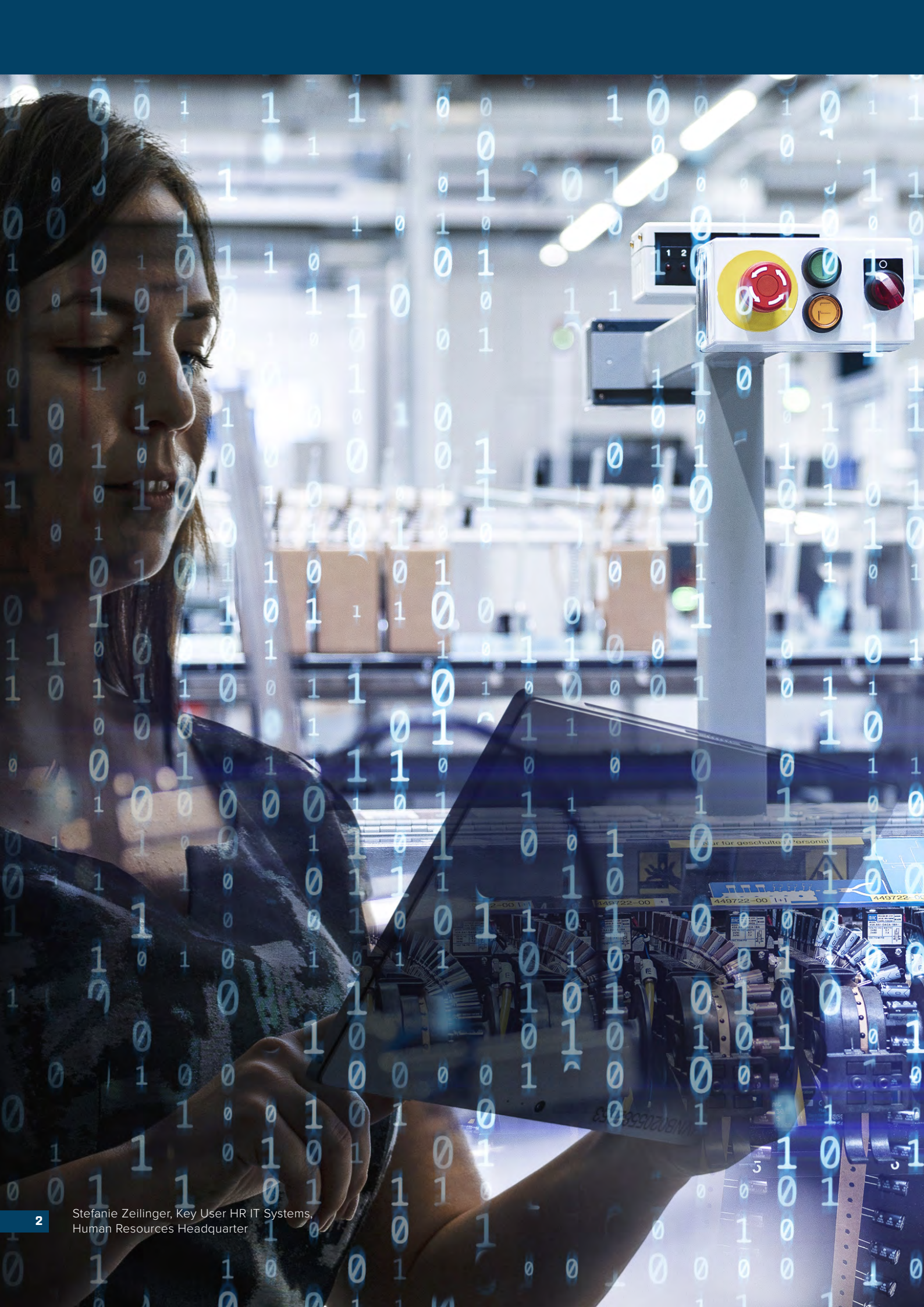


**DIEHL**

**ANNUAL REPORT**

**2019**





## CONTENTS

---

Highlights	4
Corporate Management	5
Overview of the Diehl Group	6
Group Management Report of Diehl Verwaltungs-Stiftung Fiscal Year 2019	8
Basic Economic Conditions	8
Business Development of the Diehl Group	8
Special Aspects of the Financial Situation and Risk Management	10
Advance investments	10
Corporate Legal Changes	11
Metall	12
Controls	16
Defence	20
Aviation	24
Metering	28
Opportunities, Risks, and Outlook	32
Employees	35
Environment	37
Beyond Daily Business	38
Consolidated Financial Statements	41
Report of the Supervisory Board	67

**WE CREATE  
FUTURE-  
ORIENTED  
SOLUTIONS**



**2019: Stable sales on high level – 2020: Corona Crisis causes noticeable decline in sales**

In FY 2019, corporate sales – at € 3,628.5 million – were only slightly below the previous year’s value (€ 3,693.5). In spite of economic and structural challenges, the further stabilization on a high level could thus be achieved, according to expectations. Growth was as expected at Metering, Defence and Aviation whereas Metall and Controls sales decreased. The total number of employees increased by 259 persons or, 1.5%, to 17,557.

The generated EBIT amounts to € 121.4 million and was thus € 93.9 million below the 2018 value and fell short of the forecast. Besides earnings reductions due to declines at Metall and Controls, higher one-off risk management expen-

ditures of unplanned depreciation on tangible assets to the amount of € 8 million and impairments on inventories in the amount of € 32.4 million contributed to this decline.

Sales in the **Metall Corporate Division** saw a significant decrease over the previous year’s level and remained far short of expectations. The corporate division is currently concentrating its forces on the realignment of the business and innovative development solutions. The range of products and technologies for alternative drive units is especially supposed to be extended.

The **Controls Corporate Division** could not continue its growth course in the traditional business segment of household appliances. The reason for this is the drop in orders, especially on the Chinese market. Most large suppliers

in the market were affected by the downturn in demand and thus, of course, ancillary suppliers throughout the world.

In FY 2019, **Diehl Defence** succeeded in significantly expanding its defence business. After years of stabilization, the continued growth path ensures development and production capacity utilization at the corporate division's locations.

In the year under review, the sales trend in the **Aviation Corporate Division** has stabilized slightly above previous year's level, in line with the forecasts. In 2019, Aviation's income remained stable, despite a significant decline which was mainly due to an unfavorable Dollar exchange rate.

In FY 2019, the **Metering Corporate Division** continued to pursue the growth course. Compared to the planning, sales expectations could be exceeded. The rise in sales was due, above all, to the increased trend toward remote readout of consumption data.

In FY 2019, **investments** increased to a total of € 125 million (after € 119 million in 2018). Thus, the prior year's record value was surpassed again. Once more, **R&D expenses** also rose distinctly, from € 325.2 million in 2018 to € 366.6 million in 2019.

