

General statement by the Management Board on probable development

Sales growth in 2020

Based on the original estimates of the relevant economic research institutes and industry associations described above and the currently tense order situation caused by the ongoing difficult conditions in several of the industries and markets relevant to NORMA Group, the Management Board had assumed a noticeable decline in organic sales in fiscal year 2020 before the current spread of COVID-19 (coronavirus). At that time, this forecast took into account the fact that the negative effects of COVID-19 (coronavirus) will be particularly evident in the first half of 2020. The assumptions made were based on the premise that there will be no global spread of the virus that could lead to a significant impairment of the global economy beyond the first half of the year. Although it could not be assumed that the negative effects that became apparent in the course of the year would be fully compensated for, the Management Board did not assume such a dramatic worsening of the situation and the resulting economic consequences when preparing the original forecast. Nevertheless, due to its global business activities and broad diversification, the Management Board believes the Group is well positioned to deal specifically with the prevailing market trends in the various end markets and regions in the long-term. Prior to the spread of COVID-19, the Management Board of NORMA Group expected solid organic growth for the DS business, whereas it anticipated a noticeable organic decline in the EJT business in 2020, particularly due to the development in the area of commercial vehicles.

Based on the assumptions of a stabilizing economic environment and key interest rates that remain low and prior to the spread of COVID-19 the Management Board expected the difficult conditions in the European automotive industry to improve in the

EMEA region in 2020. Against this backdrop, NORMA Group's relevant end markets in the EMEA region were expected to generate stable organic sales in the current fiscal year.

For the Americas region, the Management Board assumed prior to the spread of COVID-19 a noticeable year-on-year decline in organic sales in 2020, with the decline in the US commercial vehicle end market, which is important to the Group, expected to be particularly severe. By contrast, based on estimates by industry experts, the management expected the US passenger car market to recover in the current fiscal year. The Management Board also expects strong growth impetus in the water management segment, albeit slightly weaker than in the previous year. The Management Board saw risks for the region in the trade conflict between the US and China that has yet to be resolved and in the protectionist customs policy of the US government, in particular.

In the Asia-Pacific region, the Management Board of NORMA Group anticipated prior to the spread of COVID-19 slight organic decline. The main drivers which had been included in the forecast are the extremely high demand in residential construction and the rapid expansion and reconstruction of the infrastructure. For this reason, the Management Board expected the DS business in particular to develop very positively, whereas organic sales growth in the EJT segment was still forecast to decline slightly. The main burdening factors, as already described before, still remain the negative effects of the coronavirus as well as the ongoing trade conflict between the US and China especially since a complete withdrawal of the implemented restrictions is not yet in sight.

Besides the effects of the further spread of the coronavirus, the Management Board sees risks that could have a negative impact on NORMA Group's sales and earnings primarily in the uncertain effects of geopolitical crises. These include, for example, the trade agreement to be concluded between the European Union and the US.

Without considering the spread of COVID-19 and in light of the assumptions and uncertainties described, the Management Board of NORMA Group expected to see a noticeable organic decline in sales in the range of approximately – 2% to approximately – 4% for fiscal year 2020, and thus a similar sales development as in the previous year. The exact extent of the organic decline depends, in particular, on the further spread of the virus, the necessary containment measures, for example, the associated production interruptions. NORMA Group plans to present its forecast in more detail later this year, once the exact consequences of COVID-19 can be better assessed. Currency effects may have an additional positive or negative impact on growth, depending on the exchange rates against the euro.

On the basis of the uncertainties described in connection with the spread of COVID-19, the originally assumed forecasts with regard to the key figures listed below will result in noticeable deviations, which cannot yet be fully assessed at the time of publication of this report. The original assumptions of the management are presented below.

Development of the cost of materials ratio

As a result of the continuing difficult economic conditions in certain industries, in particular the automotive sector, coupled with a significant decline in global demand, the price level for engineering plastics had eased in 2019 – before the corona crisis – and the supply situation has therefore largely stabilized. The possibility of a recovery of the global economy, which could lead to supply bottlenecks for engineering plastics and related price increases, was not foreseeable to date and therefore has been considered to be unlikely.

With respect to procurement of steel and metal components, uncertainties remained with regard to possible further protectionist measures by the US. These were therefore considered a possible risk factor for price increases or a sustained higher price level overall. However, the resulting financial effects could have been mitigated without the corona crisis by pursuing a steady increase in the degree of professionalism in purchasing, the conclusion of long-term contracts, possibly passing on price fluctuations to the customer and achieving economies of scale within the Group. Thus, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – the adjusted cost of materials ratio to remain more or less unchanged compared to the previous year. This included the initial positive effects from the “Get on Track” change program implemented in the fourth quarter of 2019.

In the course of the corona crisis and the associated economic effects, supply bottlenecks can no longer be ruled out.

Development of the personnel cost ratio

The Management Board expected – prior to the spread of COVID-19 – personnel costs to remain stable in 2020, although the Management also expects inflationary costs. The cost level is likely to benefit from a reduction in additional temporary staff and additional savings from ongoing efficiency programs, however. The Management therefore expects the personnel cost ratio in the current fiscal year to remain at the same level as last year.

