry

With the revival of the global economy and the investment climate, the prospects for mechanical engineering should also brighten. Opportunities are also at hand worldwide due to continued automation and digitization. The VDMA industry association is forecasting worldwide machine turnover of around 2% (real) for 2017. For the two largest markets by volume, China and the US, real growth of 3% is forecast. Only a small loss is expected for Russia and Brazil. The VDMA forecasts above-average growth rates for Asia, particularly in India, South Korea and the ASEAN-5 countries. According to the VDMA, Japan (+1%) is also expected to grow slightly. In the euro zone and Europe as a whole, revenues in 2017 should only rise by 1% in real terms, slower than in other major machine building markets. Even for the German market, the increase in sales is only expected to be 1%, due especially to the restrained order situation at the end of 2016. Although the weak euro is supporting exports outside the monetary union, the VDMA sees obstacles to growth in the global crises, changes in US politics and the political situation in Europe.

ENGINEERING:
REAL CHANGE IN INDUSTRY SALES T 024

in %	2015	2016	2017e
China	2	**3**	3
USA	0	**–2**	3
Euro zone	2	**0**	1
World	1	**0**	2

Source: VDMA

Automotive industry

The automotive industry is currently undergoing a major upheaval, but should continue to grow in the future. Besides the development of fuel-efficient and low-emission combustion engines, electromobility, autonomous driving and car sharing are future trends in the automotive industry. LMC Automotive expects the global market for Light Vehicles (LV, up to 6 tons) to grow by 2.3% to 95.1 million units in 2017. Sales are thus expected to rise by around 1%. IHS Automotive even anticipates an increase in sales of 1.8%. For the narrowly defined passenger car market, the German association VDA expects a global sales gain of 2% to 83.6 million units. With regard to the three largest markets, the VDA only projects growth for China (+5%). It expects stagnating sales for the US and Western Europe. For the UK, the VDA even expects a slump of 8% in passenger car sales as a result of the Brexit vote. Risks for the industry are seen in the future US trade policy. For the heavy commercial vehicle market (> 6 tons), the VDA predicts that sales will decline by 1% in Western Europe in 2017.

AUTOMOTIVE INDUSTRY: GLOBAL PRODUCTION AND DEVELOPMENT OF SALES (LIGHT VEHICLES) T 025

in %	2015	2016	2017e	2018e
Production	1.7	**4.8**	2.3	2.5
Sales	2.1	**4.1**	1.3	2.8

Source: LMC Automotive

Construction industry

The Euroconstruct industry network and the Ifo Institute are projecting to see a continuation of the upswing for the European construction industry in 2019. Growth in real construction output is estimated to be 2.1% in the largest 19 individual markets together. The residential, commercial and civil engineering sectors are expected to continue to grow. Construction of new buildings and renovation activities are enjoying tailwind. For 2017, the forecast assumes strong growth in Eastern Europe

(+3.5%) as a result of new EU projects. Western European construction output is expected to grow by 2.1% in 2017. A strong gain (+8.5%) is expected for Ireland. In Portugal, Spain and Italy, construction output is expected to revive, while a slight decline is expected for the UK. In Germany, the construction boom should continue dynamically. The IfW expects an increase in real construction investment of 3.1% (2017) and 3.9% (2018). The largest segment, housing construction, is expected to grow by 4.4% (2017) and 5.1% (2018) and public construction should also be stimulated, but with lower rates of growth than in recent years. Commercial construction is expected to be positive, but not until 2018. With regard to the nominal building volume in 2017, the DIW (German Institute for Economic Research) expects an increase of 4.9% to nearly EUR 210 billion in housing construction, with growth of 9.0% in new building and 3.0% in construction projects involving existing buildings. In other building construction (excluding housing), the construction volume in 2017 is expected to rise by 2.2% and civil engineering by 3.9%.

CONSTRUCTION INDUSTRY: DEVELOPMENT OF EUROPEAN CONSTRUCTION OUTPUT T 026

in %	2015	**2016**	2017e	2018e
Western Europe	1.6	**2.4**	2.1	1.9
Eastern Europe	5.5	**–3.3**	3.5	6.9
Europe	1.8	**2.0**	2.1	2.2

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

This macroeconomic perspective is the basis for NORMA Group's forecast and outlook for 2017.

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 remains therefore on the strengthening of is innovative power and the development of innovative products that help to solve its customers' industrial challenges.

In addition, with the adoption of the CR Roadmap 2018, NORMA Group has laid a further important foundation for the Company's future focus on sustainability.

Sales growth in 2017

For the year 2017, the NORMA Group Management Board from today's perspective (March 2017) expects a moderate revival of the international economy and growth of the global economy at slightly above last year's level, driven mainly by industrialized and Asian emerging countries. In the high uncertainties resulting in particular from the divergence of the monetary policy of industrialized countries, growing nationalism and protectionism as well as the future policy of new governments in various industrial countries, the NORMA Group Management Board sees potential risks that will continue to make the global economy vulnerable.

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.

NORMA Group expects moderate growth in the economy in the EMEA region that will be slightly below the previous year's level, given the Brexit decision, the ongoing banking crisis in Italy and the forthcoming elections in major European countries. The European domestic economy is still seen as a cyclical driver, with private consumption likely to lose momentum despite the stabilization on the labor market as a result of rising inflation.

The end markets in which NORMA Group is active are also affected by these developments. The automotive sector is currently undergoing a major upheaval due to advances in the development of new drive technologies as well as in the area of autonomous driving but should continue to grow in the future.

NORMA Group therefore expects a moderate increase in its production in the EMEA region for the current year. In addition, it expects positive effects from new product launches, also as a result of the country-specific fleet regulations for passenger cars. → Legal and Regulatory Factors, p. 52. Overall, NORMA Group expects moderate organic growth in the EMEA region in fiscal year 2017 compared to the previous year.

NORMA Group expects a revival of the economy in the Americas region, especially in the US, and higher growth compared to the previous year. With regard to the end market for commercial vehicles and agricultural machinery, which is important to the Group, NORMA Group expects a further drop in sales that should be less severe than in the previous year. In the area of water management, on the other hand, NORMA Group expects solid growth. Overall, the Management Board therefore forecasts moderate organic growth for the Americas in the current year.

The dynamism of NORMA Group's business in the Asia-Pacific region will continue in 2017 despite the slightly slower growth prospects for China. Due to the increasing business activities in this region and driven by stricter emissions regulations for passenger cars and trucks, NORMA Group expects organic growth in the high single-digit range for the Asia-Pacific region in fiscal year 2017.

Overall, NORMA Group expects moderate growth both for the DS and for the EJT business in 2017.

Against the backdrop of the described assumptions and the current economic and political uncertainties, NORMA Group expects the Group's organic sales growth to be at around 1% to 3% over 2016 for fiscal year 2017. In addition, sales of the acquisitions of Autoline and Lifial will amount to a total of around EUR 45 million. Currency effects may have a positive or negative impact on growth, depending on the exchange rates with the euro.

Development of key cost items
NORMA Group assumes that the main relative cost items (material and personnel expenses) will develop stably compared to the previous year.

The continuous increase in the degree of professionalization in purchasing, the conclusion of long-term contracts and the creation of economies of scale have led to a continuous improvement in the material cost ratio in recent years. NORMA Group expects to be able to maintain the current good level also in the current year 2017 and expects a material cost ratio roughly 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, NORMA Group expects a constant increase in personnel costs as a proportion of sales, and therefore expects a stable 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 turnover. R&D activities will continue to focus on strengthening the Company's innovative strength and developing innovative products to solve the industrial challenges faced by customers.

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 is also in a position to maintain its high margin level in 2017 and therefore aims to achieve a sustained adjusted EBITA margin at the previous year's level of more than 17.0%.

Financial result of up to EUR −13 million
In sum, NORMA Group expects a financial result of up to EUR −13 million. 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.

Rising adjusted earnings per share
Adjusted earnings per share will rise moderately in fiscal year 2017. The growth in sales and a sustained margin will contribute to this as well as a slightly improved financial result.

Adjustments to the result
NORMA Group 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 EUR 25 million in fiscal year 2017. In addition, integration costs and expenses incurred in connection with the valuation of the acquired inventories as part of the purchase price allocation for the acquisition of Autoline in the amount of approximately EUR 4 million are expected and will be adjusted.

Tax rate of between 31% and 33%
A tax rate of between 31% and 33% is expected for fiscal year 2017.

Investment rate of around 5% sought
For fiscal year 2017, NORMA Group expects investments 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
NORMA Group 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. As a result of additional factoring agreements which had a positive impact on net operating cash flow in fiscal year 2016, net operating cash flow is expected to be lower than the previous year's level at EUR 130 million (2016: EUR 148.5 million).

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
The degree of market penetration is reflected in medium-term organic growth. → Sales Forecast 2017, p. 80. Ensuring the ability to innovate is essential for the future competitiveness of NORMA Group.

From reporting year 2017 onwards, NORMA Group will introduce the number of invention applications as a new indicator for measuring and managing the Company's innovative strength. An invention application is made within the framework of an internal, formalized process, which is preceded by the external process of a new patent application. Since inventions are specifically promoted by internal incentive systems and their number is not dependent on the registration strategy, this figure is even better suited for the future measurement of innovative power than the number of new patent applications. The Group-wide annual number of invention applications will therefore replace the number of new patent applications as a non-financial control parameter as of the 2017 reporting year. The Group will seek to file 20 new invention applications each year.

Employee problem-solving behavior

NORMA Group measures and manages problem-solving behavior, among other things, in 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 aimed at each year depending on the product group. Customer complaints are also to be further reduced in 2017 despite their already very low level.

Sustainable company development (Corporate Responsibility)

NORMA Group published its CR Roadmap 2018 in January 2016. The objective is to continue to achieve the goals stated therein in a consistent manner and lay even more important milestones for managing the Company more sustainably in 2017.

GENERAL STATEMENT BY THE MANAGEMENT BOARD ON THE PROBABLE DEVELOPMENT

At the time that the Management Report 2016 was prepared, the Management Board expected NORMA Group to grow organically by around 1% to 3% in 2017. It also expects revenues of around EUR 45 million from the acquisitions of Autoline and Lifial.

In the EMEA region, management is assuming a slight decline in growth compared to 2016, given the political and economic uncertainties stated above. The Management Board sees growth potential in the EMEA region as a result of a slight increase in production compared to the previous year, as well as positive effects from new product launches.

In the Americas, the Management Board expects a year-on-year increase in economic momentum, and consequently higher revenue growth in 2017. This is based on the assumption that the markets for commercial vehicles and agricultural machinery in the US will decline again in the current year, but less strongly than in the previous year. Water management is also expected to continue its solid growth in 2017.

Due to its dynamic development, the Asia-Pacific region will once again make an important contribution to Group growth in fiscal year 2017.

Due to the continual optimization of processes in all areas of the Group, the Management Board expects to see a stable development of the key cost positions in relation to sales and consequently a high adjusted EBITA margin of over 17.0% again in fiscal year 2017.

Continuous market observation and a targeted search for new acquisitions are still an important part of the Company strategy. For this reason, the Management Board is not excluding further acquisitions in fiscal year 2017.

FORECAST FOR FISCAL YEAR 2017 T 027

Consolidated sales	moderate organic growth of around 1% to 3%, additionally around EUR 45 million from acquisitions	
	EMEA:	moderate organic growth
	Americas:	moderate organic growth
	APAC:	organic growth in the high single-digit range
	DS:	moderate growth
	EJT:	moderate growth
Adjusted cost of materials ratio	roughly at the same level as in previous years	
Adjusted personnel cost ratio	roughly at the same level as in previous years	
Adjusted EBITA margin	sustainable at the same level as in previous years of more than 17.0%	
Financial result	up to EUR –13 million	
Adjusted tax rate	around 31% to 33%	
Adjusted earnings per share	moderate increase	
Investment rate (excluding acquisitions)	operative investments of around 5% of Group sales	
Net operating cash flow	around EUR 130 million	
Dividend	approx. 30% to 35% of adjusted annual Group earnings	

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.

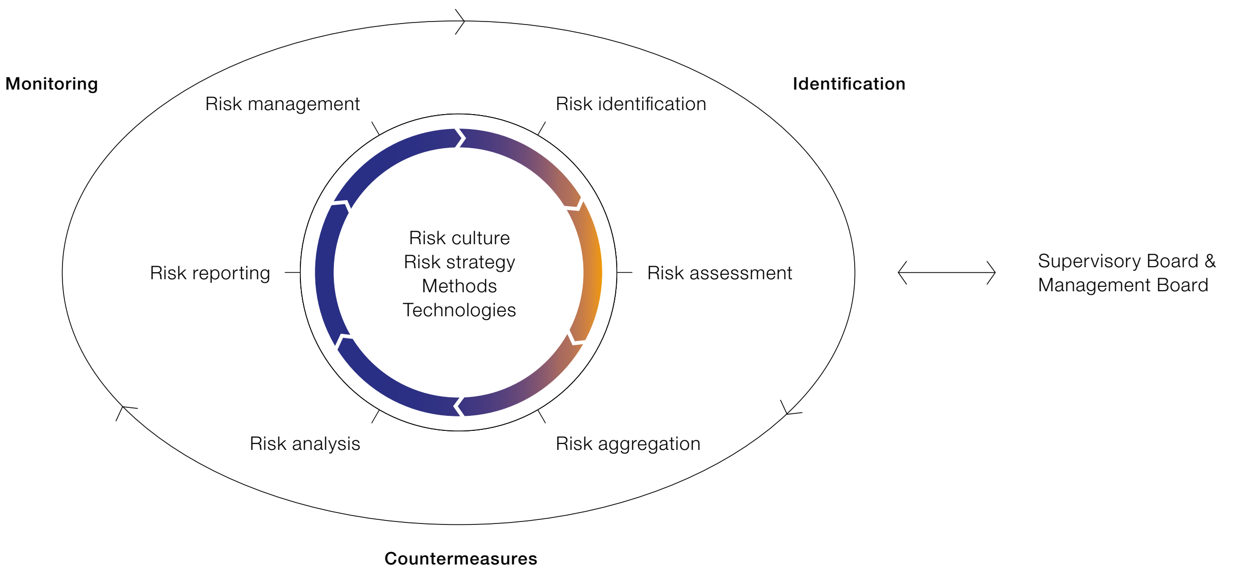
Risk management process

The risk management process at NORMA Group includes the core elements of risk identification, risk assessment and risk treatment and monitoring.

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.

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

RISK MANAGEMENT SYSTEM OF NORMA GROUP G 024



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.

The process of identifying, evaluating and controlling risks is accompanied by continuous monitoring and communication of the reported risks by the risk managers. Monitoring the development of the risk situation and the reassessment of the various individual risks during the year, is followed by a multi-stage risk approval process that is conducted by the individual companies, the functional managers of the segments and the Group, which is supported by an integrated risk management software.

Risk reporting

Group-wide recording and assessment of risks as well as their structured reporting by functional areas and individual companies to the functional managers, 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 subdivisions 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.

Further development of the risk management system

An integrated risk management software was implemented in 2016 in order to further develop NORMA Group's risk management system. The respective organizational units report the risks they have identified and assessed in this software solution. Risks are reviewed and approved by those responsible at the regional level and, depending on the risk category, by the functional managers at Group level.

In addition, the Group risk management policy, which defines the processes and responsibilities in the area of risk management, was revised and rolled out in the organization in 2016. For this purpose, training was provided to all organizational units and those responsible for risk management in NORMA Group's three regions.

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.

Posting transactions too early or too late or failing to comply with accounting regulations are some situations that can result in risks that could potentially impact the accounting process. 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 early, 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. All companies in the Group must base their accounting processes on the standards described in the accounting manual. The accounting manual contains binding definitions of important measurement methods, such as those used in the measurement of inventories, tools and receivables. 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 the 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 Head of IT.

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 risks and opportunities

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. 136.

Capital risk management

NORMA Group's objective when it comes to managing its capital is primarily the long-term servicing of its debts and remaining financially stable. In connection with its financing agreements, the Company is obliged to maintain the financial covenant total net debt cover (debt divided by adjusted consolidated EBITDA). This key figure and its maintenance, but also net debt and the maturity structure of financial debt, are continually monitored. Changes in the value of the amounts included in this financial indicator are limited by employing long-term hedging strategies.

Default risks

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

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

Liquidity risks and opportunities

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, 2016, NORMA Group's liquid assets (cash and cash equivalents) amounted to EUR 165.6 million (2015: EUR 100.0 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, 2016. 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 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 placed a promissory note amounting to EUR 150 million in euro and US dollar tranches in 2016 in order to increase the scope for the strategic further development of the Group. In addition, partial amounts of the promissory note issued in euro in 2013 were repaid. As a result of this optimized conversion, significant interest savings have been achieved, reflecting the improved creditworthiness of NORMA Group. The liquidity-related opportunities are therefore considered to be possible, especially due to the Company's good reputation on the capital market. In light of the refinancing measures carried out in the recent past, by which the borrowing costs have already been reduced quite considerably, the potential financial effects of liquidity-related opportunities on NORMA Group's earnings are considered to be only minor. → Financial Management, p. 66.

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. By increasing NORMA Group's financial flexibility compared to the previous year, the likelihood of liquidity risks negatively impacting the Company's operations has been reduced further. The risk of non-compliance with financial covenants is still considered to be very unlikely due to NORMA Group's high profitability and strong operating cash flow.

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, Chinese renminbi, Indian rupee, Polish złoty, Swedish krona, Swiss franc, Serbian dinar and Singapore dollar 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 (including the US dollar, Swedish krona, Japanese yen, Swiss franc and British pound). 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. 70.

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. 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 40 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 13 million) and the promissory note issued in 2016 (EUR 65 million). 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 zone, 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 3.4% can be expected in 2017.

In the previous year, not only geopolitical crises, but also the economic development in China and Latin America and the possible effects of an increase in key interest rates in the US on the economic development in emerging markets were identified as risks. The still subdued economic expectations in China and the ongoing recession in Brazil, which could well be overcome in 2017 despite structural deficits, are still of relevance to NORMA Group's business activities in these countries. Furthermore, key interest rates in the US have already gradually started to rise. In 2016, these developments, which represent relevant risk factors for NORMA Group, were joined by Great Britain's decision to leave the European Union, with consequences not yet foreseeable for trade, as well as increasing protectionist tendencies in certain countries.

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 compared to the previous year is no longer considered moderate but rather only minor.

Industry-specific and technological risks and opportunities
Industry-specific and technological opportunities and risks for NORMA Group are closely linked to the conditions and developments in the respective customer industries → Products and End-Markets, p. 50. 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 Automotive 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. 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. On the other hand, NORMA Group's present product portfolio currently offers fewer product solutions for purely battery-powered electric vehicles. If the share of purely battery-powered electric vehicles were to increase substantially, it will be important for NORMA Group to offer customers new product solutions and technologies. Correspondingly, the ongoing discussion about compliance with emission standards in vehicles with an internal combustion engine can lead to both opportunities and risks for NORMA Group. NORMA Group counteracts these risks through consistent initiatives aiming to secure and expand its leadership in technology and innovation as well as by focusing on customers and markets. → Research and Development, p. 57.

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. 52.

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

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

With respect to the efficiency of its business processes, NORMA Group is able to settle production processes that require a higher degree of manual assembly effort in countries with lower labor costs, thus securing and further increasing its profitability. However, there are inevitably risks associated with the appropriate location decisions and related investments if significant assumptions made in the investment decision are not fulfilled. NORMA Group addresses these risks by conducting careful analyses in the run-up to investment decisions and uses graded approval procedures.