In the months to come, Diehl will focus on various scenarios in order to be prepared for post-Corona times. The Corona Crisis causes a noticeable drop in sales. The instrument of short-time work will accompany the Group until the end of the year 2020.

The limited partnership Diehl Stiftung & Co. KG is managed by Diehl Verwaltungs-Stiftung, the general partner. Executive Board and Supervisory Board are the organs of Diehl Verwaltungs-Stiftung.

#### Supervisory Board

Dipl.-Ing. Karl Diehl († January 19, 2008)  
Honorary Chairman

Dipl.-Kfm. Peter Diehl († February 6, 2016)  
Vice-Chairman

Dr.-Ing. E.h. Thomas Diehl († April 16, 2017)

Dr. rer. nat. Herbert Fehrecke  
Chairman

RA Werner Diehl  
Vice-Chairman

Dipl.-Ing. Markus Diehl

Dipl.-Ing. (FH) Werner Reint

#### Executive Board

Dr.-Ing. Karl Tragl  
Chief Executive Officer  
Corporate Department Technology

Dipl.-Wirtsch.-Ing. Wolfgang Weggen  
Vice President of the Executive Board  
Corporate Department Finance and Controlling

Dr.-Ing. Christof Bosbach  
Corporate Division Metering

Dipl.-Kfm. Claus Günther (until October 31, 2019)  
Corporate Division Defence

Dipl.-Ing. (BA) Helmut Rauch (as of November 1, 2019)  
Corporate Division Defence

Dr.-Ing. Heinrich Schunk  
Corporate Division Metall

Dr.-Ing. Michael Siedentop (until December 31, 2019)  
Corporate Division Controls

Dipl.-Kfm. Dr.-Ing. Martin Sommer  
Corporate Department Human Resources

Dipl.-Ing. (FH) Rainer von Borstel  
Corporate Division Aviation

#### Senior Vice Presidents

Dr. rer. nat. Elisabeth Hauschild  
Government Affairs

Dipl.-Staatsw. Bernd Joeris  
Corporate Affairs

Verw.-Betriebswirt (VWA) Michael Prymelski  
Corporate Communications (as of May 1, 2019)

Organizational status as of June 2020

# OVERVIEW OF THE DIEHL GROUP

## Metall

Diehl Metall Stiftung & Co. KG  
Corporate Division Board

Dr.-Ing. Heinrich Schunk (P)  
Dipl.-Sozw. Manuela Kallinowsky  
Dipl.-Wirtsch.-Ing. Dieter Landgraf  
Dipl.-Kfm. Rainer Wehn

**Diehl Metall Messing**  
**Diehl Metall Schmiedetechnik**  
Röthenbach a. d. Pegnitz

**Diehl Advanced Mobility**  
Zehdenick

**Diehl Augé Découpage**  
Besançon/France

**Diehl do Brasil Metalúrgica**  
São Paulo/Brazil

**Diehl Metal Applications**  
Berlin  
Teltow

**Diehl Metal India**  
Pune/India

**Diehl Metall (Shenzhen)**  
Shenzhen/China

**Diehl Power Electronic**  
Siaugues Sainte-Marie/France

**Diehl SynchroTec**  
**Manufacturing**  
Wuxi/China

**Diehl Werkzeugbau Seebach**  
Seebach

**Franconia Industries**  
Naperville, Illinois/USA

**SMH Süddeutsche Metall-**  
**handels-gesellschaft**  
Röthenbach a. d. Pegnitz

**Sundwiger Messingwerk**  
Hemer

**The Miller Company**  
Meriden, Connecticut/USA

## Controls

Diehl AKO Stiftung & Co. KG  
Corporate Division Board

Dr.-Ing. Michael Siedentop (P) (until 31.12.2019)  
Josef Fellner (P) (P on interim basis  
of December 1, 2019)

**Diehl AKO**  
Wangen  
Nürnberg

**Diehl Controls Polska**  
Namysłów/Poland  
Wrocław/Poland

**Diehl Controls (Nanjing)**  
Nanjing/China

**Diehl Controls North America**  
Naperville, Illinois/USA

**Diehl Controls Mexico**  
Querétaro/Mexico

**Diehl Connectivity Solutions**  
Nürnberg  
Wangen

## Defence

Diehl Defence GmbH & Co. KG  
Corporate Division Board

Dipl.-Kfm. Claus Günther (p) (until October 31, 2019)  
Dipl.-Ing. (BA) Helmut Rauch (P) (as of November 1, 2019)  
Dipl.-Betriebsw. (BA) Thomas Bodenmüller  
Dipl.-Ing. Frank Kienzler (as of November 1, 2019)

### Diehl Defence

Überlingen  
Röthenbach a. d. Pegnitz  
Nonnweiler  
Office in Berlin-Steglitz  
Office in Koblenz  
Office in Abu Dhabi/U.A.E.  
Office in Bangkok/Thailand

### AIM Infrarot-Module

Heilbronn

### Diehl & Eagle-Picher

Röthenbach a. d. Pegnitz

### Diehl Retrofit Missile Systeme

Überlingen

### DynITEC

Troisdorf

### EuroSpike

Röthenbach a. d. Pegnitz

### JUNGHANS Microtec

Dunningen

### JUNGHANS T2M

La Ferté Saint Aubin/France

### PARSYS

Schrobenhausen

### RAM-System

Ottobrunn

## Aviation

Diehl Aviation Holding GmbH  
Corporate Division Board

Dipl.-Ing. (FH) Rainer von Borstel (P)  
Dipl.-Ing. (FH) Dipl.-Wirtsch.-Ing. (FH) Josef Michael Köcher (as of June 1, 2020)  
Dipl.-Ing. Dipl.-Wirtsch.-Ing. Harald Mehring  
Dipl.-Ing. (FH) Hans-Peter Traber (until December 31, 2019)  
Dr. rer. pol. Christoph Weigand

### Diehl Aviation

Office in Abu Dhabi/U.A.E.  
Office in Seattle, Washington/USA  
Office in Charleston, South Carolina/USA  
Office in Montreal, Quebec/Canada

### Diehl Aviation Gilching

Gilching  
Dresden

### Diehl Aviation Laupheim

Laupheim  
Hamburg  
Tianjin/China  
Toulouse/France  
Nyírbátor/Hungary  
Debrecen/Hungary

### Diehl Aviation Hamburg

Hamburg

### Diehl Aerospace

Überlingen  
Frankfurt am Main  
Nürnberg  
Donauwörth  
Hamburg  
Rostock  
Seattle, Washington/USA  
Toulouse/France  
Sterrett, Alabama/USA

### Diehl Aerospace Asia Pacific

Singapore

## Metering

Diehl Metering GmbH  
Corporate Division Board

Dr.-Ing. Christof Bosbach (P)  
Inf.-Bw. (VWA) Thomas Gastner  
Bw. (FH) Jean-François Marguet