Expenses in research and development

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

Adjusted EBITA margin

Maintaining its profitability represents an important focus for NORMA Group. Therefore, all business activities are strategically aligned to achieve this goal. In addition to the implementation of the rightsizing program adopted in the fourth quarter of 2018 and communicated in February 2019, the “Get on Track” program rolled out and publicly announced in November 2019 focuses on increasing profitability by optimizing site capacities in all regions, systematically revising structures and processes – in particular by optimizing purchasing – and streamlining the product portfolio. A cumulative total cost volume of around EUR 45 million to EUR 50 million is expected by 2023 for the implementation and execution of the change program. In contrast to the costs for the implementation of the rightsizing program, the costs incurred within the scope of this program are presented completely unadjusted. From 2020 on, the change program is expected to lead to cost savings, which will increase to EUR 40 million to EUR 45 million annually by 2023. The fact that, based on current information, no further extraordinary costs are expected in connection with the introduction of the ERP system in Latin America was assumed to have another positive effect on profitability. For this reason and taking the difficult market environment due to the uncertainties regarding economic and geopolitical conditions into account, the Management Board of NORMA Group basically viewed 2020 as an important transitional

year in which the course would be set for a sustainable increase in profitability. As in the previous year, the Management Board therefore expected – prior to the spread of COVID-19 – the underlying EBITA margin for the current fiscal year to remain at the level of more than 13.0%. The unforeseeable consequences of the coronavirus will have a negative impact on NORMA Group’s adjusted EBITA margin as a result of the measures that have become necessary, including interruptions in production, for example, so that the adjusted EBITA margin in fiscal year 2020 will probably be below the previously assumed level of the previous year.

Adjusted EBIT margin

Based on the development and expectations outlined with regard to the adjusted EBITA margin, the Management Board of NORMA Group assumed – prior to the spread of COVID-19 – that the adjusted EBIT would also be at the level of the previous year and therefore expected an adjusted EBIT margin of more than 12% for fiscal year 2020. Similar to the forecast for the adjusted EBITA margin, the Management Board of NORMA Group SE now also expects the adjusted EBIT margin to deviate negatively from the original assumptions.

Financial result of up to EUR – 15 million expected

The Management Board expected – prior to the spread of COVID-19 – a financial result of up to EUR – 15 million in total for 2020. This includes interest charges on the Group’s gross debt with an average interest rate of approx. 2.4% as well as other expenses for currency hedges and transaction costs.

Tax rate of between 26% and 28%

The Management Board expected – prior to the spread of COVID-19 – a tax rate of between 26% and 28% for fiscal year 2020.

Slight decline in adjusted earnings per share

Based on the developments described above, in particular triggered by the organic sales decline, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – to see a slight decline in adjusted earnings per share in fiscal year 2020.

Adjustments to the result

In fiscal year 2020, like in the previous years, NORMA Group's Management Board expected – prior to the spread of COVID-19 – adjustments from the allocation of purchase prices to depreciable tangible and intangible assets from the acquisitions made in past years in the amount of around EUR 25 million. However, the total costs incurred by the "Get on Track" change program will not be adjusted. Moreover, no further adjustments related to the rightsizing program are expected in fiscal year 2020.

NORMA Value Added (NOVA)

For fiscal year 2020, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – NOVA of between EUR 10 million and EUR 20 million.

Investment rate of around 5%

For fiscal year 2020, NORMA Group's Management Board expected – prior to the spread of COVID-19 – investments (without M&A activities) 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 aimed at future growth, projects on the integration of processes and functions (insourcing) as well as the expansion of capacities to localize production.

Net operating cash flow

Due to the expected noticeable decline in sales in fiscal year 2020 and the expected margin level, which is unchanged compared to the previous year, combined with an unchanged investment ratio, the payments for the "Get on Track" program as well as the optimization measures in the area of working capital and the further reduction of the factoring programs, the Management Board of NORMA Group expected – prior to the spread of COVID-19 – net operating cash flow to be around EUR 110 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. Due to the current economic developments in connection with COVID-19, the proposal will be made to the Annual General Meeting, which has been postponed from May 14 to June 30, 2020, to suspend the dividend for fiscal year 2019.

Market penetration and innovation capability

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

Employee problem-solving behavior

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

Sustainable company development

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

This forecast for fiscal year 2020 was made before the spread of COVID-19. The Management Board assumes that the consequences and after-effects of the further spread of the virus, which are currently still difficult to assess, will result in negative deviations from the forecast originally made here regarding the future development of NORMA Group SE in fiscal year 2020.

Forecast for the fiscal year 2020

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Organic group sales growth	Noticeable decline in organic sales of – 2% to – 4%
	EMEA: stable organic sales Americas: noticeable organic decline APAC: slight organic decline
	DS: solid organic growth EJT: noticeable organic decline
Adjusted cost of materials ratio	Roughly at the same level as in previous year
Adjusted personnel cost ratio	Roughly at the same level as in previous year
Expenses in R&D (in relation to EJT sales)	Around 5% of EJT sales
Adjusted EBITA margin	More than 13%
Adjusted EBIT margin	More than 12%
NOVA (NORMA Value Added)	Between EUR 10 million and EUR 20 million
Financial result	Up to EUR – 15 million
Tax rate	Between 26% to 28%
Adjusted earnings per share	Slight decline
Investment rate (without acquisitions)	Operative investments of around 5% of Group sales
Net operating cash flow	Around EUR 110 million
Dividend/dividend ratio	Approx. 30% to 35% of adjusted net profit for the period
Number of invention applications	More than 20
Number of defective parts (parts per million / PPM)	Below 20
Number of quality-related complaints per month	Below 8