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

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

Operational risks and opportunities

Commodity prices

The materials that NORMA Group uses, in particular the raw materials steel and plastics, are subject to the risk of price fluctuations. The price trend is also influenced indirectly by the further development of the world economic situation as well as by institutional investors. NORMA Group limits the risk of rising purchase prices through systematic material and supplier risk management. Thanks to a powerful global Group purchasing structure, economies of scale are being used to purchase the most important product materials steel, metal components, polyamides and rubber as competitively as possible. This Group purchasing structure also enables NORMA Group to balance out the risks of individual segments with each other. NORMA Group also constantly strives to secure permanently competitive procurement prices by continuously optimizing its selection of suppliers and applying the best-landed-cost-approach. The Company also tries to reduce dependency on individual materials through constant technological advances and tests of alternative materials. Protection against commodity price volatility is done by forming procurement contracts with a term of up to 12 months, whereby material supply risks are minimized and price fluctuations can be better calculated.

Due to the currently rising price 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 rather than possible. Nevertheless, this is likely to have only a minor financial impact due to the countermeasures that have already been initiated. Due to the fact that a share of material price developments can be passed on to the customer by designing the customer contracts accordingly, falling commodity prices are generally not a major success factor. The chances of a falling commodity price development are therefore regarded as minor. In contrast to the previous year, the falling development of global commodity prices compared to the plan is no longer considered possible but rather unlikely.

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 30% of the purchasing volume. → Purchasing and Supplier Management, p. 71. 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. 71. 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. 70. 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 generated 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.

Risks and opportunities of personnel management

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

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

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

In addition, there are opportunities from the consistent further development of the 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 and the financial contribution of these opportunities to be minor.

IT-related risks and opportunities

The use of functional and high-performance IT systems is of central importance for an innovative and global Company such as NORMA Group with regard to the efficiency of its business processes. In this context, it is critical for the Company's success to support the business processes of NORMA Group, which are partly organized across corporate and national boundaries along the value chain with stable and powerful IT systems that provide the management at all levels with the necessary information in a timely manner and allow for efficient organization of workflows. For the exchange of information with customers and suppliers of NORMA Group, tailor-made IT solutions connected to the respective ERP systems are of great importance. 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. NORMA Group manages the IT risks it identifies by mirroring the database, using decentralized data storage and outsourced data archiving to a certified external provider, by encrypting e-mails as well as using up-to-date firewalls and e-mail filters, for instance. 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 on data security.

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 2016. The opportunities that arise from this streamlining measure are considered to be likely. The related financial effects are expected to be minor.

Legal risks and opportunities

Risks related to standards and contracts

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

In 2016, litigations against NORMA Group (passive) mainly involved labor disputes such as prosecution charges as well as product deficiencies claimed by customers or their insurances. Active proceedings mainly pertained to claims against suppliers. In addition, NORMA Group identified several possible violations of its own IP rights or IP rights of third parties. The national focuses of the legal disputes were 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 compared to the previous year is no longer considered unlikely but rather 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. 73. 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.

RISK AND OPPORTUNITY PORTFOLIO OF NORMA GROUP*

Financial risks and opportunities	
Default risk	
Liquidity	Risks
	Opportunities
Currency	Risks
	Opportunities
Change in interest rates	Risks
	Opportunities
Economic and cyclical risks and opportunities	
Risks	
Opportunities	
Industry-specific and technological risks and opportunities	
Risks	
Opportunities	
Risks and opportunities associated with corporate strategy	
Risks	
Opportunities	
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

* If not indicated otherwise, the risk assessment applies for all regional segments.

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	Probability of occurence						Financial impact					
	very unlikely	unlikely	possible	likely	very likely	Change in 2016	insignificant	minor	moderate	significant	high	Change in 2016
			•			→	•					→
	•					→					•	→
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→ unchanged ↗ higher ↘ lower

Remuneration Report for the Management and Supervisory Boards

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 May 5, 2015, 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 2013 and 2014: 108,452 shares per year, for 2015 and 2016: 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 2013, 2014, 2015 and 2016. Therefore, 162,679 share options are to be considered in fiscal years 2013 and 2014 and 128,927 in fiscal years 2015 and 2016. 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 2017, 2018, 2019 and 2020 respectively for the 2013, 2014, 2015 and 2016 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 2013, 2014, 2015 and 2016 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 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. NORMA Group has originally opted for a settlement in equity instruments. In April 2015, the MSP was changed to a cash settlement by resolution of the Supervisory Board for the 2011 tranche. Due to this decision and the history it forms, the remaining tranches were changed in terms of their classification from a settlement in equity instruments to compensation in the form of a cash payment. → Notes, p. 141.

OVERVIEW OF THE MATCHING STOCK PROGRAM (MSP) AT THE TIME OF ALLOTMENT T 029

Tranches	Option factor	Number of options	Exercise price in EUR	End of the vesting period
2016	1.5	128,928	46.62	2020
2015	1.5	128,928	44.09	2019
2014	1.5	162,679	40.16	2018
2013	1.5	162,679	23.71	2017

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 program is designed to be 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:

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

   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). 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 2016

The Management Board's remuneration for fiscal year 2016 is reported in accordance with the applicable accounting principles (DRS 17) and the recommendations of the German Corporate Governance Code. Pursuant to the resolution of the Annual General Meeting on April 6, 2011, no individualized disclosure of the Management Board's remuneration pursuant to section 314 (1) no. 6 lit. A) Sentence 5 to 9 HGB is to be made for the years 2011 to 2015.

Management Board remuneration in 2016 according to the accounting standard DRS 17

The total remuneration of the Management Board pursuant to section 315a in connection with section 315 (2) no. 4 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 031 on p. 97.

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. Prior to the changeover to cash remuneration, they were recognized in the capital reserve on a prorated basis over the course of the holding period.

Remuneration of the Management Board in 2016 in accordance with the German Corporate Governance Code

In accordance with the German Corporate Governance Code in its version dated May 5, 2015, 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. 97 (models recommended in the Code are being used):

REMUNERATION GRANTED TO THE MANAGEMENT BOARD

	Werner Deggim			Dr. Michael Schneider		
in EUR thousands	**2016**	2016 (Min)	2016 (Max)	**2016**	2016 (Min)	2016 (Max)
Basic remuneration	**450**	450	450	**300**	300	300
Benefits	**21**	21	21	**27**	27	27
Sum	**471**	**471**	**471**	**327**	**327**	**327**
One-year variable remuneration	**113**	0	225	**517**	0	600
Multi-year variable remuneration						
LTI tranche 2016–2018	**481**	0	1,093	**0**	0	0
LTI tranche 2015–2017	**0**	0	0	**0**	0	0
Other perennial remuneration	**0**	0	0	**300**	0	300
MSP 2016–2020	**232**	0	1,616	**0**	0	0
MSP 2015–2019	**0**	0	0	**0**	0	0
Sum	**826**	**0**	**2,934**	**817**	**0**	**900**
Pension expenses	**0**	0	0	**135**	135	135
Total remuneration	**1,297**	**471**	**3,405**	**1,279**	**462**	**1,362**

MANAGEMENT BOARD REMUNERATION IN 2016

T 031

in EUR thousands	Werner Deggim	Dr. Michael Schneider	Bernd Kleinhens	John Stephenson	**Total**	
	2016	**2016**	**2016**	**2016**	**2016**	**2015**
Fixed components	471	327	306	294	**1,398**	
Performance-related components	158	0	105	98	**361**	
Long-term incentive effect	556	817	369	347	**2,089**	
Total remuneration	**1,185**	**1,144**	**780**	**739**	**3,848**	**4,557**

INFLOW FROM MANAGEMENT BOARD MEMBER REMUNERATION

T 032

in EUR thousands	Werner Deggim	Dr. Michael Schneider	Bernd Kleinhens	John Stephenson	**Complete Management Board**	
	2016	**2016**	**2016**	**2016**	**2016**	**2015**
Fixed remuneration	450	300	300	280	**1,330**	1,248
Benefits	21	27	6	14	**68**	52
Sum	**471**	**327**	**306**	**294**	**1,398**	**1,299**
One-year variable remuneration	158	517	105	98	**878**	461
Multi-year variable remuneration						
LTI tranche 2013–2015	299	0	198	186	**683**	0
LTI tranche 2012–2014	0	0	0	0	**0**	682
MSP 2012–2016	879	0	584	545	**2,008**	0
MSP 2011–2015	0	0	0	0	**0**	2,265
Other perennial remuneration	0	150	0	0	**150**	0
Sum	**1,336**	**667**	**887**	**829**	**3,719**	**3,409**
Pension expenses	0	135	0	0	**135**	137
Total remuneration	**1,807**	**1,129**	**1,193**	**1,123**	**5,252**	**4,845**

Expenses in the amount of EUR 134 thousand for the LTI tranche 2013–2015 and EUR 526 thousand for the MSP are recognized for former members of the Management Board in the fiscal year.

T 030

	Bernd Kleinhens			John Stephenson			**Complete Management Board**			
	2016	2016 (Min)	2016 (Max)	**2016**	2016 (Min)	2016 (Max)	2015	**2016**	2016 (Min)	2016 (Max)
	300	300	300	**280**	280	280	1,248	**1,330**	1,330	1,330
	6	6	6	**14**	14	14	52	**68**	68	68
	306	**306**	**306**	**294**	**294**	**294**	**1,299**	**1,398**	**1,398**	**1,398**
	75	0	150	**70**	0	140	461	**775**	0	1,115
	318	0	723	**300**	0	682		**1,099**	0	2,498
	0	0	0	**0**	0	0	960	**0**	0	0
	0	0	0	**0**	0	0	150	**300**	0	300
	154	0	1,074	**144**	0	1,002	0	**530**	0	3,692
	0	0	0	**0**	0	0	906	**0**	0	0
	547	**0**	**1,947**	**514**	**0**	**1,824**	**2,478**	**2,704**	**0**	**7,605**
	0	0	0	**0**	0	0	137	**135**	135	135
	853	**306**	**2,253**	**808**	**294**	**2,118**	**3,914**	**4,237**	**1,533**	**9,138**

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 May 5, 2015. 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 2017 Annual General Meeting as follows:

REMUNERATION OF THE SUPERVISORY BOARD T 033

Supervisory Board member	Membership / Chairmanship of a committee	Remuneration in EUR
Dr. Stefan Wolf	Chairman of the Supervisory Board	110,000.00
	Chairman of the General and Nomination Committees	
Lars M. Berg	Deputy Chairman of the Supervisory Board	95,000.00
	Member of the Audit Committee	
	Member of the General and Nomination Committees	
Günter Hauptmann	Not a member of a committee	50,000.00
Knut J. Michelberger	Chairman of the Audit Committee (since October 1, 2016)	66,284.15
	Member of the Audit Committee (until September 30, 2016)	
Dr. Christoph Schug	Chairman of the Audit Committee (until September 30, 2016)	86,202.19
	Member of the General and Nomination Committees	
Erika Schulte	Member of the Audit Committee (since October 1, 2016)	52,513.66
Total		**460,000.00**

No remuneration was paid to Supervisory Board members in fiscal year 2016 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 315 (4) of the German Commercial Code (Handelsgesetzbuch, HGB) is presented below:

Section 315 (4) no. 1 HGB

NORMA Group SE's share capital totalled EUR 31,862,400.00 on December 31, 2016. 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 315 (4) 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 315 (4) 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 315 (4) no. 4 HGB

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

Section 315 (4) 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 315 (4) no. 6 HGB

Management Board members are appointed and dismissed in accordance with section 84 et seq. 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 Deputy 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) AktG. In this case, the Management Board is authorized to adjust the number of shares in the Articles of Association.

Section 315 (4) 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 AktG 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 2015 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 (without 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 section 186 para. 3 sentence 4, 71 para. 1 no. 8 sentence 5 half-sentence 2, AktG, 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 315 (4) 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 315 (4) 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. 94.

Report on Transactions with Related Parties

In fiscal year 2016, 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.

Maintal, March 9, 2017

NORMA Group SE

The Management Board

Werner Deggim | Dr. Michael Schneider

Bernd Kleinhens | John Stephenson

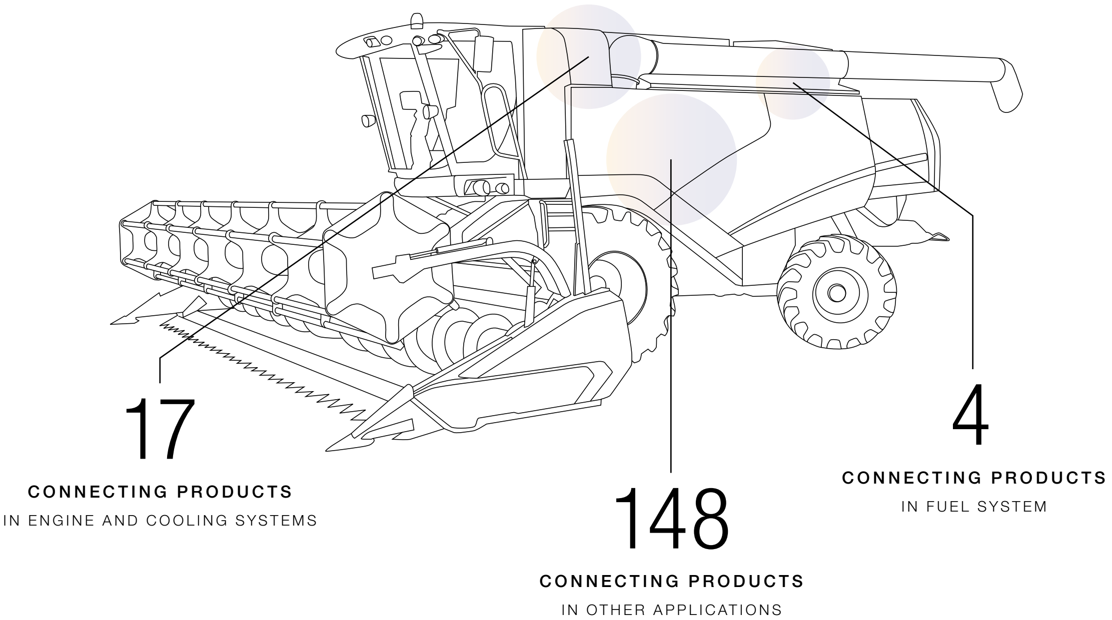
The world population is growing steadily and with it the challenges for many industries. The construction industry and agriculture are two of them when it comes to creating new housing and safeguarding the food supply to the population.

"NORMA Group supplies manufacturers of construction and agricultural vehicles in the heavy equipment sector. These place HIGH DEMANDS ON THE PERFORMANCE of the machines. Due to the complexity and numerous interfaces, with the motor and cooling system for example, RELIABLE JOINING TECHNOLOGY plays an important role. In order to meet the high mechanical requirements, we developed the new NORMA Quick V2 XC in close cooperation with an agricultural machinery manufacturer last year."

DIRK HAGENKORD

ACCOUNT MANAGER OF NON ROAD & INDUSTRY
NORMA GROUP HOLDING GMBH

169


17
CONNECTING PRODUCTS
IN ENGINE AND COOLING SYSTEMS
148
CONNECTING PRODUCTS
IN OTHER APPLICATIONS
4
CONNECTING PRODUCTS
IN FUEL SYSTEM

C

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

ASSETS T 034

in EUR thousands	Note	Dec 31, 2016	Dec 31, 2015
Non-current assets			
Goodwill	(19)	**368,859**	343,829
Other intangible assets	(19)	**295,427**	271,009
Property, plant and equipment	(20)	**201,177**	169,939
Other non-financial assets	(25)	**261**	234
Derivative financial assets	(22)	**1,576**	0
Income tax assets	(17)	**106**	458
Deferred income tax assets	(18)	**7,563**	8,105
		874,969	**793,574**
Current assets			
Inventories	(24)	**139,885**	129,902
Other non-financial assets	(25)	**15,701**	13,711
Other financial assets	(26)	**5,685**	3,856
Derivative financial assets	(22)	**1,157**	248
Income tax assets	(17)	**10,479**	3,772
Trade and other receivables	(23)	**124,208**	122,865
Cash and cash equivalents	(36)	**165,596**	99,951
		462,711	**374,305**
Total assets		**1,337,680**	**1,167,879**

EQUITY AND LIABILITIES

T 034

in EUR thousands	Note	Dec 31, 2016	Dec 31, 2015
Equity attributable to equity holders of the parent			
Subscribed capital		**31,862**	31,862
Capital reserve		**210,323**	210,323
Other reserves		**27,077**	21,128
Retained earnings		**213,504**	165,600
Equity attributable to shareholders		**482,766**	**428,913**
Non-controlling interests		**819**	898
Total equity	(27)	**483,585**	**429,811**
Liabilities			
Non-current liabilities			
Retirement benefit obligations	(29)	**11,786**	11,951
Provisions	(30)	**9,668**	10,842
Borrowings	(31)	**513,105**	443,711
Other non-financial liabilities	(32)	**610**	1,368
Other financial liabilities	(33)	**1,240**	681
Derivative financial liabilities	(22)	**2,014**	2,510
Deferred income tax liabilities	(18)	**101,845**	104,380
		640,268	**575,443**
Current liabilities			
Provisions	(30)	**9,489**	9,972
Borrowings	(31)	**42,176**	7,056
Other non-financial liabilities	(32)	**31,212**	28,653
Other financial liabilities	(33)	**1,119**	6,019
Derivative financial liabilities	(22)	**167**	876
Income tax liabilities	(17)	**10,087**	9,172
Trade and other payables	(34)	**119,577**	100,877
		213,827	**162,625**
Total liabilities		**854,095**	**738,068**
Total equity and liabilities		**1,337,680**	**1,167,879**

Consolidated Statement of Comprehensive Income

T 035

in EUR thousands	Note	Q4 2016	Q4 2015	2016	2015
Revenue	(8)	215,454	217,025	894,887	889,613
Changes in inventories of finished goods and work in progress		456	781	244	3,622
Other own work capitalized		890	914	3,318	2,748
Raw materials and consumables used	(9)	–87,561	–88,354	–353,527	–365,373
Gross profit		129,239	130,366	544,922	530,610
Other operating income	(10)	5,033	2,488	15,210	11,408
Other operating expenses	(11)	–37,935	–34,864	–141,446	–133,514
Employee benefits expense	(12)	–58,926	–57,543	–244,061	–234,616
Depreciation and amortization	(19, 20)	–17,623	–12,909	–54,624	–49,094
Operating profit		19,788	27,538	120,001	124,794
Financial income		120	280	227	500
Financial costs		– 2,930	–3,830	–14,872	–17,709
Financial costs – net	(13)	– 2,810	–3,550	–14,645	–17,209
Profit before income tax		16,978	23,988	105,356	107,585
Income taxes	(16)	–1,516	–5,503	–29,490	–33,738
PROFIT FOR THE PERIOD		15,462	18,485	75,866	73,847
Other comprehensive income for the period, net of tax					
Other comprehensive income that can be reclassified to profit or loss, net of tax		15,963	7,169	5,955	18,599
Exchange differences on translation of foreign operations	(27)	12,861	6,607	3,926	18,017
Cash flow hedges	(22,27)	3,102	562	2,029	582
Other comprehensive income that cannot be reclassified to profit or loss, net of tax		833	–401	833	–401
Remeasurements of post employment benefit obligations, net of tax	(27, 29)	833	–401	833	–401
Other comprehensive income for the period, net of tax		16,796	6,768	6,788	18,198
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		32,258	25,253	82,654	92,045
Profit attributable to					
Shareholders of the parent		15,449	18,510	75,747	73,680
Non-controlling interests		13	–25	119	167
		15,462	18,485	75,866	73,847
Total comprehensive income attributable to					
Shareholders of the parent		32,281	25,327	82,529	91,911
Non-controlling interests		–23	–74	125	134
		32,258	25,253	82,654	92,045
(Un)diluted earnings per share (in EUR)	(15)	0.48	0.58	2.38	2.31