### Diehl Metering/Germany

Ansbach  
Nürnberg  
Apolda

### Diehl Metering/China

Jinan  
Shanghai

### Diehl Gas Metering

Ansbach

### Diehl Metering/Denmark

Esbjerg

### Diehl Metering/Great Britain

Halifax

### Diehl Metering/U.A.E

Dubai

### Diehl Metering/Austria

Wien

### Diehl Metering/Poland

Bažanowice

### Diehl Metering/France

Saint-Louis  
Nanterre  
Villeurbanne

### Diehl Metering/Singapore

Singapore

### Diehl Metering/Spain

Madrid

### Diehl Metering/Sweden

Rosersberg

### Diehl Metering/USA

Naperville

P = President

Organizational status as of June 2020

## Basic Economic Conditions

According to calculations of the Federal Statistical Office, the German economy grew in 2019 for the tenth year in a row. This is the longest period of growth in reunited Germany. However, growth has lost momentum and we even saw stagnation at the end of the year. Compared to the average value of the past ten years of +1.3%, the German economy grew considerably slower, by only 0.6% in the past year. The growth impulses result, in particular, from private and public consumer consumptions which exceeded those of the two previous years. Gross fixed capital investment also rose distinctly, which was a great benefit for the construction industry. By contrast, the manufacturing sector's economic performance dropped sharply (-4.8%) which was especially accounted for by the weak level of production in the automotive industry (source: Federal Statistical Office press release issued on February 25, 2020).

Until the outbreak of the Corona Crisis, the German Central Bank saw slightly positive trends concerning the industry's order situation for 2020 against the background of domestic customers' continues propensity to consume, supported by continued favorable job prospects and income expectations (source: German Central Bank monthly report for February 2020). However, due to the worldwide spread of the virus, that cautious optimism disappeared to be replaced by a phase of deep uncertainty which the German government's board of experts defines as a sharp slump rather than a total collapse. Depending on how the Corona Crisis continues to develop, three different scenarios are expected which will lead to a decline in

economic output of 2.8% up to 5.4% and result in a subsequent race to catch up that might continue into the next year (source: special report by the board of experts).

## Business Development of the Diehl Group

Sales and income are the major control parameters for business development on corporate level.

In the year under review, the Diehl Group's corporate sales – at € 3,628.5 million – were just below the previous year's value (€ 3,693.5 million). In spite of economic and structural challenges, the further stabilization on a high level could thus be achieved, according to expectations. Growth was as expected at Metering, Defence and Aviation whereas Metall and Controls sales decreased.

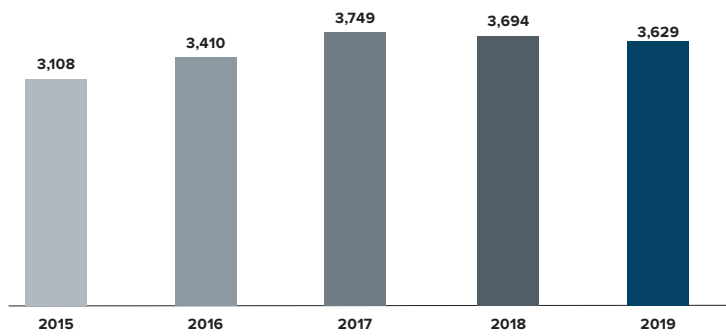
The total number of employees increased by 259 persons – i.e. 1.5% – to 17,557 by December 31, 2019. This increase was attributable, in particular, to new hires in the Aviation (210) and Defence (157) Corporate Divisions whereas Metall saw a decline (141).

Both sales and income targets were not achieved in the year under review. The generated EBIT amounts to € 121.4 million and was thus € 93.9 million below the 2018 value and fell short of the forecast. Besides earnings reductions due to declines at Metall and Controls, higher one-off risk management expenditures of unplanned depreciation on tangible assets to the amount of € 8 million and impairments on inventories in the amount of € 32.4 million contributed to this decline.



# FISCAL YEAR 2019

## SALES (in million euros)

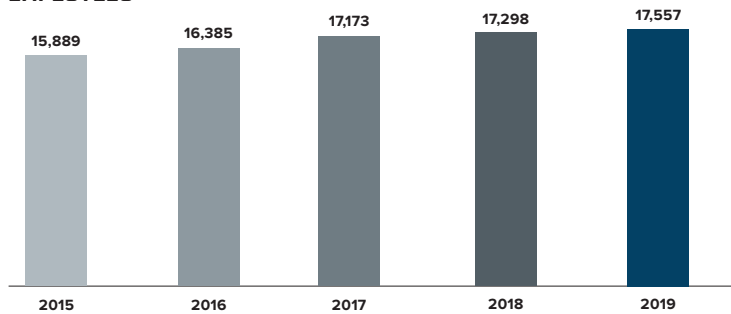


## SALES PER CORPORATE DIVISION (in million euros)



Division	Sales (million €)	Percentage
Metal	793	21.8%
Controls	489	13.5%
Defence	516	14.2%
Aviation	1,488	41.0%
Metering	333	9.2%
Other	10	0.3%

## EMPLOYEES



## EMPLOYEES PER CORPORATE DIVISION



Division	Employees	Percentage
Metal	3,327	18.9%
Controls	3,606	20.5%
Defence	2,666	15.3%
Aviation	5,690	32.5%
Metering	1,700	9.6%
Other	568	3.2%

## Aspects of the Financial Situation

With an increase of € 9.9 million to € 2,443.7 million in 2019, the Corporate Group's balance sheet total remained almost unchanged. On the assets side, fixed assets rose by € 20.9 million to € 603.4 million, especially through new and replacement investments at domestic locations. Inventories without advances decreased by € 32.4 million to € 873.5 million, primarily due to value adjustments. The decline in receivables and other assets of € 56.3 million on the balance sheet date concerns lower receivables from companies in which participations are held. In particular, a different tax assessment of inventories and pension reserves led to an increase in deferred taxes on the assets side by € 29.5 million to € 142.0 million. On the liabilities side, the shareholders' equity decreased by € 19.5 million to € 746.4 million due to the lower net income for the

year. On account of the higher balance sheet total, the equity ratio decreased from 31.5% to 30.5%. The change in accruals mainly resulted from the increase in accruals for pensions by € 65.3 million, due above all to the further decline of the interest parameters. In FY 2019, liabilities fell by € 38.9 million to € 563.2 million, which was especially attributable to the repayment of amounts owed to shareholders as well as banks.

Liquid assets increased by € 30.0 million to € 407.2 million so that, after deduction of current financial liabilities of € 22.8 million, cash and cash equivalents amounted to € 384.4 million compared to € 356.7 million in FY 2018. This corresponds to an improvement of cash and cash equivalents of € 27.7 million compared to the previous year. The operating cash flow decreased by € 48.9 million to € 172.9 million, which, after deduction of the negative cash flow from investment activities of € 100.8 million, led to a free cash flow of € 72.1 million. In the year under review, there was an outflow of € 43.6 million from cash flow from financing activities.

## Advance Investments

In FY 2019, the Group's investments rose to a total of € 125 million (addition to tangible assets and intangible assets), compared to € 119 million in 2018. Thus, the prior year's record value was surpassed again. The largest investments were made at Defence, Metall in Röthenbach, Diehl Aviation in Laupheim, Diehl SynchroTech and Diehl Aerospace. In the Metall division, investments mainly focused on strip galvanization as well as the growing segment of cell contact systems for alternative drive systems. Controls investments centered not only on the replacement of systems but also on the modernization of production procedures and start-up of new projects, whereas Metering once again mainly invested in the ongoing innovation and technology offensive. In 2019, Aviation investments concentrated on systems for improving and modernizing production procedures. The focus of investment activities in the Defence division was on expansion, rationalization and replacement.

Once again, R&D expenses also rose distinctly from € 325.2 million in 2018 to € 366.6 million in 2019. As in previous years, above all the high development costs in the field of cabin equipment at Diehl Aviation count among this.

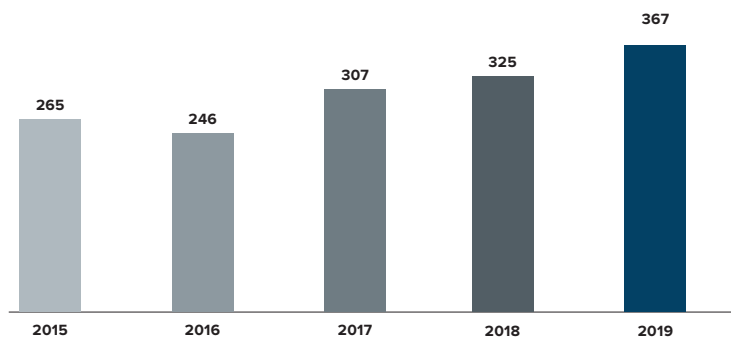
## Corporate Legal Changes

In the year under review, there were again some corporate legal changes:

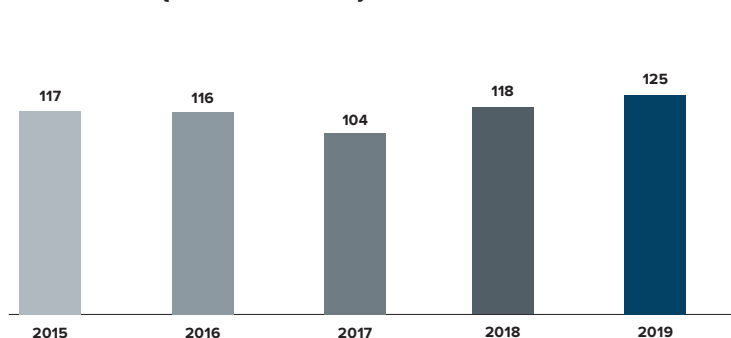
At the turn of the year, the Aviation Corporate Division opened a customer and sales office in Dubai. Diehl Aviation Middle East LLC is supposed to further expand the customer support and the range of company services provided in the Middle East region.

Since July 2019, the company ZIMK Zehdenick Innovative Metall- und Kunststofftechnik GmbH located in Zehdenick is doing business under the name of Diehl Advanced Mobility GmbH. The change of the company's name goes hand in hand with the company's strategic orientation according to which the future business in the field of alternative drive units is to be pushed ahead successfully with the development of intelligent mobility solutions. The company name of Diehl with its longstanding tradition which is a worldwide renowned technology brand is supposed to clearly foster the company's positioning in the alternative drive market.

## R&D EXPENSES (in MILLION EUROS)



## INVESTMENTS (in MILLION EUROS)





Sales in the Metall Corporate Division saw a significant decline in comparison with previous year's level and clearly fell short of expectations. Besides declining prices for copper and zinc, this was due to different influencing factors such as global commercial disputes, Brexit impacts and political discussions with regard to the climate change discussions which all lead to declining customer demand. About 75% of the current portfolio of the Metall Corporate Division is destined for the international automotive industry, mainly still conventional drive systems. New approval procedures (WLTP) and the wish for new climate-friendlier drive systems present the whole industrial sector – so Diehl Metall as well – with tremendous challenges.

The business field drawn and extruded products was not able to continue its sales growth of the previous years and thus had to accept a serious decline of business in 2019. The downturn in demand pervades all industrial sectors that are served by the business field, especially orders from the automotive industry as well as from customers in the field of turneries and forges are lacking. The company's reaction to the changing basic conditions is a fundamental restructuring and realignment. Here, the focus is especially on alternative expanding markets and new applications. One example is the business field of lead-free and lead-reduced alloys which provides new interesting sales opportunities on national and international markets due to stricter legal requirements.

# WE BRING METAL INTO SHAPE.

„Diehl-Metall Messing produces sophisticated and high-quality brass semi-finished products and serves national and international markets in its capacity as one of the largest and most modern brass manufacturers.“

Thomas Scheidgen, Master extrusion press Diehl Metall Röthenbach.



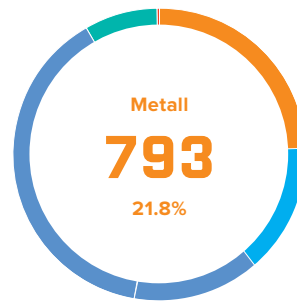
Ana Laura Manca, Diehl Advanced Mobility, Design Engineer in tool manufacturing

In the year under review, the forgings business field again saw a decline in sales. At Diehl Metall Schmiedetechnik, this was due above all to a volume decline in some important projects as well as missing orders from the automotive industry. The synchronizer ring is the company's traditional main product, used in combustion engines which is why the associated demand will continue to decrease over the long term due to the upheaval in the automotive industry. To get back on the path of growth, the trend is countered by expanding the product portfolio and opening up new markets, for example by an investment in a production facility for hollow forgings. Some expectations are linked to the start of series operation for pin fin heatsinks which represent the entry into the future market of electromobility. Diehl SynchroTec in China and also both Metall locations in India and Brazil had to accept considerable declines in sales caused by stagnating local automotive markets.

FY 2019 was also very challenging for the business field Diehl Metal Applications. After a very successful start into the year, orders announced by the market – in particular by the automotive sector – largely failed to materialize as of the second quarter. Fast capacity adjustments ensured that the course of business quickly stabilized despite a slight decline in sales and that important projects could be won. Furthermore, three new construction lines were set up which will take up series production in the current year, and a new galvanic system was procured. Especially the growth business sensor technology developed very well.