Consolidated Statement of Cash Flows

T 036

in EUR thousands	Note	Q4 2016	Q4 2015	2016	2015
Operating activities					
Profit for the period		**15,462**	**18,485**	**75,866**	**73,847**
Depreciation and amortization	(19, 20)	**17,623**	12,909	**54,624**	49,094
Gain (–)/loss (+) on disposal of property, plant and equipment		**–150**	150	**80**	72
Change in provisions	(30)	**–2,396**	2,000	**870**	1,374
Change in deferred taxes	(18)	**–4,150**	–6,237	**–5,202**	–7,158
Change in inventories, trade account receivables and other receivables, which are not attributable to investing or financing activities	(23, 24, 25, 26)	**12,157**	12,338	**–11,348**	–19,474
Change in trade and other payables, which are not attributable to investing or financing activities	(32, 33, 34)	**11,719**	–6,953	**18,580**	10,559
Change in reverse factoring liabilities		**–788**	–3,946	**2,279**	5,690
Payments for share-based payments		**0**	0	**–2,534**	–2,265
Interest expenses in the period		**3,722**	2,740	**12,652**	13,599
Income (–)/expenses (+) due to measurement of derivatives		**2,392**	2,732	**2,435**	12,610
Other payments classified as investing activities		**1,650**	0	**1,650**	0
Other non-cash expenses (+)/income (–)	(36)	**–3,885**	–1,993	**–754**	–9,789
Cash flow from operating activities		**53,356**	**32,225**	**149,198**	**128,159**
thereof interest received		**105**	27	**221**	84
thereof income taxes		**–12,682**	–21,788	**–40,079**	–44,228
Investing activities					
Payments for acquisitions of subsidiaries, net	(36, 40)	**–82,681**	0	**–87,623**	–52
Investments in property, plant and equipment and intangible assets	(19, 20)	**–15,571**	–15,975	**–46,974**	–44,793
Proceeds from the sale of property, plant and equipment		**448**	–75	**748**	378
Cash flow from investing activities		**–97,804**	**–16,050**	**–133,849**	**–44,467**
Financing activities					
Interest paid		**–4,890**	–4,536	**–12,026**	–13,926
Dividends paid to shareholders	(27)	**0**	0	**–28,676**	–23,897
Dividends paid to non-controlling interests		**–38**	–55	**–204**	–205
Proceeds from borrowings	(31)	**0**	99,247	**188,434**	99,703
Repayment of borrowings	(31)	**–2,598**	–83,658	**–94,163**	–94,076
Repayment of derivatives		**–3,056**	–22,619	**–3,485**	–37,751
Repayment of lease liabilities		**–77**	–72	**–294**	–294
Cash flow from financing activities	**(36)**	**–10,659**	**–11,693**	**49,586**	**–70,446**
Net change in cash and cash equivalents		**–55,107**	**4,482**	**64,935**	**13,246**
Cash and cash equivalents at the beginning of the year		**217,556**	94,965	**99,951**	84,271
Effect of foreign exchange rates on cash and cash equivalents		**3,147**	504	**710**	2,434
Cash and cash equivalents at the end of the period		**165,596**	**99,951**	**165,596**	**99,951**

Consolidated Statement of Changes in Equity

		Attributable to equity holders of the parent	
in EUR thousands	Note	Subscribed capital	Capital reserve
Balance as of December 31, 2014		**31,862**	**216,468**
Changes in equity for the period			
Result for the period			
Exchange differences on translation of foreign operations			
Cash flow hedges, net of tax	(22)		
Remeasurements of post employment benefit obligations, net of tax	(27, 29)		
Total comprehensive income for the period		**0**	**0**
Stock options	(28)		–6,145
Dividends paid	(27)		
Dividends paid to non-controlling interests			
Total transactions with owners for the period		**0**	**–6,145**
Balance as of December 31, 2015		**31,862**	**210,323**
Changes in equity for the period			
Result for the period			
Exchange differences on translation of foreign operations			
Cash flow hedges, net of tax	(22)		
Remeasurements of post employment benefit obligations, net of tax	(27, 29)		
Total comprehensive income for the period		**0**	**0**
Stock options	(28)		
Dividends paid	(27)		
Dividends paid to non-controlling interests			
Total transactions with owners for the period		**0**	**0**
Balance as of December 31, 2016		**31,862**	**210,323**

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Attributable to equity holders of the parent				
Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
2,496	116,218	367,044	969	368,013
	73,680	73,680	167	73,847
18,050		18,050	–33	18,017
582		582		582
	–401	–401		–401
18,632	73,279	91,911	134	92,045
		–6,145		–6,145
	–23,897	–23,897		–23,897
		0	–205	–205
0	–23,897	–30,042	–205	–30,247
21,128	165,600	428,913	898	429,811
	75,747	75,747	119	75,866
3,920		3,920	6	3,926
2,029		2,029		2,029
	833	833		833
5,949	76,580	82,529	125	82,654
		0		0
	–28,676	–28,676		–28,676
		0	–204	–204
0	–28,676	–28,676	–204	–28,880
27,077	213,504	482,766	819	483,585

Segment Reporting

in EUR thousands	EMEA 2016	EMEA 2015	Americas 2016	Americas 2015	Asia-Pacific 2016	Asia-Pacific 2015
Total revenue	459,049	445,188	390,303	403,418	84,126	81,047
thereof inter-segment revenue	27,043	29,171	8,686	8,071	2,862	2,798
Revenue from external customers	**432,006**	**416,017**	**381,617**	**395,347**	**81,264**	**78,249**
Contribution to consolidated Group sales	48%	47%	43%	44%	9%	9%
Adjusted gross profit [1]	271,116	261,322	235,941	237,376	41,000	36,762
Adjusted EBITDA [1]	**93,677**	**88,025**	**83,055**	**87,571**	**11,681**	**10,133**
Adjusted EBITDA margin [1, 2]	20.4%	19.8%	21.3%	21.7%	13.9%	12.5%
Depreciation without PPA depreciation [3]	−10,225	−9,964	−7,871	−7,872	−2,683	−2,463
Adjusted EBITA [1]	**83,452**	**78,061**	**75,184**	**79,699**	**8,998**	**7,670**
Adjusted EBITA margin [1, 2]	18.2%	17.5%	19.3%	19.8%	10.7%	9.5%
Assets [4]	556,935	489,161	673,203	636,294	119,283	84,422
Liabilities [5]	184,247	136,903	354,953	358,563	34,804	30,805
CAPEX	19,988	14,425	16,921	17,752	5,526	5,597
Number of employees [6]	2,950	2,756	1,439	1,399	780	767

1 For details regarding the adjustments, please refer to → Note 7.
2 Based on segment sales.
3 Depreciation from purchase price allocations.
4 Including allocated goodwill, taxes are shown within the column "consolidation."
5 Taxes are shown within the column "consolidation."
6 Number of employees (average headcount).

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	Total segments		Central functions		Consolidation		Consolidated Group	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	933,478	929,653	35,802	31,620	–74,393	–71,660	894,887	889,613
	38,591	40,040	35,802	31,620	–74,393	–71,660	0	0
	894,887	889,613	0	0	0	0	894,887	889,613
	100%	100%						
	548,057	535,460	n/a	n/a	–2,500	–2,378	545,557	533,082
	188,413	185,729	–8,568	–8,017	–468	–233	179,377	177,479
							20.0%	20.0%
	–20,779	–20,299	–1,113	–884	0	0	–21,892	–21,183
	167,634	165,430	–9,681	–8,901	–468	–233	157,485	156,296
							17.6%	17.6%
	1,349,421	1,209,877	474,932	404,821	–486,673	–446,819	1,337,680	1,167,879
	574,004	526,271	672,332	556,760	–392,241	–344,963	854,095	738,068
	42,435	37,774	5,452	4,392	n/a	n/a	47,887	42,166
	5,169	4,922	97	84	n/a	n/a	5,266	5,006

Notes to the Consolidated Financial Statements

1. GENERAL 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.

On November 30, 2016, NORMA Group acquired the Autoline business (Autoline) with locations in France, Mexico and China from Parker Hannifin. This acquisition strengthens NORMA Group's market position with new products in the area of quick connectors and by gaining new customers.

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®, TERRY® 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 315a of the German Commercial Code (HGB) for the year ended December 31, 2016.

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, 2017, and released for publication after they were approved by the Supervisory Board on March 20, 2017.

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 critical 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 2016

The following new standards or amendments to standards which were applied for the first time for the fiscal year beginning January 1, 2016, did not have a material impact on NORMA Group's financial position, cash flows and financial performance.

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP FOR THE FIRST TIME — T 039

New or revised standard	Amendments
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments further clarify that the depreciation of property, plant and equipment based on the sales revenue of the goods produced by them does not necessarily correspond to this approach and is therefore not appropriate since the revenue not only depends on the consumption of the asset, but also on other factors such as sales volume, price or inflation. In principle, this clarification is also included in IAS 38 for the amortization of intangible assets having limited useful lives. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
Amendments to IAS 1: Presentation of Financial Statements	On December 18, 2014, the IASB issued Amendments to IAS 1: Presentation of financial statements. The amendments emphasize the concept of materiality to avoid several application issues. The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The aim of these clarifications is to relieve IFRS financial statements of non-essential information while promoting the exchange of relevant information. Furthermore, the understandability of financial statement information shall not be limited by summarizing relevant and irrelevant information or by aggregating main items with different characteristics or functions. The amendments result in the deletion of a model structure of the notes towards consideration of company-specific relevance, whereby it is explicitly clarified that companies should take the impact on the readability and comparability of their IFRS financial statements into account in determining the structure of their notes. Furthermore, companies are expected to take the nature of their business and the methods by which the addressees most likely expect to receive information into consideration in determining the accounting policies to be listed. The amended standard also contains explanations on aggregation and disaggregation of items in the balance sheet and the income statement, and clarification as to how shares of other comprehensive income of companies to be accounted for using the equity method are to be presented in the statement of comprehensive income.
Annual Improvements to IFRS: 2010–2012 Cycle and 2012–2014 Cycle	In December 2014, as part of its annual improvements project, the International Accounting Standards Board (IASB) issued Annual Improvements to IFRSs: 2010–2012 Cycle and also in September 2014, 2012–2014 Cycle, both of which propose amendments to several International Financial Reporting Standards (IFRSs). The amendments are intended to clarify the requirements and not to change the accounting practice.

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, 2017. 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):**

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT HAVE ALREADY BEEN ENDORSED BY THE EU — T 040

New or revised standards	EU endorsement date	Amendments
IFRS 9: Financial Instruments	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. **Classification and measurement of financial assets and financial liabilities** IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. **Impairment methodology** The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. IAS 39's 'incurred loss' model delayed the recognition of impairment until objective evidence of a credit loss event had been identified. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. **Hedge accounting** IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The new standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of adopting IFRS 9 on the Group's Consolidated Financial Statements.
IFRS 15: Revenue from Contracts with Customers	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. Key changes to current practice are: • Any bundled goods or services that are distinct must be recognized separately, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognized earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc). • 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 and vice versa. • There are new specific rules e.g. on licenses, warranties, 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 impacts of IFRS 15 are currently being analyzed within a Group-wide implementation project. Changes within the current timing of revenue recognition could occur for long-term delivery contracts within the Engineered Joining Technology (EJT) business with integrated graduated discounts, staggered rebates or price scales. A reliable quantitative estimate of the potential effects is not possible before the completion of this project. Besides, changes to the Statement of Financial Position are expected, e.g. separate line items for contract liabilities resulting from granted customer bonuses. However, from the Group's present point of view, the application of IFRS 15 will not have a material impact on NORMA Group's financial position, cash flows and financial performance.

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

STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT HAVE NOT BEEN ENDORSED BY THE EU T 041

New or revised standards	Amendments
IFRS: 16 Leases	The IASB issued the new leasing standard IFRS 16, Leases, on January 13, 2016, which replaces the previous leases standard IAS 17 and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i. e. the customer ('lessee') and the supplier ('lessor'). The new standard affects particularly lessees, as almost all leases will be recognized on the lessee's balance sheet. The lessor accounting requirements in IAS 17 will be substantially carried forward by IFRS 16. IFRS 16 eliminates, with only few exceptions, the distinction between finance and operating leases for lessees. Instead, the standard adopts a single lessee accounting model. Applying that model, a lessee is required to recognize a right-of-use asset and a lease liability and depreciation of lease assets separately from interest on lease liabilities in the income statement. The lease liability includes the present value of the outstanding future lease payments plus residual value guarantees. Exceptions exist for leases with a term of less than 12 months and leases with an underlying asset of low value (primarily "small IT equipment"). Those leases are recognized according to the existing operating leases. A lessor continues to classify its leases as operating or finance leases, and to account for those two types of leases differently. The new standard is effective for accounting periods beginning on or after January 1, 2019. Early adoption is permitted. The Group is currently assessing the impact of adopting IFRS 16 on the Group's Consolidated Financial Statements.
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. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Group is currently assessing the impact of an application of the amendments to IAS 12 to the Consolidated Financial Statements of the company.
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 are 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. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Group does not expect any material effects on the Consolidated Financial Statements from the amendments.

New or revised standards	Amendments
Amendments to IFRS 15: Clarifications to IFRS 15	On April 12, 2016, the International Accounting Standards Board (IASB) published final clarifications to IFRS 15 Revenue from contracts with customers. The amendments contain clarifications on various provisions of IFRS 15 and simplifications regarding the transition to the new standard. The clarifications concern the identification of the performance obligations from a contract, the assessment of whether a company is the principal or agent of a business transaction, and the assessment of whether revenues from a granted license are to be taken on a time or period basis. In addition to the clarifications, the amendment standard provides two further simplifications to reduce the complexity and cost of switching to the new standard. These relate to options for the presentation of contracts which are concluded either at the beginning of the earliest period shown or which have been changed before the start of the earliest period. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, which is the same effective date as that of IFRS 15. Earlier application is permitted.
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.

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.

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 the 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

1. 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 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.

2. Valuation methods

The following table shows the most important valuation methods:

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Position	Valuation method
Assets	
Goodwill	Impairment-only approach
Other intangible assets (except goodwill) – finite useful lives	Amortized costs
Other intangible assets (except goodwill) – indefinite useful lives	Impairment-only approach
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

3. 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, 2016, and 2015, 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.

Contingent considerations recognized in the balance sheet as of December 31, 2015, measured at fair value, are within Level 3 of the fair value hierarchy. → Note 21 'Financial Instruments.'

4. 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:

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	Spot rate		Average rate	
per EUR	**Dec 31, 2016**	Dec 31, 2015	**2016**	2015
Australian dollar	**1.4596**	1.4897	**1.4885**	1.4773
Brazilian real	**3.4305**	4.3117	**3.8611**	3.6935
Chinese renminbi yuan	**7.3202**	7.0608	**7.3501**	6.9747
Swiss franc	**1.0739**	1.0835	**1.0900**	1.0679
Czech koruna	**27.0210**	27.0230	**27.0344**	27.2832
British pound sterling	**0.8562**	0.7340	**0.8189**	0.7262
Indian rupee	**71.5935**	72.0215	**74.3474**	71.1975
Japanese yen	**123.4000**	131.0700	**120.3107**	134.3315
South Korean won	**1,269.3600**	1,280.7800	**1,284.3540**	1,256.0469
Malaysian ringgit	**4.7287**	4.6959	**4.5843**	4.3318
Mexican peso	**21.7719**	18.9145	**20.6641**	17.6063
Polish złoty	**4.4103**	4.2639	**4.3628**	4.1827
Serbian dinar	**123.3860**	121.5970	**123.0988**	120.6521
Russian ruble	**64.3000**	80.6736	**74.1911**	67.9736
Swedish krona	**9.5525**	9.1895	**9.4676**	9.3539
Singapore dollar	**1.5234**	1.5417	**1.5275**	1.5251
Thai baht	**37.7260**	39.2480	**39.0434**	38.0130
Turkish lira	**3.7072**	3.1765	**3.3426**	3.0231
US dollar	**1.0541**	1.0887	**1.1067**	1.1100

5. 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, 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 life 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.

6. 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

7. Impairment of non-financial assets

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.

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.’

8. 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.

9. Financial instruments

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’ (→ paragraph 12) and ‘cash and cash equivalents’ (→ paragraph 13) 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.

Impairment testing of trade receivables is described in → paragraph 12.

Financial liabilities

Financial liabilities primarily include trade payables, liabilities to banks, derivative financial liabilities (→ paragraph 11) and other liabilities.

a) Financial liabilities that are measured at amortized cost

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

b) 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.

10. 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 table presents 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, 2016 and 2015.

OFFSETTING OF FINANCIAL INSTRUMENTS

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December 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**

December 31, 2015 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)	248	0	**248**	248	**0**
Trade and other receivables (a)	123,195	330	**122,865**	0	**122,865**
Other financial assets	3,856	0	**3,856**	0	**3,856**
Cash and cash equivalents	99,951	0	**99,951**	0	**99,951**
Total	**227,250**	**330**	**226,920**	**248**	**226,672**
Financial liabilities					
Borrowings	450,767	0	**450,767**	0	**450,767**
Derivative financial instruments (b)	3,386	0	**3,386**	248	**3,138**
Trade and other payables (a)	101,207	330	**100,877**	0	**100,877**
Other financial liabilities	6,700	0	**6,700**	0	**6,700**
Total	**562,060**	**330**	**561,730**	**248**	**561,482**

(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.

11. 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 27 'Equity.'

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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 the 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.

18. Share-based payment

Share-based payment plans issued in 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.'

19. 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 is 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 are recorded within other operating income.

20. 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.

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.

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.

21. 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.

22. 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 2016 include 7 domestic (Dec 31, 2015: 7) and 40 foreign (Dec 31, 2015: 38) companies.

The composition of the Group changed as follows:

CHANGE IN SCOPE OF CONSOLIDATION

T 045

	2016			2015		
	Total	**Domestic**	**Foreign**	Total	Domestic	Foreign
As of January 1	45	7	38	**46**	**7**	**39**
Additions	2	0	2	**0**	**0**	**0**
of which newly founded	2	0	2	0	0	0
Disposals	0	0	0	**1**	**0**	**1**
of which no longer consolidated	0	0	0	1	0	1
As of December 31	47	7	40	**45**	**7**	**38**

In 2016, NORMA Autoline France SAS, based in France and NORMA EJT (Wuxi) Co., Ltd., based in China, were founded in the context of the acquisition of the Autoline business from Parker Hannifin. For further details, please refer to → Note 40 'Business Combinations.'

In 2015, Nordic Metalblok S.r.l. was liquidated and deconsolidated.