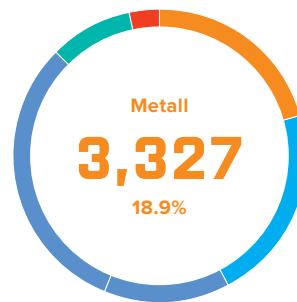
In FY 2019, the former ZIMK Zehdenick Innovative Metall- und Kunststofftechnik GmbH (Berlin) changed its name to Diehl Advanced Mobility GmbH. The company is an important development partner of the automotive industry, manufacturing innovative products for hybrid and electric

## DIEHL METALL SALES (in MILLION EUROS)



Controls	Defence	Aviation	Metering	Other
489	516	1,488	333	10
13.5%	14.2%	41.0%	9.2%	0.3%

## EMPLOYEES AT DIEHL METALL



Controls	Defence	Aviation	Metering	Other
3,606	2,666	5,690	1,700	568
20.5%	15.3%	32.5%	9.6%	3.2%

cars. In the year under review, the company was able to benefit from the lasting growth trend in the electromobility field and won important new projects for the next generations of electric vehicles of a large OEM. A strategic investment in the two-digit million Euro range ensures the related series start-up. Against this positive background, Diehl Advanced Mobility was able to exceed the target by far in the year under review. In FY 2019, development in the rolled products business field was dissatisfying. The market for rolled products made of non-ferrous metals turned out to be increasingly difficult due to lack of perspectives.

The current outlook for Diehl Metall continues to be bleak because of the difficult framework conditions. The corporate division is concentrating its forces on business realignment and innovative development solutions. The range of products and technologies especially for alternative drive units is to be extended so as to actively take part in the shaping of the change of the automotive industry and thus to achieve again continuous sales and income growth in the corporate division.





The Controls Corporate Division could not continue its growth path in the traditional business segment of household appliances. This is mainly due to the decline in new orders in the Chinese market as a result of the local economic downturn and also the uncertainty among consumers because of the ongoing trade dispute between the United States and China. The downturn in the second half of 2018 also continued to last in the first months of 2019; from the beginning of the second half of 2019 not only China but also Europe saw positive signs again. Most large suppliers in the market were affected by the downturn in demand and thus, of course, ancillary suppliers throughout the world.

A positive aspect is that the shortage of specific electronic components prevailing on the world markets did not continue in the year under review. In the previous year, this serious situation at Controls had still caused considerable additional costs and partly led to delivery bottlenecks at Controls. This easing of the situation is accounted for by both the downturn in the worldwide automotive market and capacity expansions at relevant manufacturers. At the beginning of the year, it was to be expected that a shortage of components will no longer have an impact on the business in the foreseeable future. However, the question whether Asian component manufacturers are able to deliver arises again in view of the Corona Crisis. The market for heat pumps continues to develop favorably, especially in Germany; this is mainly influenced by the ongoing boom in the building sector.

# WE ENSURE INNOVATION.

„No matter if it is about joint developments or participating in ongoing projects: With us, as partner on your side, you will manage to cross the finishing line with your project possessing function and quality you wished for.“

Christiane Prinz, Controlling Manager Diehl AKO & Head of Finance & Controlling DCS



Robert Horn, Cloud Solutions & Operations Manager,  
Diehl Connectivity Solutions, Wangen location

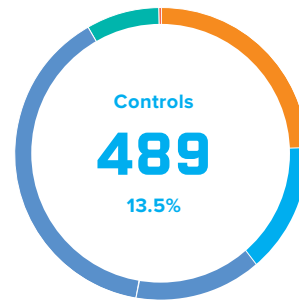
The three regional units Appliance Europa with the companies Diehl AKO and Diehl Polska, Appliance Asia (Diehl Controls Nanjing) and Appliance Americas are affected by the downturn in demand from large customers in Europe, Asia (China) and America. The lack of orders from all three regions at the same time led to a significant decline in sales at Diehl Controls. Although the number of employees in the regions was adjusted within the bounds of possibility, the decline could only be compensated for to a limited extent Diehl Controls business is primarily about customer-specific application developments for electronic controls for stoves, cooktops, washing machines, dryers, dishwashers and refrigerators for the latest appliance generations of the international white goods industry. Communication modules, IoT solutions as well as drive controls for heating and ventilation systems become increasingly important for the overall business.

The segment of professional appliances saw a positive trend. In FY 2019, some orders received from a renowned manufacturer of commercial washing machines in the U.S. in 2018 could be transferred to series production. Development of the new strategic „Drive Solutions“ field dealing with drive controls for brushless motors for air-to-water heat pumps was also positive. Air-to-water heat pumps are sought-after alternatives for cost-favorable and environmentally friendly heating in both new and old buildings. They can be retrofitted quickly and without great effort and require only little space. Business with such control systems provides great potential and is increasingly gaining momentum. The field of air conditioning also developed positively as an important new customer for frequency converters could be won.

In the year under review, Diehl Connectivity Solutions (DCS) realigned its activities as business with innovative solutions for private solar-power consumption optimization fell considerably short of expectations. In its capacity as service provider, the company focuses on networking devices for small and medium-sized companies to transfer data in a safe, standardized and wireless manner to the IT systems of customers where they are analyzed and evaluated under the customer's control. In the past months, new customers from various different industrial sectors could be won.

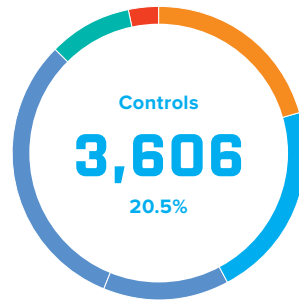
It is not yet foreseeable how the trade dispute between the United States and China will develop and what repercussions the Corona Virus will have on worldwide economic development. Due to global supply chains, all regions might be affected by the negative impacts. To be able to initiate countermeasures on the cost side in due time, Diehl Controls closely monitors developments at key customers as well as the course of their delivery call-offs. The corporate division expects a noticeable market recovery. Various different new projects starting in 2020 also hold out the prospect for further sales growth, which applies for all regions.

## DIEHL CONTROLS SALES (in MILLION EUROS)



Metall	Defence	Aviation	Metering	Other
793	516	1,488	333	10
21.8%	14.2%	41.0%	9.2%	0.3%

## EMPLOYEES AT DIEHL CONTROLS



Metall	Defence	Aviation	Metering	Other
3,327	2,666	5,690	1,700	568
18.9%	15.3%	32.5%	9.6%	3.2%



# WORLD CLASS FROM EUROPE.

„During operations, soldiers must rely on equipment appropriate to the operation, as their services are performed with a high level of personal commitment.“

Simone Rütter, Production Engineering,  
Diehl Defence Überlingen

In FY 2019, Diehl Defence succeeded in significantly expanding its defence business. After years of stabilization, the continued growth path ensures development and production capacity utilization at the corporate division's locations. Sales and income could be notably increased despite delays in national procurement programs and declines in export business. In view of the high order backlog, new jobs were created and corresponding vacancies were filled. This will also continue in the current year. Investments focused on the expansion of manufacturing and integration facilities.