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

LIST OF GROUP COMPANIES OF NORMA GROUP AS OF DECEMBER 31, 2016 T 046

No.	Company	Registered address	held by	Share in % direct parent company	Share in % of NORMA Group SE	Currency	Equity[1]	Result[1]
Central Functions								
01	**NORMA Group SE**	**Maintal, Germany**						
02	NORMA Group APAC Holding GmbH	Maintal, Germany	01	100.00	100.00	kEUR	38	–2
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	6,542	–1
06	NORMA Germany GmbH	Maintal, Germany	03	94.90	100.00	kEUR	56,306	0[2]
07	NORMA Verwaltungs GmbH (formerly 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	47,953	2,490
09	NORMA Autoline France SAS	Guichen, France	08	100.00	100.00	kEUR	25,173	–1,328[3]
10	NORMA Distribution France SAS	La Queue En Brie, France	08	100.00	100.00	kEUR	3,016	684
11	NORMA France SAS	Briey, France	08	100.00	100.00	kEUR	1,938	–1,151
12	DNL UK Ltd.	Newbury, Great Britain	03	100.00	100.00	kGBP	2,944	7,560
13	NORMA UK Ltd.	Newbury, Great Britain	12	100.00	100.00	kGBP	32,877	8,797
14	NORMA Italia SpA	Gavardo, Italy	03	100.00	100.00	kEUR	6,002	1,450
15	Groen Bevestigingsmaterialen B.V.	Purmerend, Netherlands	03	60.00	90.00	kEUR	1,400	1,265
16	NORMA Netherlands B.V.	Delft, Netherlands	20	100.00	100.00	kEUR	2,085	441
17	NORMA Polska Sp. z o.o.	Slawniów, Poland	03	100.00	100.00	kPLN	126,673	32,148
18	NORMA Group Distribution Polska Sp. z.o.o.	Krakow, Poland	17	100.00	100.00	kPLN	5,745	645
19	NORMA Group CIS LLC	Togliatti, Russian Federation	03	99.96	100.00	kRUR	131,370	20,867
20	DNL Sweden AB	Stockholm, Sweden	03	100.00	100.00	kSEK	79,160	49,009
21	NORMA Sweden AB	Stockholm, Sweden	20	100.00	100.00	kSEK	201,362	46,390
22	Connectors Verbindungstechnik AG	Tagelswangen, Switzerland	03	100.00	100.00	kCHF	7,532	–105
23	NORMA Grupa Jugoistocna Evropa d.o.o.	Subotica, Serbia	03	100.00	100.00	kRSD	3,725,684	402,761
24	Fijaciones NORMA S.A.	Barcelona, Spain	03	100.00	100.00	kEUR	5,813	1,978
25	NORMA Czech, s.r.o.	Hustopece, Czech Republic	03	100.00	100.00	kCZK	365,575	56,979
26	NORMA Turkey Bağlantı ve Birleştirme Teknolojileri Sanayi ve Ticaret Limited Şirketi	Kartal, Istanbul, Turkey	07	100.00	100.00	kTRL	5,136	2,402
Segment Americas								
27	NORMA do Brasil Sistemas De Conexão Ltda.	São Paulo, Brazil	33	97.80	100.00	kBRL	31,864	–7,933
28	NORMA Group México S. de R.L. de C.V.	Monterrey, Mexico	32	99.40	100.00	kUSD	8,812	2,447
29	NORMA Distribution and Services S. de R.L. de C.V.	Juarez, Mexico	32	99.00	100.00	kMXN	1,138	318
30	Craig Assembly Inc.	St. Clair, USA	33	100.00	100.00	kUSD	40,325	5,966
31	National Diversified Sales, Inc.	Woodland Hills, USA	33	100.00	100.00	kUSD	226,994	27,962
32	NORMA Michigan Inc.	Auburn Hills, USA	33	100.00	100.00	kUSD	76,591	4,868
33	NORMA Pennsylvania Inc.	Saltsburg, USA	01	100.00	100.00	kUSD	112,618	–3,657
34	NORMA US Holding LLC	Saltsburg, USA	33	100.00	100.00	kUSD	23,374	–765
35	R.G.RAY Corporation	Auburn Hills, USA	33	100.00	100.00	kUSD	98,663	7,231
Segment Asia-Pacific								
36	NORMA Pacific Pty. Ltd.	Melbourne, Australia	45	100.00	100.00	kAUD	13,183	–819
37	Guyco Pty. Ltd.	Adelaide, Australia	36	100.00	100.00	kAUD	8,085	1,535
38	NORMA China Co., Ltd.	Qingdao, China	03	100.00	100.00	kCNY	157,846	26,216
39	NORMA EJT (Changzhou) Co., Ltd.	Changzhou, China	45	100.00	100.00	kCNY	40,292	–804
40	NORMA EJT (Wuxi) Co., Ltd.	Wuxi, China	45	100.00	100.00	kCNY	179,620	–3,375
41	NORMA Group Products India Pvt. Ltd.	Pune, India	45	99.99	100.00	kINR	358,612	19,587
42	NORMA Japan Inc.	Osaka, Japan	45	60.00	60.00	kJPY	129,342	6,747
43	NORMA Products Malaysia Sdn. Bhd. (formerly Chien Jin Plastic Sdn. Bhd.)	Ipoh, Malysia	45	100.00	100.00	kMYR	31,609	6,622
44	NORMA Korea Inc.	Seoul, Republic of Korea	45	100.00	100.00	kKRW	463,280	278,499
45	NORMA Group Asia Pacific Holding Pte. Ltd.	Singapore, Singapore	01	100.00	100.00	kSGD	101,926	737
46	NORMA Pacific Asia Pte. Ltd.	Singapore, Singapore	45	100.00	100.00	kSGD	–129	–657
47	NORMA Pacific (Thailand) Ltd.	Chonburi, Thailand	45	100.00	100.00	kTHB	106,560	10,957

[1] Reported values according to IFRS as of December 31, 2016; 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, 2016, but not yet finally audited. The values are translated with the exchange rates according to Note 3.4.

[2] A profit-pooling-contract exists.

[3] Including transaction tax amounting to EUR 1,650 thousand relating to the acquisition on November 30, 2016.

5. FINANCIAL RISK MANAGEMENT

1. 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.

Market risk

(i) 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 and the Singapore dollar.

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

FOREIGN EXCHANGE RISK T 047

	Dec 31, 2016		Dec 31, 2015	
in EUR thousands	+10%	–10%	+10%	–10%
Currency relation				
EUR/USD – Profit before tax	**–481**	**588**	–1,293	1,580
EUR/GBP – Profit before tax	**1,504**	**–1,838**	1,101	–1,346
EUR/CNY – Profit before tax	**–532**	**650**	–406	497
EUR/INR – Profit before tax	**–99**	**121**	–95	116
EUR/PLN – Profit before tax	**244**	**–299**	545	–667
EUR/SEK – Profit before tax	**285**	**–348**	279	–341
EUR/CHF – Profit before tax	**43**	**–52**	70	–86
EUR/RSD – Profit before tax	**729**	**–891**	–161	197
EUR/SGD – Profit before tax	**–303**	**371**	–132	161

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.

(ii) 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 2016, if interest rates on euro and US dollar denominated borrowings had been 100 basis points (BPS) (2015: 100 BPS) higher with all other variables held constant, profit before tax for the year would have been EUR 746 thousand lower (2015: EUR 133 thousand lower) and other comprehensive income would have been EUR 5,375 thousand higher (2015: EUR 2,074 thousand higher with 100 BPS shift).

In fiscal year 2016, if interest rates on euro and US dollar denominated borrowings had been 50 basis points (2015: 50 BPS) lower with all other variables held constant, profit before tax for the year would have been EUR 245 thousand higher (2015: EUR 518 thousand lower). The prior year effect of higher interest payments with lower rates can be explained as the behavior of hedges and hedged items is not fully identical with interests below zero. Other comprehensive income would have been EUR 2,786 thousand lower (2015: EUR 4,016 thousand lower).

(iii) 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.

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.

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 euro and US dollar led to a further improved interest profile and now better reflects the currency of NORMA Group's cash flows (mainly US dollar and euro). After scheduled repayment in 2016, the credit volume as of December 31, 2016 is EUR 19 million and USD 83.5 million (Dec 31, 2016: EUR 79.2 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 of up to seven years. 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, 2016.

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.

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.

MATURITY STRUCTURE OF NON-DERIVATIVE FINANCIAL LIABILITIES T 048

December 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**

December 31, 2015

in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	15,656	48,957	327,888	108,878
Trade and other payables	100,877			
Finance lease liabilities	147	138	13	
Other financial liabilities	5,880	511	20	
	122,560	**49,606**	**327,921**	**108,878**

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

MATURITY STRUCTURE OF DERIVATIVE FINANCIAL INSTRUMENTS T 049

As of December 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**

As of December 31, 2015

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	–41,919			
Cash inflows	42,167			
Derivative liabilities – gross settlement				
Cash outflows	–104,582			
Cash inflows	103,706			
Derivative liabilities – net settlement				
Cash outflows	–626	–932	–992	40
	–1,254	**–932**	**–992**	**40**

2. 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 adj. 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 2016 and 2015.

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 3.7. 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 2016 and 2015, no impairment of goodwill, which amounted to EUR 368,859 thousand on December 31, 2016 (Dec 31, 2015: EUR 343,829 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, 2016, income tax liabilities were EUR 10,087 thousand (Dec 31, 2015: EUR 9,172 thousand) and deferred tax liabilities were EUR 101,845 thousand (Dec 31, 2015: EUR 104,380 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 3.17.

Pension liabilities amounted to EUR 11,786 thousand on December 31, 2016 (Dec 31, 2015: EUR 11,951 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 2016, expenses amounting to EUR 4,752 thousand (2015: EUR 3,591 thousand) were adjusted within EBITDA (Earnings before interest, taxes, depreciation and amortization).

These 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 entity 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.

In fiscal year 2015, these adjustments within EBITDA are related in the amount of EUR 2,472 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 National Diversified Sales, Inc. (NDS). Furthermore, expenses associated with the integration of the acquired entity in the amount of EUR 578 thousand were adjusted within other operating expenses and in the amount of EUR 541 thousand within employee benefits expense.

Besides the adjustments described, depreciation in the amount of EUR 2,317 thousand (2015: EUR 2,237 thousand) and amortization in the amount of EUR 16,685 thousand (2015: EUR 17,257 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. → Note 19 'Goodwill and Other 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.

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

PROFIT AND LOSS NET OF ADJUSTMENTS

T 050

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

in EUR thousands	Notes	2015 unadjusted			Integration costs	Step-up effects from purchase price allocations	Total adjustments	2015 adjusted
Revenue	(8)	889,613					0	889,613
Changes in inventories of finished goods and work in progress		3,622					0	3,622
Other own work capitalized		2,748					0	2,748
Raw materials and consumables used	(9)	–365,373				2,472	2,472	–362,901
Gross profit		530,610			0	2,472	2,472	533,082
Other operating income and expenses	(10, 11)	–122,106			578		578	–121,528
Employee benefits expense	(12)	–234,616			541		541	–234,075
EBITDA		173,888			1,119	2,472	3,591	177,479
Depreciation		–23,420				2,237	2,237	–21,183
EBITA		150,468			1,119	4,709	5,828	156,296
Amortization		–25,674				17,257	17,257	–8,417
Operating profit (EBIT)		124,794			1,119	21,966	23,085	147,879
Financial costs – net	(13)	–17,209					0	–17,209
Profit before income tax		107,585			1,119	21,966	23,085	130,670
Income taxes		–33,738			–397	–7,813	–8,210	–41,948
Profit for the period		73,847			722	14,153	14,875	88,722
Non-controlling interests		167					0	167
Profit attributable to shareholders of the parent		73,680			722	14,153	14,875	88,555
Earnings per share (in EUR)		2.31						2.78

Notes to the Consolidated Statement of Comprehensive Income

8. REVENUE

Revenue recognized during the period related to the following:

REVENUE BY CATEGORY T 051

in EUR thousands	2016	2015
Engineered Joining Technology (EJT)	535,857	540,336
Distribution Services (DS)	354,542	344,108
Other revenue	4,488	5,169
	894,887	889,613

Revenue for 2016 (EUR 894,887 thousand) was 0.6% above revenue for 2015 (EUR 889,613 thousand). The increase in revenue results from organic growth and from the inclusion of the Autoline business. Negative currency effects have an opposite effect. The Autoline business, which was acquired in the fourth quarter of 2016, contributed EUR 3,479 thousand to revenue. Revenues from the Autoline business are fully allocated to Engineered Joining Technology.

In 2016, EUR 599 thousand in revenues from construction contracts are included (2015: EUR 1,298 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:

RAW MATERIALS AND CONSUMABLES USED T 052

in EUR thousands	2016	2015
Cost of raw materials, consumables and supplies	–326,133	–333,548
Cost of purchased services	–27,394	–31,825
	–353,527	–365,373

The raw materials and consumables used lead to a ratio of 39.5% (2015: 41.1%). Also in relation to the total value, raw materials and consumables used are, with a ratio of 39.3%, below last year's level (2015: 40.8%).

The Autoline business, which was acquired in the fourth quarter of 2016, contributed EUR 3,208 thousand to the material costs.

10. OTHER OPERATING INCOME

Other operating income comprised the following:

OTHER OPERATING INCOME T 053

in EUR thousands	2016	2015
Currency gains operational	6,703	6,741
Reversal of provisions	1,245	1,169
Reversal of accruals	3,801	1,525
Grants related to employee benefits expense	85	177
Reimbursement of vehicle costs	802	624
Other income from disposal of fixed assets	82	50
Foreign exchange derivatives	386	99
Government grants	450	449
Refund other taxes	389	0
Others	1,267	574
	15,210	11,408

11. OTHER OPERATING EXPENSES

Other operating expenses comprised the following:

OTHER OPERATING EXPENSES T 054

in EUR thousands	2016	2015
Consulting and marketing	–19,004	–16,232
Expenses for temporary workforce and other personnel-related costs	–25,917	–24,602
Freights	–22,288	–22,431
IT and telecommunication	–12,228	–11,499
Rentals and other building costs	–10,851	–10,159
Travel and entertaining	–9,841	–9,566
Currency losses operational	–6,648	–6,955
Research & development	–4,883	–2,567
Vehicle costs	–4,054	–3,875
Maintenance	–2,903	–3,928
Commission payable	–6,111	–6,307
Non-income-related taxes	–4,043	–2,382
Insurances	–2,589	–2,527
Other administrative expenses	–4,626	–4,896
Others	–5,460	–5,588
	–141,446	–133,514

Other operating expenses for 2016 (EUR 141,446 thousand) were 5.9% higher than other operating expenses for 2015 (EUR 133,514 thousand). In relation to the total value, other operating expenses increased disproportionately higher with a ratio of 15.7% (2015: 14.9%). The increase in comparison to the prior year is partly due to the costs in the amount of EUR 3,726 thousand incurred in connection with the Autoline business acquired in the fourth quarter of 2016. → Notes 7 'Adjustments.'

The Autoline business acquired in 2016 contributed EUR 2,115 thousand to other operating expenses.

12. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense comprised the following:

EMPLOYEE BENEFITS EXPENSE T 055

in EUR thousands	2016	2015
Wages and salaries and other termination benefits	**–200,304**	–193,174
Social security costs	**–31,139**	–29,456
Pension costs – defined contribution plans	**–11,873**	–11,645
Pension costs – defined benefit plans	**–745**	–341
	–244,061	**–234,616**

In 2016, employee benefits expense amounted to EUR 244,061 thousand compared to EUR 234,616 thousand in 2015. The increase of 4.0% is mainly due to an increase in the average headcount in 2016 compared to 2015. Currency effects had a positive effect on employee benefits expense. In relation to the total value, employee benefits expense increased disproportionately higher with a ratio of 27.2% (2015: 26.2%).

Average headcount was 5,266 in 2016 (2015: 5,006).

The Autoline business acquired in 2016 contributed EUR 748 thousand to employee benefits expenses.

13. FINANCIAL INCOME AND COSTS

Financial income and costs comprised the following:

FINANCIAL INCOME AND COSTS T 056

in EUR thousands	2016	2015
Financial costs		
Interest expenses		
Bank borrowings incl. hedging instruments	**–12,831**	–15,144
Finance lease	**–21**	–25
Expenses for interest accrued on provisions	**–59**	–22
Expenses for interest accrued on pensions	**–162**	–165
Foreign exchange result on financing activities	**1,617**	11,683
Losses on valuation of derivatives	**–2,436**	–12,998
Other financial cost	**–980**	–1,038
	–14,872	**–17,709**
Financial income		
Interest income on short-term bank deposits	**221**	84
Gains on valuation of derivatives	**0**	389
Other financial income	**6**	27
	227	**500**
Net financial cost	**–14,645**	**–17,209**

The interest expenses from bank borrowings, including hedging instruments, include in 2016 EUR 11,203 thousand from borrowings (2015: EUR 11,944 thousand) and EUR 1,628 thousand are related to interest expenses from hedging derivatives (2015: EUR 3,200 thousand).

Due to a largely stable US dollar spot rate compared to the prior year, the foreign exchange result on financing activities shows in fiscal year 2016 income in the amount of EUR 1,617 thousand compared to EUR 11,683 thousand in fiscal year 2015.

Losses from the valuation of derivatives amount to EUR 2,436 thousand and decreased by EUR 10,562 thousand compared to fiscal year 2015 (EUR 12,998 thousand).

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. The value of transaction costs recognized in the balance sheet and amortized over the maturities of the bank borrowings amounted to EUR 1,467 thousand (2015: EUR 1,293 thousand).

14. NET FOREIGN EXCHANGE GAINS / LOSSES

The exchange differences recognized in profit or loss are as follows:

NET FOREIGN EXCHANGE GAINS / LOSSES T 057

in EUR thousands	Note	2016	2015
Currency gains operational	(10)	**6,703**	6,741
Currency losses operational	(11)	**–6,648**	–6,955
Foreign exchange result on financing activities	(13)	**1,617**	11,683
Result from foreign exchange rate derivatives	(13, 22)	**–2,301**	–13,008
		–629	**–1,539**

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 2016, as in the previous year, the average weighted number of shares was 31,862,400.

The MSP tranche from 2011 was settled in cash in June 2015. Due to this payment, the classification of the outstanding tranches changes from equity settlement to cash settlement. For this reason, no dilutive stock options resulted from the remaining MSP tranches as of December 31, 2016, and 2015, and therefore also no dilutive effects on earnings per share.

Earnings per share in 2016 and 2015 were as follows:

EARNINGS PER SHARE T 058

	Q4 2016	Q4 2015	2016	2015
Profit attributable to shareholders of the parent (in EUR thousands)	15,449	18,510	75,747	73,680
Number of weighted shares	31,862,400	31,862,400	31,862,400	31,862,400
Earnings per share (un)diluted (in EUR)	**0.48**	**0.58**	**2.38**	**2.31**

16. INCOME TAXES

The breakdown of income taxes is as follows:

INCOME TAXES T 059

in EUR thousands	2016	2015
Current tax expenses	–34,635	–41,482
Deferred tax income	5,145	7,744
Total income taxes	**–29,490**	**–33,738**

The combined income tax rate for the German companies for 2016 amounted to 30.1% (2015: 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 2016 as follows:

TAX RECONCILIATION T 060

in EUR thousands	2016	2015
Profit before tax	**105,356**	**107,585**
Group tax rate	30.1%	30.1%
Expected income taxes	**–31,712**	**–32,383**
Tax effects of:		
Tax losses and tax credits from the actual year for which no deferred income tax is recognized	–758	–1,333
Effects from deviation of Group tax rate resulting mainly from different foreign tax rates	1,110	–516
Non-deductible expenses for tax purposes	–799	–830
Tax expenses recognized in equity	0	1,336
Utilization of tax losses and tax credits from prior year for which no deferred income tax asset was recognized	0	1,164
Other tax-free income	149	276
Tax effect of changes in tax rates regarding deferred taxes	503	–268
Income taxes related to prior years	1,430	–676
Other	587	–508
Income taxes	**–29,490**	**–33,738**

The positive effect within the position ‘Effects from deviation of Group tax rate resulting mainly from different foreign tax rates’ results from the shift in the amounts contributing to earnings from the Americas region to the EMEA region. The tax rate of some countries within the EMEA region is lower than the Group tax rate whereas the tax rate of the Americas region is higher than the Group tax rate. This leads to positive effects regarding the income tax expenses. Furthermore, the average tax rate of the Americas region decreased.

In 2015, the item ‘Tax expenses recognized in equity’ relates to the switch over of the MSP for the Management Board of NORMA Group and the corresponding recognition of the pro rata fair value of the options in equity → Note 28 ‘Share-based Payments.’

The item 'Income taxes related to prior years' consists regarding 2015 of the capitalization of provisions for tax risk related to prior years. In 2016 provisions for tax risk regarding future tax audits were recognized in this item. The income tax expenses regarding the capitalization of these provisions were overcompensated for by tax credits concerning the Americas region.

The item 'Other' consists in 2016 and 2015 mainly of other income-based taxes (e. g., withholding tax) and the income-relevant tax-related recognition of valuation units due to a new tax assessment of the facts.

The income tax charged / credited directly to other comprehensive income during the year is as follows:

INCOME TAX CHARGED / CREDITED TO OTHER COMPREHENSIVE INCOME T 061

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**

2015

in EUR thousands	Before tax amount	Tax charge / credit	Net-of-tax amount
Cash flow hedges gains / losses	895	–313	582
Remeasurements of post employment benefit obligations	–491	90	– 401
Other comprehensive income	**404**	**–223**	**181**

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 resulting receivable arising from corporation and trade taxes is included in income tax assets and amounted to EUR 459 thousand on December 31, 2016 (Dec 31, 2015: EUR 901 thousand).

18. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities due to maturity is as follows:

DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES T 062

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	**1,663**	1,383
Deferred tax assets to be recovered within 12 months	**5,900**	6,722
Deferred tax assets	**7,563**	**8,105**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	**101,709**	104,276
Deferred tax liabilities to be recovered within 12 months	**136**	104
Deferred tax liabilities	**101,845**	**104,380**
Deferred tax liabilities (net)	**94,282**	**96,275**

The movement in deferred income tax assets and liabilities during the year is as follows:

MOVEMENT IN DEFERRED TAX ASSETS AND LIABILITIES T 063

in EUR thousands	2016	2015
Deferred tax liabilities (net) – as of January 1	**96,275**	**93,510**
Deferred tax income	**–5,145**	–7,744
Tax charged to other comprehensive income	**1,016**	223
Foreign exchange rate differences	**2,686**	10,286
Acquisition of subsidiaries	**–550**	0
Deferred tax liabilities (net) – as of December 31	**94,282**	**96,275**

The analysis of deferred income tax assets and deferred income tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

DEFERRED INCOME TAX ASSETS T 064

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Intangible assets	4,577	4,168
Property, plant and equipment	214	430
Other assets	293	1,810
Inventories	2,590	2,733
Trade receivables	909	941
Retirement benefit obligations/ pension liabilities	1,474	1,694
Provisions	1,059	1,326
Borrowings	5,481	3,551
Other liabilities, incl. derivatives	3,131	3,729
Trade and other payables	508	329
Tax loss carry forward and tax credits	3,361	3,514
Deferred tax assets (before valuation allowances)	**23,597**	**24,225**
Valuation allowance	–157	–2,017
Deferred tax assets (before offsetting)	**23,440**	**22,208**
Offsetting effects	–15,877	–14,103
Deferred tax assets	**7,563**	**8,105**

DEFERRED INCOME TAX LIABILITIES T 065

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Intangible assets	92,293	95,855
Property, plant and equipment	15,919	15,800
Other assets	6,717	4,070
Inventories	110	177
Trade receivables	207	532
Borrowings	70	577
Provisions	67	161
Other liabilities, incl. derivatives	387	111
Trade and other payables	446	0
Untaxed reserves	1,506	1,200
Deferred tax liabilities (before offsetting)	**117,722**	**118,483**
Offsetting effects	–15,877	–14,103
Deferred tax liabilities	**101,845**	**104,380**
Deferred tax liabilities (net)	**94,282**	**96,275**

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, 2016, 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 2016 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 would be utilized in the foreseeable future.

The Group did recognize the following tax losses:

EXPIRY OF RECOGNIZED TAX LOSSES T 066

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Up to 1 year	140	0
> 1 year up to 5 years	33	326
> 5 years	3,177	3,157
Unlimited carry forward	3,537	2,813
Total	**6,887**	**6,296**

The Group did not recognize deferred income tax assets in respect of loss carry forwards amounting to EUR 12,503 thousand on December 31, 2016 (Dec 31, 2015: EUR 11,031 thousand).

The expiration of loss carry forwards not recognized for tax purposes is as follows:

EXPIRY OF NOT RECOGNIZED TAX LOSSES T 067

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Up to 1 year	0	270
> 1 year up to 5 years	2,013	932
> 5 years	1,001	3,781
Unlimited carry forward	9,489	6,048
Total	**12,503**	**11,031**

Regarding taxable temporary differences amounting to EUR 265,156 thousand on December 31, 2016 (Dec 31, 2015: EUR 218,660 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.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

The acquisition costs as well as accumulated amortization and impairment of intangible assets consist of the following:

DEVELOPMENT GOODWILL AND OTHER INTANGIBLE ASSETS T 068

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	26,735	2,513	–73	3,585	0	375	**33,135**
Trademarks	54,837	0	0	0	1,410	1,766	**58,013**
Patents & 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	15,295	3,350	–156	–3,585	0	–118	**14,786**
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	16,351	5,372	–73	64	0	224	**21,938**
Trademarks	9,251	1,245	0	0	0	341	**10,837**
Patents & 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	11,184	887	0	–64	0	–118	**11,889**
Total	**142,946**	**30,415**	**–905**	**0**	**0**	**3,486**	**175,942**

in EUR thousands	As of Jan 1, 2015	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	As of Dec 31, 2015
Acquisition costs							
Goodwill	357,441	0	0	0	–256	22,391	**379,576**
Customer lists	206,967	3	0	0	0	21,951	**228,921**
Licenses, rights	2,059	1	–39	38	0	32	**2,091**
Software acquired externally	23,496	2,611	–20	129	0	519	**26,735**
Trademarks	49,249	0	0	0	0	5,588	**54,837**
Patents & technology	36,322	716	0	0	0	3,366	**40,404**
Internally generated intangible assets	8,017	2,213	0	105	0	–410	**9,925**
Intangible assets, other	12,482	2,858	–61	–272	0	288	**15,295**
Total	**696,033**	**8,402**	**–120**	**0**	**–256**	**53,725**	**757,784**
Amortization and Impairment							
Goodwill	32,945	0	0	0	0	2,802	**35,747**
Customer lists	22,749	13,398	0	0	0	2,025	**38,172**
Licenses, rights	1,072	371	–39	–35	0	5	**1,374**
Software acquired externally	11,859	4,279	–20	0	0	233	**16,351**
Trademarks	7,221	1,229	0	0	0	801	**9,251**
Patents & technology	21,519	3,466	–1	0	0	2,217	**27,201**
Internally generated intangible assets	1,827	1,747	0	35	0	57	**3,666**
Intangible assets, other	9,885	1,184	–52	0	0	167	**11,184**
Total	**109,077**	**25,674**	**–112**	**0**	**0**	**8,307**	**142,946**

GOODWILL AND OTHER INTANGIBLE ASSETS – CARRYING AMOUNTS T 069

in EUR thousands	Carrying amounts Dec 31, 2016	Dec 31, 2015
Goodwill	368,859	343,829
Customer lists	204,358	190,749
Licenses, rights	446	717
Software acquired externally	11,197	10,384
Trademarks	47,176	45,586
Patents & technology	22,384	13,203
Internally generated intangible assets	6,969	6,259
Intangible assets, other	2,897	4,111
Total	**664,286**	**614,838**

The item 'Patents & technology' on December 31, 2016, consists of patents worth EUR 12,245 thousand (Dec 31, 2015: EUR 1,903 thousand) and technology worth EUR 10,139 thousand (Dec 31, 2015: EUR 11,300 thousand).

Internally generated intangible assets mainly include technologies as well as internally generated software in the amount of EUR 283 thousand.

The item 'Intangible assets, other' consists mainly of prepayments.

The change in goodwill, customer lists and patents & technology results from positive foreign exchange differences, mainly from the US dollar area and from the acquisition of the Autoline business → Note 40 'Business Combinations.'

The change in goodwill is summarized as follows:

CHANGE IN GOODWILL T 070

in EUR thousands	
Balance as of December 31, 2015	**343,829**
Changes in consolidation	18,922
Autoline France	16,991
Autoline China	499
Autoline Mexico	1,432
Currency effect	6,108
Balance as of December 31, 2016	**368,859**

Besides the goodwill, there are intangible assets within trademarks with an indefinite useful life in the amount of EUR 30,263 thousand (2015: EUR 29,301 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 3.7 'Summary of Significant Accounting Policies: Impairment of Non-Financial Assets.'

On December 31, 2016, and 2015, the intangible assets are unsecured.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to geographical areas. A summary of the goodwill allocation is presented below.

GOODWILL ALLOCATION PER SEGMENT T 071

in EUR thousands	Dec 31, 2016	Dec 31, 2015
CGU EMEA	172,087	155,035
CGU Americas	190,756	183,294
CGU Asia-Pacific	6,016	5,500
	368,859	**343,829**

Goodwill for the CGU EMEA increased in 2016 due to the acquisition of the Autoline business in France amounting to EUR 16,991 thousand and due to currency effects. Goodwill for the CGU Americas increased in 2016 due to currency effects and due to the acquisition of the Autoline business in Mexico amounting to EUR 1,432 thousand. Goodwill for the CGU Asia-Pacific was increased by currency effects and by the acquisition of the Autoline business in China amounting to EUR 499 thousand.

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 3.3 '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 9.86% (2015: 10.38%) for the CGU EMEA, 10.30% (2015: 10.79%) for the CGU Americas and 10.01% (2015: 10.49%) for the CGU Asia-Pacific.

The key assumptions used for fair-value-less-costs-to-sell calculations are as follows:

GOODWILL PER SEGMENT – KEY ASSUMPTIONS T 072

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%
December 31, 2015	CGU EMEA	CGU Americas	CGU Asia-Pacific
Terminal value growth rate	1.50%	1.50%	1.50%
Discount rate	8.11%	7.25%	8.32%
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 wherein 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.

Impairment losses – acquired customer lists

An impairment test on customer lists was conducted in the second half of the year after observing a significant decrease in the related forecasted sales revenue. The reason for this reduction was attributed to the loss of several main customers (triggering event) which the management considered to be an indicator of potential impairment resulting in a downward revision of the projected cash flows. A new estimate of expected cash flow attributed to the customer list was prepared which resulted in the recoverable amount being lower than the carrying amount. Consequently, an impairment charge amounting to EUR 3.9 million was recognized within the amortization, reducing the carrying amount to the recoverable amount.

The fair value of the customer lists was determined using the residual value method based on level 3 inputs. The residual value method estimates the fair value by determining the present value of the future economic returns expected from the customers over their useful lives. The earnings were taken from the mid-term planning (own data) as there was no other available information that indicated that market participants would use different assumptions / data.

Key assumptions used in determining the fair value of the customer lists are:

ASSUMPTIONS IMPAIRMENT T 073

Proportion of total revenue driven from acquired customers	This figure was determined after an analysis of the current circumstances while taking into account historical and forecasted data.	98%
Pre-tax risk adjusted discount rate	The WACC was calculated specifically for the subsidiary by considering its specific business risk and financial risk.	6.98%
Tax rate	The last available standalone marginal corporate tax rate of the subsidiary was used (FY 2016).	21.2%
EBITDA margin	The EBITDA margin has been set in line with the expectations of the management of the subsidiary after an analysis of the market conditions.	10%
Attrition factor	Since the useful life of the asset is 8 years, the factor is expected to reduce every year by 12.5%.	12.5%

Besides the afore mentioned impairment, no material impairments for intangible assets or write ups were recognized in 2016 and 2015.

20. PROPERTY, PLANT AND EQUIPMENT

The acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consist of the following:

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

T 074

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 & 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 & 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**

in EUR thousands	As of Jan 1, 2015	Additions	Deductions	Transfers	Changes in consolidation	Currency effects	**As of Dec 31, 2015**
Acquisition costs							
Land and buildings	100,925	1,663	–163	889	0	1,819	**105,133**
Machinery & tools	224,425	13,993	–5,998	6,136	0	6,741	**245,297**
Other equipment	52,875	3,665	–2,773	610	0	523	**54,900**
Assets under construction	14,816	14,443	–101	–7,635	0	534	**22,057**
Total	**393,041**	**33,764**	**–9,035**	**0**	**0**	**9,617**	**427,387**
Depreciation and Impairment							
Land and buildings	43,016	2,843	–271	–98	0	385	**45,875**
Machinery & tools	155,801	16,481	–5,779	215	0	3,261	**169,979**
Other equipment	39,535	4,082	–2,534	98	0	399	**41,580**
Assets under construction	199	14	0	–215	0	16	**14**
Total	**238,551**	**23,420**	**–8,584**	**0**	**0**	**4,061**	**257,448**

PROPERTY, PLANT AND EQUIPMENT – CARRYING AMOUNTS

T 075

in EUR thousands	**Dec 31, 2016**	Dec 31, 2015
Land and buildings	**60,899**	59,258
Machinery & tools	**94,243**	75,318
Other equipment	**15,807**	13,320
Assets under construction	**30,228**	22,043
Total	**201,177**	**169,939**

On December 31, 2016, the item ‘Machinery & tools’ includes tools valued at EUR 26,222 thousand (Dec 31, 2015: EUR 17,820 thousand).

No material impairment and no material write-ups were recognized on property, plant and equipment in 2016 and 2015.

On December 31, 2016, and 2015, property, plant and equipment, except for finance lease assets, are unsecured.

Land and buildings includes the following amounts where the Group is a lessee under a finance lease:

FINANCE LEASES – LAND AND BUILDINGS T 076

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Cost – capitalized finance leases	885	630
Accumulated depreciation	–49	–25
Net carrying amount	**836**	**605**

Machinery includes the following amounts where the Group is a lessee under a finance lease:

FINANCE LEASES – MACHINERY T 077

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Cost – capitalized finance leases	46	265
Accumulated depreciation	–29	–179
Net carrying amount	**17**	**86**

Other equipment includes the following amounts where the Group is a lessee under a finance lease:

FINANCE LEASES – OTHER EQUIPMENT T 078

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Cost – capitalized finance leases	74	70
Accumulated depreciation	–53	–21
Net carrying amount	**21**	**49**

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:

FINANCIAL INSTRUMENTS – CLASSES AND CATEGORIES T 079

			Measurement basis IAS 39				
in EUR thousands	Category IAS 39	Carrying amount Dec 31, 2016	Amortized Cost	Fair value through profit or loss	Derivatives used for hedging	Measure-ment 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

in EUR thousands	Category IAS 39	Carrying amount Dec 31, 2015	Measurement basis IAS 39 Amortized Cost	Fair value through profit or loss	Derivatives used for hedging	Measure-ment basis IAS 17	Fair value Dec 31, 2015
Financial assets							
Derivative financial instruments – held for trading							
Foreign exchange derivatives	FAHfT	**62**		62			**62**
Derivative financial instruments – hedge accounting							
Foreign exchange derivatives – cash flow hedges	n/a	**43**			43		**43**
Foreign exchange derivatives – fair value hedges	n/a	**143**			143		**143**
Trade and other receivables	LaR	**122,865**	122,865				**122,865**
Other financial assets	LaR	**3,856**	3,856				**3,856**
Cash and cash equivalents	LaR	**99,951**	99,951				**99,951**
Financial liabilities							
Borrowings	FLAC	**450,767**	450,767				**461,867**
Derivative financial instruments – held for trading							
Foreign exchange derivatives	FLHfT	**74**		74			**74**
Derivative financial instruments – hedge accounting							
Interest rate swaps – cash flow hedges	n/a	**2,510**			2,510		**2,510**
Foreign exchange derivatives – cash flow hedges	n/a	**41**			41		**41**
Foreign exchange derivatives – fair value hedges	n/a	**761**			761		**761**
Trade and other payables	FLAC	**100,877**	100,877				**100,877**
Other financial liabilities							
Contingent considerations	n/a	**3,472**		3,472			**3,472**
Other liabilities	FLAC	**2,939**	2,939				**2,939**
Finance lease liabilities	n/a	**289**				289	**292**
Totals per category							
Financial assets held for trading (FAHfT)		**62**		62			**62**
Loans and receivables (LaR)		**226,672**	226,672				**226,672**
Financial liabilities held for trading (FLHfT)		**74**		74			**74**
Financial liabilities at amortized cost (FLAC)		**554,583**	554,583				**565,683**

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). Interests accrued on the reporting date are included.

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

Trade and other payables and other financial liabilities have short times to maturity; therefore the carrying amounts reported approximate the fair values.

On December 31, 2015, contingent considerations measured at fair value in the amount of EUR 3,472 thousand resulting from the acquisition of the business activities of Five Star Clamps, Inc. in the second quarter of 2014 are included in the position other financial liabilities. Furthermore, this position includes liabilities from the acquisition of NDS in the fourth quarter of 2014 in the amount of EUR 1,622 thousand. Both liabilities are fully paid as of December 31, 2016.

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 held for trading and those 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, 2016, as well as December 31, 2015:

FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

T 080

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.

in EUR thousands	Level 1[1]	Level 2[2]	Level 3[3]	Total as of Dec 31, 2015
Recurring fair value measurements				
Assets				
Foreign exchange derivatives – held for trading		62		**62**
Foreign exchange derivatives – cash flow hedges		43		**43**
Foreign exchange derivatives – fair value hedges		143		**143**
Total	**0**	**248**	**0**	**248**
Liabilities				
Interest rate swaps – cash flow hedges		2,510		**2,510**
Foreign exchange derivatives – held for trading		74		**74**
Foreign exchange derivatives – cash flow hedges		41		**41**
Foreign exchange derivatives – fair value hedges		761		**761**
Other financial liabilities			3,472	**3,472**
Total	**0**	**3,386**	**3,472**	**6,858**

[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 2016 and 2015.

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.

The contingent consideration related to the acquisition of the business activities of Five Star Clamps, Inc. existing on December 31, 2015, in the amount of EUR 3,472 thousand was settled with a payment of EUR 3,320 thousand in the second quarter of 2016. The payment was equal to the outstanding fair value of the liability in euros calculated on June 30, 2016.

The development of the financial assets that are recognized at fair value and assigned to level 3 of the fair value hierarchy is stated below:

FINANCIAL INSTRUMENTS – CHANGES IN LEVEL 3 INSTRUMENTS — T 081

in EUR thousands	Contingent consideration in business combinations	Total
Balance as of January 1, 2016	**3,472**	**3,472**
Gains and losses recognized in profit (–) or loss (+)	0	0
Payments	–3,320	–3,320
Currency effects	–152	–152
Balance as of December 31, 2016	**0**	**0**
Total gains or losses for the period included in profit (–) or loss (+), under 'Financial result'	0	0

In 2016, currency effects on this liability amounting to EUR 152 thousand (2015: EUR -334 thousand) were recognized in other comprehensive income.

In accordance with IFRS 7.20 (a), net gains and losses from financial instruments by measurement category are as follows:

FINANCIAL INSTRUMENTS – NET GAINS AND LOSSES — T 082

in EUR thousands	2016	2015
Loans and receivables (LaR)	**–345**	–2,023
Financial instruments held for trading (FAHfT and FLHfT)	**–1,538**	–1,799
Financial liabilities at cost (FLAC)	**–11,454**	–11,959
	–13,337	**–15,781**

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:

DERIVATIVE FINANCIAL INSTRUMENTS — T 083

	Dec 31, 2016		Dec 31, 2015	
in EUR thousands	Assets	Liabilities	Assets	Liabilities
Interest rate swaps – cash flow hedges	1,576	2,014		2,510
Foreign exchange derivatives – held for trading			62	74
Foreign exchange derivatives – cash flow hedges	685	115	43	41
Foreign exchange derivatives – fair value hedges	472	52	143	761
Total	**2,733**	**2,181**	**248**	**3,386**
Less non-current portion				
Interest rate swaps – cash flow hedges	1,576	2,014		2,510
Non-current portion	**1,576**	**2,014**	**0**	**2,510**
Current portion	**1,157**	**167**	**248**	**876**

Foreign exchange derivatives

On December 31, 2016, foreign exchange derivatives with a positive market value of EUR 685 thousand and with a negative market value of EUR 115 thousand were classified as cash flow hedges. The notional principal amounts were EUR 21,584 thousand (Dec 31, 2015: EUR 5,957 thousand) and EUR 15,534 thousand (Dec 31, 2015: EUR 3,017 thousand). Furthermore, foreign exchange derivatives with a positive market value of EUR 472 thousand and a negative value of EUR 52 thousand and a notional principal amount of EUR 52,257 thousand (Dec 31, 2015: EUR 24,565 thousand) and EUR 1,212 thousand (Dec 31, 2015: EUR 77,772 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 is used here that analyzes market trends on the basis of quantitative models and implements these findings in a technical security model. All activities must always follow the strict requirements of internal risk management. Foreign exchange derivatives resulting from the described dynamic protection concept are classified as held for trading. No such foreign exchange derivatives were held on December 31, 2016.