The development of the European defence industry is predominantly characterized by basic security policy conditions. European Armed Forces, for instance, continue to be engaged in missions abroad as part of regional crisis and conflict management and, in addition, the security situation in Eastern Europe forces the NATO to further strengthen its national and allied defence capabilities. The willingness of European allies to assume more responsibility is reflected, among others, by growing defence budgets and an increasing number of procurement projects, especially in Scandinavia and Eastern Europe. The German government intends to satisfy the NATO's demand for increasing defence budgets to two percent of the gross domestic product over the next ten years, which will lead to solid growth in the national market. The German government's strict export policy continues to impose limits on the industry and has negative impacts on the competitive and cooperative abilities of the German security and defence industry.



Dr. Joachim Barenz, in charge of infrared seeker development at Diehl Defence, Überlingen

The further increase in the order backlog secures the high-tech company Diehl Defence & Co. KG the perspective of a long-term capacity utilization in its core business segments of guided missiles and ammunition. Follow-up orders placed by the Bundeswehr in the MELLIS program as well as basic agreements for ammunition stockpiling have made major contributions. Moreover, in Scandinavia the company was successful with the modern naval ammunition MIND. The ground-based air defence product group also achieved another export success for the short-range air defence system IRIS-T SLS in Europe and simultaneously completed an order placed by Sweden. In the field of self-protection / laser-based protection systems, series preparation for the missile defence system DIRCM (Directed Infrared Counter Measure) of the A400M military transporter was

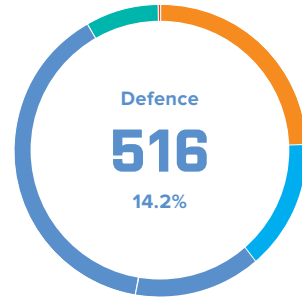
ordered by the German Air Force. Recent successes in the further development of seeker technology for combat power enhancement in the transatlantic program RAM (Rolling Airframe Missile) as well as the further development initiative for the high-tech effector IRIS-T and participation in the first FCAS concept studies in the context of the German FCMS (Future Combat Mission System) consortium contribute to securing the company's guided-missile business. The qualification of the German-Italian VULCANO guided ammunition was successfully completed in Italy and qualification by the German customer is expected soon. Based on the product groups SMARt (submunition artillery) and MLRS/GMLRS (artillery rockets), the company participates in further developing the Bundeswehr's long-range engagement capabilities.

Together with its French subsidiary Junghans T2M SAS, Junghans Microtec GmbH is a leading supplier of high-tech fuzes in Europe and international markets. The company offers a comprehensive portfolio of mechanical and electronic fuzes as well as safe/arm units for rockets, guided missiles, ammunition and torpedoes. JUNGHANS Defence products play a decisive role in the safe handling of ammunition and warheads and are crucial for target impact effectiveness. European export demand could compensate for delays of national orders. All in all, the business has developed positively with increased sales and income. The total number of employees remained stable. In both companies, self-financed R&D expenses secure the competitive position on global markets.

With increases in sales and income, AIM Infrarot-Module GmbH, a leading component supplier of thermal imagers and seeker heads, continued its growth path. The company persistently continued its development activities in all product areas to secure its international competitive position. Self-financed and externally financed expenses for R&D were distinctly above the previous year's level. Besides these projects, the supply of infrared modules, coolers and thermal imagers represent the main pillars of business. Moreover, the company has successfully established itself in the space-based applications market with its infrared technology. Stable growth was accompanied by a moderate personnel increase. The focus of investment activities was on expansions, rationalization and replacement.

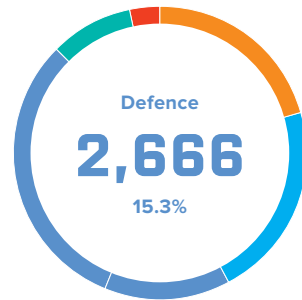
As part of an economically strong, independent and family-owned technology group, the Defence Corporate Division contributes to the national security and defence precautions. In the year under review, the sustainable strategy of product-specific cooperations with selected strong partners once again proved successful. Also of importance was that major market shares in core business could be expanded and consolidated. Diehl Defence expects to continue the positive development in the current year as well.

## DIEHL DEFENCE SALES (in MILLION EUROS)



Metal	Controls	Aviation	Metering	Other
793	489	1,488	333	10
21.8%	13.5%	41.0%	9.2%	0.3%

## EMPLOYEES AT DIEHL DEFENCE



Metal	Controls	Aviation	Metering	Other
3,327	3,606	5,690	1,700	568
18.9%	20.5%	32.5%	9.6%	3.2%







# CABIN EQUIPMENT AS ONE STOP SERVICE.

„The fact that all retrofit activities are integrated into one organizational unit allows Diehl to offer comprehensive product and service packages or: to jointly develop innovative solutions with the customer.“

Tobias Seethaler, Team Leader Logistics and Quality Management,  
Diehl Aviation, Gilching

In the year under review, sales stabilized, as forecast, in the Aviation Corporate Division slightly above previous year's level. Aviation's income development remained stable, despite a significant decline which was mainly caused by an unfavorable Dollar exchange rate. The decline in business growth is attributable to various factors among which declining rates in some Airbus programs that are important for Aviation are most relevant. As expected, the announcement of Airbus to completely stop the delivery of newly constructed A380 aircraft in 2020, after years of declining production rates, could only be partly compensated for by the run-up of other projects in the year under review. By contrast, the corporate division was not affected by suspended deliveries of Boeing 737 MAX because no line-fit components are delivered for this program.

Enhanced cooperation between Diehl Aviation and Lufthansa Technik through the joint „Skypax“ product, a combined retrofit solution including galleys and lavatories, has developed favorably since 2018. After delivery start at the end of 2018, the number of delivered „Skypax“ shipsets could be increased strongly in 2019. This is a new type of cabin monument for optimum space utilization thanks to a combined galley and lavatory arrangement at the rear end of the aircraft. In this way, more space is available for additional passenger seats in the aircraft and the reduction in weight has, in addition, a positive effect on kerosene consumption.



The global presence of Diehl Aviation was further improved by the establishment of a new location in Charleston, South Carolina (USA). In the context of the on-site support network (OSS), additional services are now provided for the OEM customer Boeing which is running a final assembly line for the 787 program there. The OSS represents a smooth interface between the supplier's production locations and final assembly of the aircraft manufacturer. The local engineering and support center (ESC) at the corporate division's Hungarian location Debrecen was opened in the presence of the Hungarian foreign minister. Currently, more than one hundred employees are supporting the corporate division in the fields of engineering, administration, program management, customer service

and purchasing. Together with the production location Nyírbátor, more than 800 people were employed at Diehl Aviation Hungary Kft. at the end of 2019. In the year under review, the OSS location in Toulouse, France, moved to a new property, thus optimizing its services for Airbus final assemblies with 170 employees.