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, 2016, interest rate swaps with a positive market value of EUR 1,576 thousand and a negative market value of EUR 2,014 thousand are recognized. The notional principal amount of the interest rate swaps amounts to EUR 95,210 thousand (Dec 31, 2015: EUR 0 thousand) and EUR 99,754 thousand (Dec 31, 2015: EUR 117,430 thousand).

On December 31, 2016, the hedged fixed interest rate was between 1.178% and 2.0025%; 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 2016 and 2015, 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:

CHANGE IN HEDGING RESERVE BEFORE TAX

T 084

in EUR thousands	Foreign exchange derivatives	Interest rate swaps	Cross-currency swaps	Total
Balance as of January 1, 2015	**–109**	**–2,554**	**–716**	**–3,379**
Foreign currency translation effects	–3	0	–67	–70
Reclassification in profit or loss	110	1,544	783	2,437
Net fair value changes	26	–1,498	0	–1,472
Balance as of December 31, 2015	**24**	**–2,508**	**0**	**–2,484**
Foreign currency translation effects	–21	0	0	–21
Reclassification in profit or loss	–45	1,628	0	1,583
Net fair value changes	754	443	0	1,197
Balance as of December 31, 2016	**712**	**–437**	**0**	**275**

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:

GAINS AND LOSSES FAIR-VALUE HEDGES T 085

in EUR thousands	2016	2015
Losses (–)/Gains (+) on hedged items	–69	11,124
Loss (–) on hedging instruments	–892	–11,220
	–961	–96

23. TRADE AND OTHER RECEIVABLES

Trade and other receivables were as follows:

TRADE RECEIVABLES AND OTHER RECEIVABLES T 086

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Trade receivables	123,901	122,781
thereof receivables from POC	1,525	1,460
Other receivables	307	84
	124,208	122,865

On the balance sheet date, trade receivables were as follows:

TRADE RECEIVABLES T 087

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Trade receivables	127,011	126,100
Less: allowances for doubtful accounts	–3,110	–3,319
	123,901	122,781

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:

TRADE RECEIVABLES – MATURITY ANALYSIS T 088

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

As of December 31, 2015 in EUR thousands	Not past due	< 30 days	30–90 days	91–180 days	181 days–1 year	> 1 year	Total
Trade receivables	99,408	12,888	5,959	2,034	1,831	632	122,752
Other receivables	67	1	16	0	0	0	84
	99,475	12,889	5,975	2,034	1,831	632	122,836

On December 31, 2016, and 2015, there was no indication that trade receivables that were not impaired could be irrecoverable.

The amount of receivables that were impaired was as follows:

TRADE RECEIVABLES – IMPAIRMENTS T 089

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Trade receivables impaired and provided for	4,962	3,348
Allowances for doubtful accounts	–3,110	–3,319

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

TRADE AND OTHER RECEIVABLES – CARRYING AMOUNT PER CURRENCY T 090

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Euro	32,280	39,428
US dollar	63,049	59,465
Chinese renminbi	15,947	10,137
British pound	2,712	3,656
Australian dollar	2,949	3,009
Swedish krona	773	918
Swiss franc	622	584
Indien rupee	1,374	1,330
Malaysian ringgit	1,124	1,264
Thai baht	793	493
Russian ruble	307	332
Other currencies	2,278	2,249
	124,208	122,865

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:

TRADE RECEIVABLES – DEVELOPMENT IMPAIRMENTS T 091

in EUR thousands	2016	2015
As of January 1	3,319	1,921
Additions	518	1,359
Amounts used	–610	–202
Reversals	–126	–54
Currency effects	9	295
As of December 31	3,110	3,319

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, 2016, and 2015, the trade and other receivables are unsecured.

Factoring transactions

In the factoring agreement concluded in 2016, with a maximum volume of receivables of EUR 20 million, NORMA Group subsidiaries in Germany and Poland sell trade receivables directly to external purchasers.

As part of this factoring program, receivables of EUR 10.9 million were sold as of December 31, 2016, (Dec 31, 2015: EUR 0 million), of which EUR 1.09 million (Dec 31, 2015: EUR 0 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 credit and 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 74 thousand (Dec 31, 2015: EUR 0 thousand) was recognized as a financial liability and considers the maximum potential loss for NORMA Group resulting from the late payment risk of receivables sold as of the reporting date. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 5 thousand, 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, 2016, domestic NORMA Group entities had sold receivables in an amount of EUR 13.5 million (Dec 31, 2015: EUR 13.9 million) under this asset-backed securities (ABS) program with a maximum volume of EUR 25 million. From the receivables sold, EUR 3.8 million (Dec 31, 2015: EUR 3.6 million) were retained as loss reserves and not paid out. These assets were recognized as other financial assets. The basis for this transaction is the transfer of trade receivables of individual NORMA Group subsidiaries to a special purpose entity with a framework of undisclosed assignment. This special purpose entity (SPE) is not consolidated under IFRS 10 because neither the power over the SPE is attributable to NORMA Group nor does NORMA Group have an essential self-interest and no connection between power and variability of the returns of the special purpose entity exists.

The requirements for a receivables transfer according to 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 245 thousand (Dec 31, 2015: EUR 251 thousand) includes the maximum amount that NORMA Group could conceivably have to pay back under the default guarantee and the expected interest payments until the payment is received for the carrying amount of the receivables transferred. The fair value of the guarantee / interest payments to be assumed has been estimated at EUR 171 thousand (Dec 31, 2015: EUR 1 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:

RECEIVABLES FROM CONSTRUCTION CONTRACTS T 092

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Production costs, including result from construction contracts	2,270	1,460
Payments received on account	–745	0
	1,525	1,460

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, 2016, and 2015:

GROSS AMOUNT CUSTOMER CONTRACTS T 093

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Amounts due from customers for contract work	1,525	1,460
Amounts due to customers for contract work	0	0
	1,525	1,460

24. INVENTORIES

Inventories were as follows:

INVENTORIES T 094

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Raw materials	32,471	31,484
Work in progress	20,997	20,266
Finished goods and goods for resale	86,417	78,152
	139,885	129,902

On December 31, 2016, impairments were made on inventories amounting to EUR 4,224 thousand (Dec 31, 2015: EUR 3,957 thousand).

Inventories include inventories amounting to EUR 6,356 thousand from the Autoline business acquired in 2016. Thereof, EUR 3,867 thousand were measured at fair value less costs to sale as part of the purchase price allocation.

On December 31, 2016, and 2015, 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:

OTHER NON-FINANCIAL ASSETS T 095

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Deferred costs	3,120	3,575
VAT assets	7,948	5,836
Prepayments	3,255	2,635
Reimbursement insurance contracts	0	170
Other assets	1,639	1,729
	15,962	13,945

26. OTHER FINANCIAL ASSETS

Other financial assets were as follows:

OTHER FINANCIAL ASSETS T 096

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Receivables from ABS program	3,830	3,593
Receivables from factoring	1,095	0
Payment claims from acquisitions	407	0
Other assets	353	263
	5,685	3,856

Receivables from the ABS program and from factoring include reserves for the trade receivables sold → Note 23 'Trade and Other Receivables.'

Payment claims from acquisitions include outstanding receivables from a purchase price adjustment in connection with the acquisition of the Autoline business in 2016. → Note 40 'Business Combinations.'

27. EQUITY

Subscribed capital

The subscribed capital of the Company on December 31, 2016, and 2015 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:

DEVELOPMENT RETAINED EARNINGS — T 097

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, 2014	**120,374**	**–2,607**	**–4,640**	**4,681**	**–2,429**	**839**	**116,218**
Profit for the year	73,680						**73,680**
Dividends paid	–23,897						**–23,897**
Effect before taxes		–491					**–491**
Tax effect		90					**90**
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**

A dividend of EUR 28,676 thousand (EUR 0.90 per share) was paid to the shareholders of NORMA Group after the Annual General Meeting in June 2016, which reduced the retained earnings.

Other reserves

Other reserves consisted of the following:

DEVELOPMENT OTHER RESERVES T 098

in EUR thousands	Cash flow hedges	Foreign exchange rate differences on translating foreign operations	**Total**
Balance as of January 1, 2015	**–2,343**	**4,839**	**2,496**
Effect before taxes	895	18,050	**18,945**
Tax effect	–313		**–313**
Balance as of December 31, 2015	**–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**

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 (2016: 85,953; 2015: 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 2016 is 1.5; 2015: 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 2016 fiscal year (2015: 128,929 share options). The holding period is four years (on March 31, 2020, for the 2016 tranche, on March 31, 2019, for the 2015 tranche, on March 31, 2018, for the 2014 tranche, and on March 31, 2017, for the 2013 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 and 2016) respectively of the average (adjusted) EBITDA (tranche 2013) during the holding period. 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 2016 and 2015 fiscal years:

DEVELOPMENT OF THE MSP OPTION RIGHTS

T 099

	Tranche MSP 2012	Tranche MSP 2013	Tranche MSP 2014	Tranche MSP 2015	Tranche MSP 2016
Expected duration until exercise in years	n/a	0.42	1.42	2.42	3.42
Proportional fair value per outstanding “share units” in EUR as of December 31, 2016	n/a	2,363,785.00	548,816.00	383,241.00	207,190.00
Fair value per “share unit” in EUR as of December 31, 2016	n/a	16.43	4.40	4.10	4.11
Exercise price in EUR	15.17	20.71	37.81	43.19	45.72
Balance as of December 31, 2014	**162,679**	**162,679**	**162,679**	**0**	**0**
Tentatively granted “share units”				128,929	
Exercised					
Lapsed	8,438	16,875	25,313		
Balance as of December 31, 2015	**154,241**	**145,804**	**137,366**	**128,929**	**0**
Balance as of December 31, 2015	**154,241**	**145,804**	**137,366**	**128,929**	**0**
Tentatively granted “share units”					128,929
Exercised	154,241				
Lapsed					
Balance as of December 31, 2016	**0**	**145,804**	**137,366**	**128,929**	**128,929**

In fiscal year 2016, expenses in the amount of EUR 396 thousand (2015: EUR 1,762 thousand) resulting from the MSP were recognized in employee benefits expense against a corresponding addition within the provisions. Furthermore, a payment amounting to EUR 2,534 (2015: EUR 2,265 thousand) was made for the exercised options of the 2012 tranche.

The total provision for the MSP amounts to EUR 3,650 thousand as of December 31, 2016 (Dec 31, 2015: EUR 5,640 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 2016 and 2015 fiscal years:

DEVELOPMENT LTI T 100

	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 December 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 December 31, 2015	**31,158**	**22,144**	**38,056**	**0**
Tentatively granted "share units"	–	–	–	31,210
Exercised	–	–	–	–
Lapsed	1,391	3,768	5,061	–
Balance as of December 31, 2016	**29,767**	**18,376**	**32,995**	**31,210**

	1st Tranche LTI 2013	2nd Tranche LTI 2014	3rd Tranche LTI 2015
Expected duration until exercise in years	1.00	2.00	3.00
Fair value per "share unit" in EUR as of December 31, 2015	45.29	48.43	46.60
Share price when granted in EUR	20.68	36.40	36.89
Balance as of December 31, 2014	**31,884**	**23,385**	**0**
Tentatively granted "share units"	–	–	39,726
Exercised	726	–	–
Lapsed	–	1,241	1,670
Balance as of December 31, 2015	**31,158**	**22,144**	**38,056**

In fiscal year 2016, expenses resulting from the LTI in the amount of EUR 1,706 thousand (2015: EUR 1,178 thousand) were recorded under personnel expense and within a corresponding provision. In total, the provision for the LTI amounts to EUR 3,661 thousand as of December 31, 2016 (2015: EUR 1,955 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, in fiscal year 2015, a plan for members of the Management Board was established. 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 are 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 for the retirement assets invested a 100% capital and interest guarantee. 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 1.1 million (2015: EUR 1.2 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 (approximately 155 companies). The portion of NORMA Group to this shortfall is 3.0% (based on information provided for 2015). The expected employer contributions to the pension schemes for the following year 2017 amount to EUR 1,276 thousand.

Reconciliation of defined benefit obligations (DBO) and plan assets

The amounts included in the Group's Consolidated Financial Statements arising from its post-employment defined benefit plans are as follows:

COMPONENTS PENSION LIABILITY T 101

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Present value of obligations	14,805	15,785
Fair value of plan assets	3,019	3,834
Liability in the balance sheet	**11,786**	**11,951**

The reconciliation of the net defined benefit liability (liability in the balance sheet) is as follows:

RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY T 102

in EUR thousands	2016	2015
As of January 1	**11,951**	**12,271**
Current service cost	745	536
Past service cost	0	–195
Administration costs	20	19
Interest expenses	162	165
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	30	–240
Actuarial (gains) losses from changes in demographic assumptions	–155	–181
Actuarial (gains) losses from changes in financial assumptions	275	902
Experience (gains) losses	–1,269	0
Employer contributions	–221	–228
Benefits paid	–638	–628
Settlement payments	0	–591
Business combinations, disposals and other	883	0
Foreign currency translation effects	3	121
As of December 31	**11,786**	**11,951**

A detailed reconciliation for the changes in the DBO is provided in the following table:

RECONCILIATION OF THE CHANGES IN THE DBO T 103

in EUR thousands	2016	2015
As of January 1	**15,785**	**15,130**
Current service cost	745	536
Past service cost	0	–195
Administration costs	20	19
Interest expenses	192	217
Remeasurements:		
Actuarial (gains) losses from changes in demographic assumptions	–155	–181
Actuarial (gains) losses from changes in financial assumptions	275	902
Experience (gains) losses	–1,269	0
Plan participants contribution	1,068	536
Benefits paid	–638	–1,012
Transfers	–2,110	0
Settlement payments	0	–591
Business combinations, disposals and other	883	0
Foreign currency translation effects	9	424
As of December 31	**14,805**	**15,785**

The total defined benefit obligation at the end of fiscal year 2016 includes EUR 7,054 thousand for active employees, EUR 92 thousand for former employees with vested benefits and EUR 7,659 thousand for retirees and surviving dependents.

The transfer in the amount of 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 2016 are 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.

Settlement payments in fiscal year 2015 in the amount of EUR 591 thousand relate to the liquidation of Nordic Metalblok, Italy, in fiscal year 2015.

A detailed reconciliation of the changes in the fair value of plan assets is provided in the following table:

RECONCILIATION OF CHANGES IN THE FAIR VALUE OF PLAN ASSETS T 104

in EUR thousands	2016	2015
As of January 1	**3,834**	**2,859**
Interest income	30	52
Remeasurements:		
Return on plan assets excluding amounts included in net interest expenses	–30	240
Employer contributions	221	228
Plan participants contributions	1,068	536
Benefits paid	0	–384
Transfers	–2,110	0
Foreign currency translation effects	6	303
Fair value of plan assets at end of year	**3,019**	**3,834**

Disaggregation of plan assets

The allocation of the plan assets of the benefit plans is as follows:

DISAGGREGATION OF PLAN ASSETS T 105

in EUR thousands	2016	2015
Asset class		
Insurance contracts	2,948	3,787
Cash deposit	66	41
Equity securities	5	6
Total	**3,019**	**3,834**

Cash deposits and equity securities have quoted prices in active markets. The values for insurance contracts represent the redemption value. No quoted prices in an active market are available for these.

Actuarial assumptions

The principal actuarial assumptions are as follows:

ACTUARIAL ASSUMPTIONS T 106

in %	2016	2015
Discount rate	1.24	1.40
Inflation rate	1.59	1.62
Future salary increases	2.32	2.30
Future pension increases	1.66	1.61

The biometric assumptions are based on the 2005 G Heubeck life-expectancy tables for the German plan and on the life-expectancy tables of the BVG 2015 G for the Swiss plan. The tables are generation tables and hence differ according to 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 386 thousand lower or EUR 423 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 210 thousand higher or EUR 203 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, 2016, 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, 2016, due to a 10% reduction / increase in mortality rates would result in an increase of EUR 774 thousand or a decrease of EUR 767 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 2017 are EUR 199 thousand (2015: EUR 274 thousand).

Expected payments from post-employment benefit plans are as follows:

EXPECTED PAYMENTS FROM POST-EMPLOYMENT BENEFIT PLANS T 107

in EUR thousands	2016
Expected benefit payments	
2017	731
2018	715
2019	702
2020	916
2021	677
2022–2026	3,152

in EUR thousands	2015
Expected benefit payments	
2016	819
2017	802
2018	787
2019	771
2020	753
2021–2025	3,702

The weighted average duration of the defined benefit obligation is 11.3 years (2015: 11.8 years).

30. PROVISIONS

The development of provisions is as follows:

DEVELOPMENT OF PROVISIONS T 108

in EUR thousands	As of Jan 1, 2016	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consoli-dation	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**

in EUR thousands	As of Jan 1, 2015	Additions	Amounts used	Unused amounts reversed	Interest accrued	Changes in consoli-dation	Transfers	Foreign currency translation	**As of Dec 31, 2015**
Guarantees	1,391	340	–147	–380	0	0	0	22	**1,226**
Severance	1,004	618	–723	0	0	0	0	0	**899**
Early retirement	3,321	1,986	–1,919	0	22	0	0	0	**3,410**
Other personnel-related obligations	4,206	10,693	–3,447	–5	0	0	–7	41	**11,481**
Outstanding credit notes	1,285	842	–434	–627	0	0	0	6	**1,072**
Outstanding invoices	1,049	773	–1,049	–24	0	0	0	49	**798**
Others	2,093	1,261	–1,274	–133	0	0	0	–19	**1,928**
Total provisions	**14,349**	**16,513**	**–8,993**	**–1,169**	**22**	**0**	**–7**	**99**	**20,814**

PROVISIONS – SPLIT CURRENT / NON-CURRENT T 109

	December 31, 2016			December 31, 2015		
in EUR thousands	**Total**	**thereof current**	**thereof non-current**	Total	thereof current	thereof non-current
Guarantees	**1,207**	**1,010**	**197**	1,226	940	286
Severance	**622**	**622**	**0**	899	899	0
Early retirement	**3,339**	**0**	**3,339**	3,410	0	3,410
Other personnel-related obligations	**11,999**	**6,127**	**5,872**	11,481	4,588	6,893
Outstanding credit notes	**0**	**0**	**0**	1,072	1,072	0
Outstanding invoices	**780**	**780**	**0**	798	798	0
Others	**1,210**	**950**	**260**	1,928	1,675	253
Total provisions	**19,157**	**9,489**	**9,668**	**20,814**	**9,972**	**10,842**

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 0.2% p.a. (2015: 0.61% 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 the current provisions.

Other personnel-related provisions

Other personnel-related provisions are as follows:

PROVISIONS – OTHER PERSONNEL-RELATED T 110

in EUR thousands	Notes	December 31, 2016 Total	December 31, 2016 thereof current	December 31, 2016 thereof non-current	December 31, 2015 Total	December 31, 2015 thereof current	December 31, 2015 thereof non-current
LTI – Board Members		**1,800**	**796**	**1,004**	1,608	808	800
LTI – Management	(28)	**3,661**	**996**	**2,665**	1,955	0	1,955
STI – Board Members		**880**	**880**	**0**	460	460	0
Matching Stock Program (MSP)	(28)	**3,650**	**2,400**	**1,250**	5,640	2,396	3,244
NORMA VA Bonus		**300**	**300**	**0**	150	150	0
Anniversary provisions		**788**	**0**	**788**	770	0	770
Other personnel-related		**920**	**755**	**165**	898	774	124
		11,999	**6,127**	**5,872**	**11,481**	**4,588**	**6,893**

The Company's Long-Term Incentive (LTI) of 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:

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

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 (s). 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 for the Management and Supervisory Boards.