In FY 2019, the Hamburg location made a significant progress toward the planned reorganization: Together with the IG Metall labor union and the works council of Diehl Aviation Hamburg GmbH, a collective social agreement and further works agreements covering essential topics were concluded. Hence, the foundation was laid for running the location as a successful and sustainable commercial company. By 2024,

the Hamburg workforce will be reduced, however not below the total number of 700 Diehl employees.

Meanwhile, the product innovation segment is playing an increasingly important role for the company's future organization. In accordance with the customer focus guiding principle, many projects put the focus not only on the users – „airline“ as well as „flight and maintenance crew“ – but also on the end customer, the „passenger“. One highlight of the cooperation with the customer Boeing in the year under review was the joint presentation of the research platform „ecoDemonstrator“ at Frankfurt Airport during which smart cabin monuments, Diehl's so-called eSmartGalley, networks

for airborne solutions and „predictive maintenance“ solutions were tested on a Boeing 777 with several partners.

In 2019, the course was set for the Future Combat Air System (FCAS) in the market for military products. FCAS has the potential to become one of the most important European security and defence projects of in the 21st century in the context of which Germany as a technology location will be able to expand its capabilities in military aircraft construction. As first joint studies with the participation of Diehl Aviation were commissioned in 2019, the multi-year demonstration phase is expected to begin in 2020.

Initially, Diehl Aviation expected continued sales stabilization for the current year. In view of the worldwide collapse in air traffic and the production stop at the large manufacturers, it now depends on how fast business will largely normalize again. However, it is obvious that Corona will leave a noticeable trace in Diehl Aviation sales and income and all those persons engaged in this sector will take years to reach the pre-crisis level again.

## DIEHL AVIATION SALES (in MILLION EUROS)



## EMPLOYEES AT DIEHL AVIATION





# WE PAVE THE WAY FOR DIGITIZATION WITH FUTURE-ORI- ENTED SOLUTIONS.

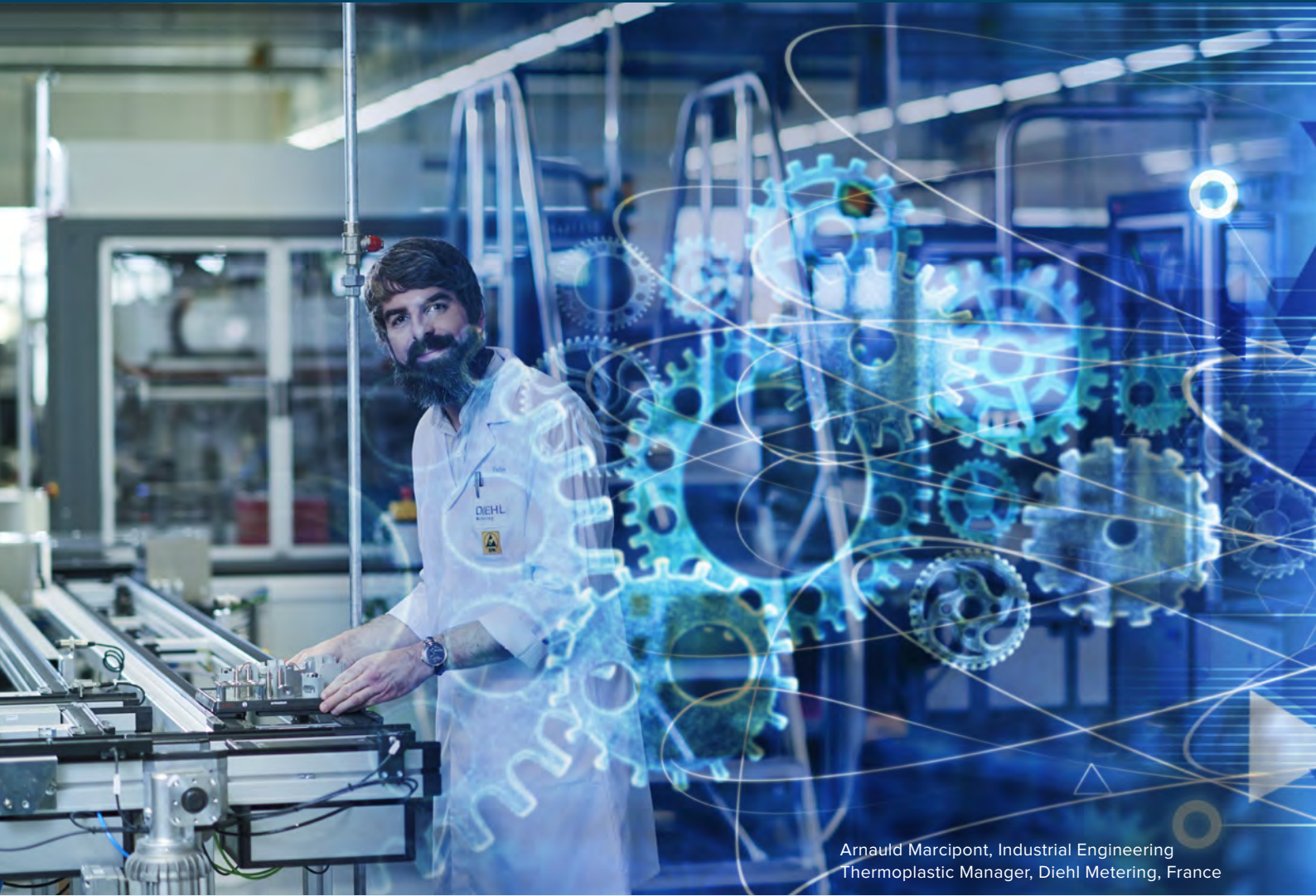
„We develop tailored solutions for the challenges of international markets. Hence, we provide every customer with an individual solution that effectively helps him.“

Dr.-Ing. Christoph Sosna, VP Corporate Innovation Management & NEO, Diehl Metering in Nürnberg



In the reporting period, the Metering Corporate Division continued the previous year's growth path. Sales expectations could even be exceeded. The rise in sales was due, above all, to the increased trend toward remote readout of consumption data. In the long-term perspective, a key factor for further sales development will be to continue to develop and expand the company's data-based business models to enhance the strategic orientation toward becoming a solution provider and to establish the business segment in the markets.

Thanks to a restructuring of the organization at the beginning of FY 2019, Diehl Metering succeeded in further improving the company's customer orientation, placing even more emphasis on the global orientation of activities. In the production field, this included the successful transfer of activities to other locations, further expansion of production capacities and improved global networking. Especially the continuous expansion of the cooperation network enables Diehl Metering to respond more and more specifically to changing customer needs. Besides further cooperations entered into the year under review, a longstanding technology partnership with the Fraunhofer Society was intensified in 2019.