As of December 31, 2016, provisions for the Matching Stock Program (MSP) for NORMA Group's Management Board amount to EUR 3,650 thousand (2015: EUR 5,640 thousand). In fiscal year 2016, EUR 2,534 thousand were paid for exercised options from the 2012 tranche. → Note 28 'Share-based Payments.'

Anniversary provisions are based on actuarial valuations taking into account assumptions such as a discount rate of 1.39% 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 780 thousand (2015: EUR 798 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 within a year in payments.

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:

BORROWINGS T 111

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Non-current		
Bank borrowings	513,105	443,711
	513,105	**443,711**
Current		
Bank borrowings	42,176	6,994
Other borrowings	0	62
	42,176	**7,056**
Total borrowings	**555,281**	**450,767**

Bank borrowings

As of December 31, 2016, NORMA Group's financing consists in the amount of EUR 19.0 million (2015: EUR 20.0 million) and USD 83.5 million of syndicated bank facilities (value in EUR on December 31, 2016: 79.2 million, 2015: USD 87.9 million or EUR 80.8 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 2016, the repayment of the syndicated bank facilities amounts to EUR 5.1 million (2015: EUR 92.8 million with a contrary issuing in connection with the renegotiation in the amount of EUR 100.0 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 (value in euro on December 31, 2016: EUR 121.9 million, 2015: EUR 118.0 million) with 3, 5, and 7-year terms. In the third quarter of 2016, a third promissory note was issued with euro tranches in the amount of EUR 102.0 million 5, 7 and 10-year terms and US dollar tranches in the amount of USD 52.5 million (value in euro on Dec 31, 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, 2016, is as follows:

MATURITY BANK BORROWINGS 2016 T 112

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**

The maturity of the syndicated bank facilities and the promissory note on December 31, 2015, is as follows:

MATURITY BANK BORROWINGS 2015 T 113

2015 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	5,038	5,038	90,681	0
Promissory note, net	0	33,789	214,168	101,074
Total	**5,038**	**38,827**	**304,849**	**101,074**

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 1,467 thousand as of December 31, 2016 (2015: EUR 1,293 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 liability was decreased from EUR 2,510 thousand on December 31, 2015, to EUR 2,014 thousand on December 31, 2016.

The bank borrowings were unsecured on December 31, 2016, and 2015.

32. OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities are as follows:

OTHER NON-FINANCIAL LIABILITIES T 114

in EUR thousands	**Dec 31, 2016**	Dec 31, 2015
Non-current		
Government grants	**521**	1,316
Other liabilities	**89**	52
	610	**1,368**
Current		
Government grants	**341**	0
Non-income tax liabilities	**2,892**	1,559
Social liabilities	**4,438**	3,547
Personnel-related liabilities (e.g. vacation, bonus, premiums)	**22,421**	21,544
Other liabilities	**398**	890
Deferred income	**722**	1,113
	31,212	**28,653**
Total other non-financial liabilities	**31,822**	**30,021**

NORMA Group received government grants, of which EUR 862 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 2016, EUR 450 thousand were recognized as income (2015: EUR 449 thousand).

33. OTHER FINANCIAL LIABILITIES

Other financial liabilities were as follows:

OTHER FINANCIAL LIABILITIES T 115

in EUR thousands	**Dec 31, 2016**	Dec 31, 2015
Non-current		
Lease liabilities	**133**	150
Other liabilities	**1,107**	531
	1,240	**681**
Current		
Lease liabilities	**138**	139
Outstanding credit notes	**0**	225
Acquisition liability	**0**	5,094
Liabilities from ABS and Factoring	**496**	253
Other liabilities	**485**	308
	1,119	**6,019**
Total other financial liabilities	**2,359**	**6,700**

The future aggregate minimum lease payments under non-cancellable finance leases and their respective present values are as follows:

FUTURE MINIMUM LEASE PAYMENTS NON-CANCELLABLE FINANCE LEASES — T 116

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Gross finance lease liabilities – minimum lease payments		
Up to 1 year	139	147
Later than 1 year and up to 5 years	138	151
Later than 5 years	0	0
	277	**298**
Future finance charges on finance lease	**6**	**9**
Present value of finance lease liabilities		
Up to 1 year	138	139
Later than 1 year and up to 5 years	133	150
Later than 5 years	0	0
	271	**289**

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:

TRADE AND OTHER PAYABLES — T 117

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Trade payables and other payables	96,189	79,768
Reverse factoring liabilities	23,388	21,109
	119,577	**100,877**

All trade and other payables are due to third parties within one year. For information regarding trade and other payables, please refer to → Note 3.14.

35. FINANCIAL LIABILITIES AND NET DEBT

The financial liabilities of NORMA Group have the following maturity:

MATURITY FINANCIAL LIABILITIES — T 118

December 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**

December 31, 2015 in EUR thousands	up to 1 year	> 1 year up to 2 years	> 2 years up to 5 years	> 5 years
Borrowings	7,056	38,276	304,426	101,009
Trade and other payables	100,877			
Finance lease liabilities	139	137	13	
Other financial liabilities	5,880	511	20	
	113,952	**38,924**	**304,459**	**101,009**

Net debt of NORMA Group is as follows:

NET DEBT — T 119

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Bank borrowings, net	555,281	450,705
Derivative financial liabilities – hedge accounting	2,181	3,312
Derivative financial liabilities – held for trading	0	74
Other borrowings	0	62
Finance lease liabilities	271	289
Other financial liabilities	2,088	6,411
Financial debt	**559,821**	**460,853**
Cash and cash equivalents	165,596	99,951
Net debt	**394,225**	**360,902**

NORMA Group's financial debt increased by 21.5% from EUR 460,853 thousand as of December 31, 2015, to EUR 559,821 thousand as of December 31, 2016. The increase within the bank borrowings is due to the placement of a third promissory note (SSD III) in the amount of EUR 149,030 thousand. It was used to finance future acquisitions and was partially used for the repayment of a share of the promissory note, issued in 2013 in the amount of EUR 49,000 thousand to further improve the structure of NORMA Group's debt. The issue volume is divided into four euro tranches and four US dollar tranches. The SSD III is equipped with both fixed interest rates and floating rate tranches. The terms include five, seven and ten years.

The bank borrowings are additionally influenced by the scheduled repayment of the syndicated bank facilities in the amount of EUR 5,065 thousand as well as effects from changes in the exchange rates on the US dollar portion of parts of the syndicated bank facilities and of the promissory notes.

Within the derivatives, the negative market value of the hedging derivatives decreased. The decrease in other financial liabilities is mainly due to the repayment of liabilities resulting from the acquisition of NDS in 2014 as well as the repayment of the contingent consideration resulting from the acquisition of Five Star in 2014 in the total amount of EUR 4,942 thousand.

Compared to December 31, 2015 (EUR 360,902 thousand), net debt increased to EUR 394,225 due to the financing of the acquisition of the Autoline business in the fourth quarter of 2016.

The increase in cash and cash equivalents results from the increase of net cash provided by operating activities which overcompensated for total cash outflows from investing and financing activities.

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 from depreciation and amortization as well as expenses 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 149,198 thousand (2015: EUR 128,159 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 as well as in an ABS program. The payments to the factor and from the ABS program are included in cash flows from operating activities, as this represents the economic substance of the transactions.

In 2016, NORMA Group entered into a factoring agreement in which trade receivables will be sold on a monthly revolving basis. This factoring agreement resulted in positive effects of EUR 9,854 thousand on net cash provided by operating activities in fiscal year 2016.

The total amount of trade receivables sold within the factoring and ABS program, as well as the amount of trade payables which are part of the reverse factoring program can be found in → Note 23 'Trade and Other Receivables' or → Note 34 'Trade and Other Payables.'

Net cash provided by operating activities includes in 2016 cash outflows from the payments of the cash-settled share-based payments of the MSP tranche 2012 (2015: tranche 2011) for the Management Board of NORMA Group in the amount of EUR 2,534 thousand (2015: EUR 2,265 thousand).

The correction of expenses due to measurement of derivatives within a hedge in the amount of EUR 2,435 thousand (2015: EUR 12,610 thousand) relates to fair value gains and losses recognized within the income statement assigned to the cash flows from financing activities.

Other payments classified as investing activities result 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.

Non-cash income (–) / expenses (+) in net cash provided by operating activities in fiscal year 2016 mainly include foreign exchange rate gains and losses on external debt and intragroup monetary items in the amount of EUR –1,616 thousand (2015: EUR –11,683 thousand).

Furthermore, other non-cash income (–) / expenses (+) included non-cash interest expenses from the amortization of accrued costs directly attributable to the refinancing amounting to EUR 421 thousand (2015: EUR 1,570 thousand). In 2015, this includes in addition non-cash expenses from the stock option program amounting to EUR 135 thousand (2016: EUR 0 thousand).

Cash flows resulting from interest paid are disclosed as cash flows from financing activities.

Cash flows from investing activities include transactions relating to the acquisition and disposal of non-current assets in the amount of EUR 46,226 thousand (2015: EUR 44,415 thousand), including the repayment of liabilities from prior year investments in property, plant and equipment and intangible assets amounting to EUR -636 thousand (2015: EUR 2,627 thousand). From the investments in non-current assets of EUR 47,611 thousand (2015: EUR 42,166 thousand), expenditures in the amount of EUR 29,097 thousand (2015: EUR 23,893 thousand) relate to growth and expenditures amounting to EUR 18,514 thousand (2015: EUR 18,273 thousand) to maintenance and continuous improvements.

In 2016, also net payments for acquisitions of subsidiaries in the amount of EUR 87,623 thousand (2015: EUR 52 thousand) are included in the cash flows from investing activities, which result from the payments due to the acquisition of the Autoline business in fiscal year 2016 amounting to EUR 81,031 thousand and the transfer tax amounting to EUR 1,650 thousand paid in connection with this acquisition. Furthermore, payments for the contingent liability resulting from the acquisition of the business of Five Star Clamps, Inc. in the amount of EUR 3,320 thousand and the payment of the outstanding purchase liability from the acquisition of NDS amounting to EUR 1,622 thousand are included in the cash flows from investing activities.

The net payments for acquisitions of subsidiaries in 2016 and 2015 were as follows:

NET PAYMENTS FOR ACQUISITIONS OF SUBSIDIARIES T 120

in EUR thousands	2016	2015
Acquisition liability at the beginning of the period	5,094	4,284
Payment for acquisitions	81,031	0
Payment for transfer taxes	1,650	0
Other changes	–152	862
Less acquisition liability at the end of the period	0	5,094
Net payments for acquisitions of subsidiaries	87,623	**52**

Cash flows from financing activities mainly comprise net proceeds from borrowings in the amount of EUR 94,271 thousand (2015: net proceeds in the amount of EUR 5,627 thousand). The proceeds from borrowings in the amount of EUR 188,434 thousand are a result of the issuance of a new promissory note as of August 1, 2016, in the amount of EUR 148,434 thousand (including transaction costs in the amount of EUR –596 thousand) and of bridge financing in the amount of EUR 40,000 thousand which was settled as of September 30, 2016. The repayment of borrowings in the amount of EUR 94,163 thousand (2015: EUR 94,076 thousand) mainly includes the repayment of a share of the promissory note, issued in 2013 in the amount of EUR 49,000 thousand made in July 2016 as well as the repayment of the bridge financing in the amount of EUR 40,000 thousand made in August 2016. → Note 31 'Borrowings.'

Furthermore, outflows from the scheduled repayment of borrowings in the amount of EUR 5,065 thousand, the payment of the dividend amounting to EUR 28,676 thousand (2015: EUR 23,897 thousand), cash outflows resulting from interest paid (2016: EUR 12,026 thousand, 2015: EUR 13,926 thousand) as well as repayments for derivatives in the amount of EUR 3,485 thousand (2015: repayment of EUR 37,751 thousand) are included.

Additionally, dividend payments to non-controlling interests in the amount of EUR 204 thousand (2015: EUR 205 thousand) and repayments from finance lease liabilities in the amount of EUR 294 thousand (2015: EUR 294 thousand) are disclosed as 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 net cash used in investing activities.

Cash is comprised of cash on hand and demand deposits of EUR 165,470 thousand on December 31, 2016 (Dec 31, 2015: EUR 99,828 thousand), as well as cash equivalents with a value of EUR 125 thousand (Dec 31, 2015: EUR 123 thousand).

Cash from China, India, Russia, Brazil and Malaysia (Dec 31, 2016: EUR 10,668 thousand, Dec 31, 2015: EUR 5,816 thousand) cannot currently be distributed due to restrictions on capital movements.

37. SEGMENT REPORTING

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 statement of comprehensive income.

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

In 2016, acquisition related expenses in connection with the acquisition of the Autoline business in the amount of EUR 4,752 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 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 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, 2016, EUR 24,997 thousand (Dec 31, 2015: EUR 18,562 thousand) in tax assets and EUR 108,499 thousand (Dec 31, 2015: EUR 111,002 thousand) in tax liabilities were shown in the consolidation.

External sales per country, measured according to the place of domicile of the company which manufactures the products, are as follows:

EXTERNAL SALES PER COUNTRY T 121

in EUR thousands	2016	2015
Germany	189,911	193,150
USA, Mexico, Brazil	381,617	395,347
Other countries	323,359	301,116
	894,887	889,613

The non-current assets per country include non-current assets less deferred tax assets, derivative financial instruments, and shares in consolidated related parties and are as follows:

NON-CURRENT ASSETS PER COUNTRY T 122

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Germany	119,414	115,695
USA, Mexico, Brazil	506,566	490,440
Sweden	49,996	50,779
Other countries	204,676	144,269
Consolidation	–14,822	–15,714
	865,830	785,469

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:

COMMITMENTS T 123

in EUR thousands	Dec 31, 2016	Dec 31, 2015
Property, plant and equipment	5,698	3,183
Inventory	1,383	817
Service contracts	90	85
	7,171	4,085

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 2017, soonest termination in 2017,
- 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 and 2016 to 2021, soonest termination in 2021,
- 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 10,101 thousand in 2016 (2015: EUR 9,449 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:

FUTURE MINIMUM LEASE PAYMENTS OF NON-CANCELLABLE OPERATING LEASES T 124

in EUR thousands	Dec 31, 2016	Dec 31, 2015
No later than 1 year	6,936	6,694
Later than 1 year and no later than 5 years	12,163	10,540
Later than 5 years	1,180	1,824
	20,279	19,058

40. BUSINESS COMBINATIONS

On November 30, 2016, NORMA Group acquired the Autoline business (Autoline) from Parker Hannifin.

Autoline produces quick connectors for the connection of fluid lines in motor vehicles and has more than 200 employees at locations in France, Mexico and China. The acquisition of Autoline strengthens NORMA Group's market position with new products in the area of quick connectors and by gaining new customers, including in Asia. Autoline has developed, manufactured and marketed plastic quick connectors for more than 20 years. The products connect, among other things, fuel-line systems, tank ventilation, cooling, brake vacuums and SCR (Selective Catalytic Reduction) in all vehicle types. Autoline's main production site is located in Guichen, France.

The following intangible assets were identified and measured as part of the purchase price allocation. Customer relationships amounting to EUR 26,901 thousand were valued using the 'Multi Period Excess Earnings Method.' Trademarks in the amount of EUR 1,410 thousand were valued using the 'Relief from Royalty Method.' Technology in the amount of EUR 10,606 thousand was valued using the 'Relief from Royalty Method.'

The summarized assets and liabilities below were allocated to the following cash-generating units (CGUs): France to CGU 'EMEA,' Mexico to CGU 'Americas' and China to CGU 'Asia-Pacific' because it is expected that they will benefit from the acquisition respectively.

Goodwill of EUR 18,922 thousand derives from the acquisition, which mainly relates to the strengthening of NORMA Group's market position, the extended product range mainly in the area of quick connectors and expected customer and distribution synergies.

Of the consideration of EUR 80,624 thousand, EUR 81,031 thousand were paid in cash and EUR 407 thousand consist of receivables from the previous owners due to a purchase price adjustment. The consideration is subject to future purchase price adjustments, which result from the final determination of the acquired inventories and other personnel-related liabilities on the acquisition date.

The following table summarizes the consideration paid for the Autoline business and the amounts acquired and liabilities assumed recognized on the acquisition date:

PURCHASE PRICE ALLOCATION AUTOLINE

T 125

in EUR thousands	Total	France	China	Mexico
Consideration on November 30, 2016	**80,624**	**49,655**	**20,610**	**10,359**
Acquisition-related costs (included in other operating expenses in the consolidated financial statement of comprehensive income)	**2,076**	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
Trademarks	**1,410**	1,410	0	0
Customer lists	**26,901**	5,633	15,496	5,772
Patented technology	**10,606**	10,606	0	0
Inventory	**8,520**	2,255	4,647	1,618
Personnel-related liabilities	**–2,200**	–1,829	–348	–23
Deferred tax assets	**550**	550	0	0
Total identifiable net assets	**61,702**	**32,664**	**20,111**	**8,927**
Goodwill	**18,922**	16,991	499	1,432
	80,624	**49,655**	**20,610**	**10,359**

Due to the acquisition of the Autoline business on November 30, 2016, the determination of the fair values of the acquired assets and liabilities on the balance sheet date could not be completed. The consolidation is therefore based on a preliminary purchase price allocation. This concerns in particular the fair value of the acquired identifiable intangible assets in the amount of EUR 38,917 thousand; this position mainly includes customer relationships and patented technology.

Other personnel-related liabilities mainly relate to pension liabilities in France and to outstanding bonus and salary payments as well as to outstanding vacation claims from the periods prior to the acquisition.

The revenue included in the consolidated statement of comprehensive income contributed by the Autoline business was EUR 3,479 thousand since December 1, 2016. NORMA Group acquired individual assets and processes. Therefore, no profit or revenue can be shown for the period from January 1 to November 30, 2016.

41. RELATED-PARTY TRANSACTIONS

Sales and purchases of goods and services

In 2016 and 2015, 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 2016 and 2015.

Compensation of members of the Management Board

Compensation of the members of the Management Board according to IFRS is as follows:

COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD (IFRS)

T 126

in EUR thousands	2016	2015
Short-term benefits	**2,276**	1,969
Other long-term benefits	**1,288**	729
Termination benefits	**199**	96
Share-based payment	**284**	1,763
Total compensation according to IFRS	**4,047**	**4,557**

In fiscal year 2015, in addition to the compensation above, EUR 6,278 thousand were recognized directly in equity as a reduction of the capital reserve against a corresponding provision in the context of the change in classification of the Matching Stock Program (MSP) for the Management Board of NORMA Group → Note 28 'Share-based Payments.'

Provisions for the compensation of the members of the Management Board are as follows:

PROVISIONS FOR COMPENSATION OF THE MANAGEMENT BOARD MEMBERS

T 127

in EUR thousands	Notes	Dec 31, 2016	Dec 31, 2015
LTI – Management Board	(30)	**1,800**	1,608
STI – Management Board	(30)	**880**	460
Matching Stock Program (MSP)	(28)	**3,650**	5,640
NORMA VA Bonus	(30)	**300**	150
Total		**6,630**	**7,858**

Details regarding the individual provisions can be found in the respective notes.

Beside the provisions above, a defined benefit obligation exists for the Management Board. The present value of the obligation amounts to EUR 362 thousand as of December 31, 2016 (Dec 31, 2015: EUR 96 thousand) → Note 29 'Retirement Benefit Obligations.'

Details regarding the compensation of the Management Board can be found on → pages 94 to 98.

42. ADDITIONAL DISCLOSURES PURSUANT TO SECTION 315A (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:

COMPENSATION OF BOARD MEMBERS T 128

in EUR thousands	2016	2015
Total Management Board	3,848	4,557
Total Supervisory Board	460	460
	4,308	5,017

The remuneration of the members of the Management Board was as follows:

COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD (§315A HGB) T 129

in EUR thousands	Werner Deggim	Dr. Michael Schneider	Bernd Kleinhens	John Stephenson	Total	
	2016	2016	2016	2016	2016	2015
Fixed compensation	471	327	306	294	1,398	
Variable compensation	158	0	105	98	361	
Long-term incentives	556	817	369	347	2,089	
Total compensation	1,185	1,144	780	739	3,848	4,557

Besides these expenses, expenses for defined benefit obligation for Dr. Michael Schneider in the amount of EUR 199 thousand (2015: EUR 96 thousand) are also recognized within employee benefits expense. → Note 29 'Retirement Benefit Obligation.'

Fees for the auditor

Fees for the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt / Main were expensed as follows:

FEES FOR THE AUDITOR T 130

in EUR thousands	2016	2015
Audit fees	485	562
Audit-related fees	30	18
Other fees	50	84
	565	664

Headcount

The average headcount breaks down as follows:

AVERAGE HEADCOUNT T 131

Number	2016	2015
Direct labor	2,416	2,319
Indirect labor	1,169	1,123
Salaried	1,681	1,564
	5,266	5,006

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 0.95 be paid as a dividend per bearer of shares, leading to a total dividend payment of EUR 30,269,280.

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.
@ http://investors.normagroup.com

43. EXEMPTIONS UNDER SECTION 264, PARAGRAPH 3 OF THE GERMAN COMMERCIAL CODE (HGB)

In 2016, 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, 2017, 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, 2016.

Appendix to the Notes to the Consolidated Financial Statements

VOTING RIGHTS NOTIFICATIONS

According to section 160 (1) No. 8 AktG, information regarding voting rights that have been notified to the Company pursuant to section 21 (1) or (1a) 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, 2017. 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, 2017, are available on the website of NORMA Group @ http://investors.normagroup.com.

VOTING RIGHTS NOTIFICATIONS T 132

Notifying party	Achievement of voting rights	Share in %	Shares	Pursuant to WpHG
Allianz Global Investors Europe GmbH, Frankfurt am Main, Germany	January 21, 2014	5.02	1,601,001	thereof 0.50% (157,764 voting rights) according to § 22 (1) sent. 1 no. 6 WpHG
Ameriprise Financial Inc., Minneapolis, USA [1]	December 21, 2016	5.57	1,773,418	§ 21, 22 WpHG
Atlantic Value General Partner Limited, London, United Kingdom	November 6, 2015	4.85	1,543,895	§ 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG
Atlantic Value Investment Partnership LP, Wilmington, Delaware, USA	November 6, 2015	4.85	1,543,895	§ 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG
AXA S.A., Paris, France	February 18, 2016	5.02	1,599,240	§ 21, 22 WpHG
BNP Paribas Asset Management SAS, Paris, France	August 9, 2016	2.98	960,377	§ 21, 22 WpHG
BNP Paribas Investment Partners S.A., Paris, France	July 14, 2016	4.91	1,564,752	§ 21, 22 WpHG
Capital Research and Management Company, Los Angeles, CA, USA	March 7, 2014	3.05	973,100	§ 22 (1) sent. 1 no. 6 WpHG
Impax Asset Management Group Plc, London, United Kingdom	February 20, 2017	3.08	982,407	§ 21, 22 WpHG
MIPL Group Limited, London, United Kingdom	November 6, 2015	4.85	1,543,895	§ 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG
MIPL Holdings Limited, London, United Kingdom	November 6, 2015	4.85	1,543,895	§ 22 (1) sent. 1 no. 6 in connection with sent. 2 WpHG
Mondrian Investment Partners Limited, London, United Kingdom	November 6, 2015	4.85	1,543,895	§ 22 (1) sent. 1 no. 6 WpHG
SMALLCAP World Fund, Inc., Los Angeles, CA, USA	October 30, 2014	3.05	970,940	
T. Rowe Price Group, Inc., Baltimore, Maryland, USA	February 24, 2016	3.11	990,078	§ 21, 22 WpHG
The Capital Group Companies, Inc., Los Angeles, CA, USA	March 7, 2014	3.05	973,100	§ 22 (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

Corporate Bodies

MEMBERS OF THE MANAGEMENT BOARD

Werner Deggim
Master's degree in Mechanical Engineering, Chief Executive Officer (CEO)

Dr. Michael Schneider
PhD in Economics, Chief Financial Officer (CFO)

Bernd Kleinhens
Master's degree in Mechanical Engineering, Managing Director Business Development

John Stephenson
Master of Science, Chief Operating Officer (COO)

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 to various companies in the fields of telecommunications, media and finances
- Chairman of the Supervisory Board of Net Insight AB, Stockholm, Sweden
- Member of the Supervisory Board of Greater Than AB, Stockholm, Sweden (since February 5, 2016)
- Member of the Supervisory Board of BioElectric Solutions AB, Stockholm, Sweden

Günter Hauptmann
- Consultant
- Chairman of the Advisory Board of Atesteo GmbH (formerly GIF GmbH), Alsdorf, Germany
- Member of the Supervisory Board of Geka GmbH, Bechhofen, Germany (until August 31, 2016)
- Member of the Advisory Board of Moon TopCo GmbH, formerly mertus 268. GmbH (Schlemmer Group), Poing, Germany (since September 1, 2016)

Knut Michelberger
- Consultant
- Member of the Advisory Board of Rena Technologies GmbH, Gütenbach, Germany
- Member of the Supervisory Board (raad van commissar-issen) of Weener Plastics Group, Ede, Netherlands (since January 1, 2016)
- Member of the Advisory Board of Kaffee Partner Holding GmbH, Osnabrück, Germany (since June 1, 2016)

Dr. Christoph Schug
- Entrepreneur
- Member of the Advisory Board of Bomedus GmbH, Bonn, Germany
- Member of the Advisory Board of MoebelFirst GmbH, Cologne, Germany
- Member of the Administrative Board of AMEOS Gruppe AG, Zurich, Switzerland (until December 31, 2016)

Erika Schulte
- Managing Director of Hanau Wirtschaftsförderung GmbH and Liquidator of Technologie- und Gründerzentrum Hanau GmbH (until February 3, 2017)
- No seats on other boards or comparable committees

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, 2017

NORMA Group SE
The Management Board

Werner Deggim   Dr. Michael Schneider   Bernd Kleinhens   John Stephenson

Auditor’s Report

We have audited the consolidated financial statements prepared by the NORMA Group SE, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2016 to December 31, 2016. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (“Handelsgesetzbuch”: German Commercial Code) is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company’s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 9, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thomas Tilgner	ppa. Richard Gudd
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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.

AUSTENITIC STEEL
Austenitic steel is a stainless steel that normally contains an alloy of 15–20% chromium and 5–15% nickel.

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 CURRENCY SWAP
A financial derivative in which two parties exchange interest and principal payments in different currencies.

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 SYSTEM
Electronic procurement system.

EBITA (EARNINGS BEFORE INTEREST, TAXES AND AMORTIZATION)
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.

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 (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION)
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.

EBITDA MARGIN (ADJUSTED)
The adjusted EBITDA margin is calculated from the ratio of adjusted EBITA to sales.

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.

EMPLOYER BRANDING
Corporate strategic measure to represent the company as an attractive employer and for positioning in the labor market.

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.

EURIBOR
Reference rate for time deposits in the interbank business (currency: EUR).

EUROPEAN MARKET INFRASTRUCTURE REGULATION (EMIR)
An 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.

FACTORING
Factoring is a type of debtor finance in which a business sells its accounts receivable to a third party (called a factor) at a discount.

FERRITIC STEEL
Ferritic chromium steel is a stainless steel that normally cannot be hardened. It is magnetizable and used in environments containing little or no chloride.

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 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 the aim of which is 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 USAGE RATIO
The material usage 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 Bureau of Statistics.

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.

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.

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.

PATENT COOPERATION TREATY (PCT)
The Patent Cooperation Treaty (PCT) is an international treaty. Under the terms of this treaty, its Contracting States shall form a special association in accordance with the Paris Convention on the Protection of Industrial Property. The PCT allows either nationals of a Contracting State or those domiciled in a Contracting State to submit a single patent application to the International Bureau of WIPO or another approved office (e. g. Deutsches Patentamt or European Patent Office) for all Contracting States Of the PCT.

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.

PRINT ON DEMAND SYSTEMS
Publication process by which print templates are not created until the first order has been received.

RE-ENGINEERING CENTER
Engineering redesign of existing products to adapt to changing market conditions.

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.

SELECTIVE CATALYTIC REDUCTION (SCR)
Selective catalytic reduction is a method used to reduce particle and nitric oxide emissions.

SENIOR FACILITY AGREEMENT (SFA)
Loan agreement.

SIX SIGMA
Management system for process improvement using analytical and statistical tools.

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.

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.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)
The WACC is calculated at NORMA Group as a weighted average cost of equity and borrowing costs at the end of the year. The cost of equity is derived from capital market information as the expectation of a shareholder's return. NORMA Group's risk profile is based on market parameters.

SECURITIES ID NUMBER (WKN)
A six-character combination of numbers and letters used in Germany to identify securities.

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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TO OUR SHAREHOLDERS

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CONSOLIDATED MANAGEMENT REPORT (CONT.)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

FURTHER INFORMATION

Overview by Quarter 2016[1]

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		Q1 2016[2]	Q2 2016[2]	Q3 2016[2]	Q4 2016[2]
Income statement					
Revenue	EUR millions	226.6	236.2	216.6	215.5
Adjusted gross profit	EUR millions	137.7	144.3	133.7	129.9
Adjusted EBITA	EUR millions	40.1	43.8	38.7	34.9
Adjusted EBITA margin	%	17.7	18.5	17.9	16.2
EBITA	EUR millions	39.6	42.1	37.8	31.0
Adjusted profit for the period	EUR millions	22.6	25.3	22.5	24.2
Adjusted EPS	EUR	0.71	0.79	0.71	0.76
Profit for the period	EUR millions	19.4	21.7	19.3	15.5
EPS	EUR	0.61	0.68	0.61	0.48
Cash flow					
Cash flow from operating activities	EUR millions	19.4	41.6	35.4	53.4
Net operating cash flow	EUR millions	11.8	42.1	32.2	62.4
Cash flow from investing activities	EUR millions	–11.1	–12.6	–12.3	–97.8
Cash flow from financing activities	EUR millions	–1.6	–32.8	94.6	–10.7
Balance sheet		Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Total assets	EUR millions	1,164.1	1,174.1	1,282.1	1,337.7
Equity	EUR millions	437.1	433.4	451.4	483.6
Equity ratio	%	37.6	36.9	35.2	36.2
Net debt	EUR millions	347.8	354.1	335.1	394.2

[1] Minor deviations may occur due to commercial rounding for the full year 2016 compared with the summation of the corresponding quarterly amounts.
[2] The adjustments are described in the Notes. → Notes, p. 138.

Multi-Year Overview[1]

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		2016[2]	2015[2]	2014[2]	2013	2012[3]	2011	2010
Order situation								
Order book (Dec 31)	EUR millions	**302.4**	295.8	279.6	236.7	215.4	218.6	188.0
Income statement								
Revenue	EUR millions	**894.9**	889.6	694.7	635.5	604.6	581.4	490.4
thereof EMEA	EUR millions	**432.0**	416.0	394.5	388	367.5	372.7	336.6
thereof Americas	EUR millions	**381.6**	395.3	237.8	191.5	193.3	173	123.8
thereof Asia-Pacific	EUR millions	**81.3**	78.2	62.5	56.0	43.8	35.7	30.0
EJT	EUR millions	**535.9**	540.3	481.0	443.9	427.6	411.5	323.6
DS	EUR millions	**354.5**	344.1	211.5	193.6	174.5	170.3	168.3
Adjusted gross profit	EUR millions	**545.6**	533.1	405.6	371.4	344.4	322.6	274.7
Adjusted EBITA[2]	EUR millions	**157.5**	156.3	121.5	112.6	105.4	102.7	85.4
Adjusted EBITA margin[2]	% of sales	**17.6**	17.6	17.5	17.7	17.4	17.7	17.4
EBITA	EUR millions	**150.4**	150.5	113.3	112.1	105.1	84.7	64.9
Adjusted profit for the period[2]	EUR millions	**94.6**	88.7	71.5	62.1	61.8	57.6	48.2
Profit for the period	EUR millions	**75.9**	73.8	54.9	55.6	56.6	35.7	30.3
Adjusted EPS[2]	EUR	**2.96**	2.78	2.24	1.95	1.94	1.92	1.93
EPS	EUR	**2.38**	2.31	1.72	1.74	1.78	1.19	1.21
Financial result	EUR millions	**–14.6**	–17.2	–14.5	–15.6	–13.2	–29.6	–14.9
Tax rate	%	**28.9**	32.1	33.3	32.6	30.3	30.0[4]	27
R&D expenses	EUR millions	**28.8**	25.4	25.7	21.9	22.1	16.8	16.6
R&D ratio (in relation to EJT sales)	% of EJT sales	**5.4**	4.7	5.3	4.9	5.1	4.1	5.1
Cost of materials[2]	EUR millions	**352.9**	362.9	289.9	269.4	263.5	262.3	220.5
Cost of materials ratio[2]	% of sales	**39.4**	40.8	41.7	42.4	43.6	45.1	45
Personnel expenses[5]	EUR millions	**243.9**	234.1	188.3	169.7	156.5	143.7	124.4
Cash flow								
Cash flow from operating activities	EUR millions	**149.2**	128.2	96.4	115.4	96.1	71.7	62.1
Net operating cash flow	EUR millions	**148.5**	134.7	109.2	103.9	81	66.8	51.7
Cash flow from investing activities	EUR millions	**–133.8**	–44.5	–265.1	–43.4	–58.1	–33.7	–56.6
Cash flow from financing activities	EUR millions	**49.6**	–70.4	57.7	51.7	–34.1	–0.5	–3.1
Balance sheet								
Total assets	EUR millions	**1,337.7**	1,167.9	1,078.4	823.7	691.8	648.6	578.8
Equity	EUR millions	**483.6**	429.8	368.0	319.9	289.2	256.0	78.4
Equity ratio	%	**36.2**	36.8	34.1	38.8	41.8	39.5	13.5
Net debt	EUR millions	**394.2**	360.9	373.1	153.5	199	198.5	344.1
Working capital	EUR millions	**144.5**	151.9	141.8	110.8	115.9	106.2	86.7
Working capital ratio	% of sales	**16.1**	17.1	20.4	17.4	19.2	18.3	17.7
Employees								
Core workforce		**5,450**	5,121	4,828	4,134	3,759	3,415	3,028
Total workforce incl. temporary workers		**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	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	24,862,400

[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 2016 adjustments were made which especially relate to the acquisition of the Autoline business. The adjustments are described in the Notes. → Notes, p. 138. 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 2016, adjusted by one-off effects.

Annual Review

Q1

JANUARY – MARCH 2016

NORMA Group publishes Corporate Responsibility Roadmap 2018

NORMA Group issued Gold Status by EcoVadis for its achievements in the area of sustainability

Q2

APRIL – JUNE 2016

General Motors recognizes NORMA Group in China and the Czech Republic with its Supplier Quality Excellence Award

NORMA Group has launched the new Breeze Super-Seal clamp for fluid connections in high-pressure applications using rubber or silicone hoses

NORMA Group has received Platinum Supplier Status 2015 from General Motors Company for its site in Poland

Q3

JULY – SEPTEMBER 2016

NORMA Group SE issues third promissory note valued at EUR 150 million

NORMA Group is supplying Fuel Transport Tube Systems for a new model of an Italian motorcycle manufacturer on a serial basis

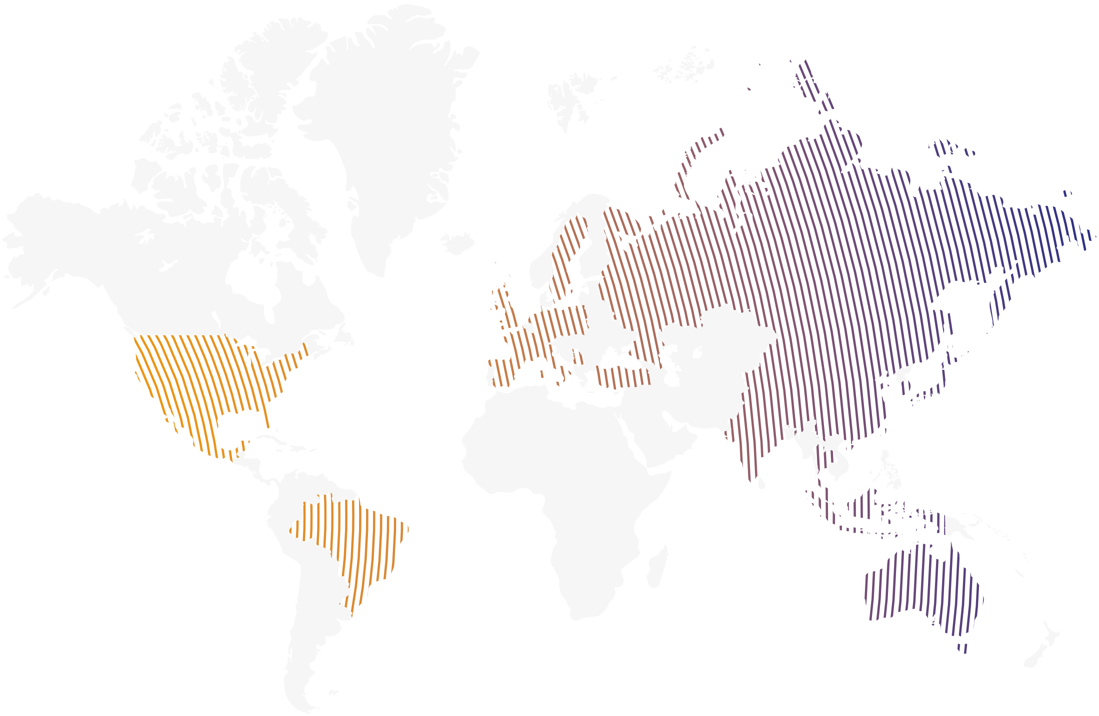
Q4

OCTOBER – DECEMBER 2016

NORMA Group successfully completes acquisition of Parker’s global Autoline business for quick connectors

NORMA Group wins major contract from French motor vehicle manufacturer

NORMA Group Worldwide



NORMA GROUP PRODUCTION AND DISTRIBUTION SITES

G 001

EMEA	AMERICAS	ASIA-PACIFIC
Czech Republic (P, D)	Brazil (P, D)	Australia (D)
France (P, D)	Mexico (P, D)	China (P, D)
Germany (P, D)	USA (P, D)	India (P, D)
Italy (D)		Indonesia (D)
Poland (P, D)		Japan (D)
Russia (P, D)		Malaysia (P, D)
Serbia (P)		Singapore (D)
Spain (D)		South Korea (D)
Sweden (P, D)		Thailand (P, D)
Switzerland (P, D)		
The Netherlands (D)		
Turkey (D)		
United Kingdom (P, D)		

P = Production sites
D = Sales, distribution and competence center

Financial Calendar 2017

Mar 22, 2017	Publication of Full Year Results 2016
May 10, 2017	Publication of Q1 Interim Statement 2017
May 23, 2017	Annual General Meeting 2017 in Frankfurt/Main
Aug 9, 2017	Publication of Q2 Interim Report 2017
Nov 8, 2017	Publication of Q3 Interim Statement 2017

The financial calendar is constantly updated. Please visit the Investor Relations section on the Company website @ www.normagroup.com for up-to-date information.

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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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