Arnould Marcipont, Industrial Engineering  
Thermoplastic Manager, Diehl Metering, France

Here, the focus is on further development of radio systems and the establishment of the promising MIOTY (low-power, wide-area network) technology featuring long range, high energy efficiency, high interference resistance and scalability. This technology is a networking concept with the focus on large network coverage and low energy consumption. It represents a new worldwide standard not only restricted to metering applications. With the foundation of a „MIOTY“ Alliance, leading research and industrial companies now cooperate on this new technology for the Internet of Things. In this way, Diehl Metering aims at opening up new market opportunities in the digital field and at expanding the established core business by providing new offers such as non-revenue water as a service. In the year under review, the introduction of an integrated management system for a group-wide ISO and MID certification was also of great importance.

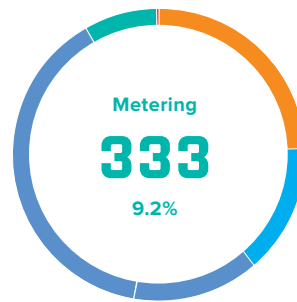
When looking at customer segments, sales growth in FY 2019 focused on the water and energy segment. This is largely accounted for by constant high customer demand in the Middle East as well as continuously increasing market success in the U.S. in the water segment. In addition to innovative meters based on ultrasonic technology with integrated radio technology, especially high-quality mechanical water meters which can be read remotely by means of a radio adapter module were in demand. In the energy customer segment, the market position in Central and Eastern Europe was further expanded, a development which was especially driven by business success in sub-metering and thermal energy fields as well as encouraging demand for radio modules for gas meters. In addition to mechanical gas meters which can be read out remotely with the help of own radio technology, static gas meters are also part of the product range. Integrated communication

## METERING

enables data readout by radio or M-Bus. Standardized data exchange allows readout of water, heat/cold, gas and electricity consumption on the same system platform. Consistent and successful further development from a meter producer to a solution provider is very decisive for a positive business development, especially in the energy field.

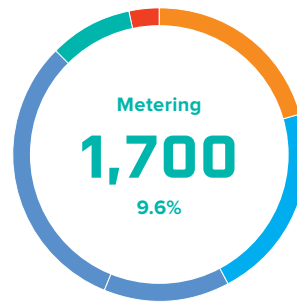
To achieve the strategic goals set, Diehl Metering counts on further expansion of the cooperation network and increased business globalization while also consistently pursuing its innovation and technology offensive. Here the focus continues to be on the further development of ultrasonic measurement technology, radio systems as well as related software and services. Against the background of a sustainable handling of increasingly scarce resources as well as digitization and urbanization effects, Diehl Metering considers itself well-positioned with its range of products and services. This is why Diehl Metering expects further increase in sales for 2020, even if only to a limited extent, as far as the Corona Crisis will not have any negative effects. First and foremost the Middle East region which made a large sales contribution in 2019 will presumably show a downward trend. Growth is particularly expected in North and Latin America business.

### DIEHL METERING SALES (in MILLION EUROS)



Metall	Controls	Defence	Aviation	Other
793	489	516	1,488	10
21.8%	13.5%	14.2%	41.0%	0.3%

### EMPLOYEES AT DIEHL METERING



Metall	Controls	Defence	Aviation	Other
3,327	3,606	2,666	5,690	568
18.9%	20.5%	15.3%	32.5%	3.2%



## Opportunities, risks and outlook

All essential forecasts with regard to further economic development in Germany, Europe and worldwide indicate a significant decline as a result of the Corona Crisis. Opinions differ, however, on how severe it will be and how long it will last. The German government's most important economic advisory body reckons with a decline between 2.8% and 5.4% (source: special report by the board of experts). This is an indicative of a serious decline, which would not be so easy to cope with in the case of large-scale production shutdowns over a longer period of time. After all, the economic experts subsequently expect a real race to catch up which may additionally be driven by a possible major investment program initiated by the government. The Diehl Group will also be affected by the course of the crisis. Especially the further development of air traffic is a decisive factor for Diehl. Since, at the peak of the crisis, almost the entire worldwide air traffic came to a standstill and the large aircraft manufacturers massively reduced or partly shut down their produc-

tion, Diehl Aviation's business is significantly dependent on the extent and the speed of the medium term run-up in global aircraft production. In view of the difficult framework conditions, the Metall division's outlook also remains bleak because it is not yet foreseeable at what level automotive production will restart again after the Corona Crisis. As has often been the case, the company's orientation as a conglomerate will probably have a stabilizing effect in the current year as well, although it will not save Diehl from economic fluctuations, especially in the case of global pandemics. We have no experience with such a situation. The risk management implemented in the Diehl Group on the basis of the management information system allows risks of an economic nature to be recognized and assessed in good time so that countermeasures can be taken promptly. The Corona Crisis will especially influence the Diehl Group's liquidity. However, the high level of liquidity as well as available long-term credit lines from the syndicated loan agreement secure the Group's financing.



Apart from the risks arising from the Corona Crisis, the Group's fields of business show a number of peculiarities:

Traditionally, about half of the business volume in the Metall Corporate Division depends on the market prices for copper and zinc. High volatility leads to fluctuations in sales, without any effect on the employment situation though. Therefore, sales forecasts are generally difficult to make for Diehl Metall. Especially if further large uncertainties arise from the complex basic conditions for the metal industry and the changes in the global automotive market. From the further increase of the electricity price which proves to be disadvantageous for the German locations, to global trade disputes to the technological change towards climate-friendly drive systems. However, a positive aspect is that metal alloys will also be indispensable in electric vehicles in the future. Diehl therefore continues to rely on this versatile and proven material for which new areas of application will also be found in technological change.

This pressure is increased even further by consolidations with the white goods industry in the Controls segment. Consolidations in the field of international household appliance manufacturers even increase this pressure further. Acknowledged expertise in the development of new control systems and fast response times thanks to an international manufacturing network will allow Diehl Controls to stay a sought-after and competitive partner for OEMs in the future and to become one for new customers outside the household appliance

industry (extend the core). Despite the current economic weakness, the Chinese market remains interesting because high demand is to be expected there in the medium and long term in view of the basic conditions existing there.

After years of dwindling defence budgets and in view of worldwide trouble spots and tensions, the German government has recently decided to provide the Bundeswehr with more money for fulfilling its tasks. Thus, the NATO requirement for increasing the defence budget to 2 percent of the gross domestic product is to be fulfilled over the next ten years. However, the Corona aids may reduce the defence budget and consequently the positive defence business prospects. Diehl has been a reliable and successful partner of the Bundeswehr since its foundation and knows the troop's needs very well. The range of capabilities of Diehl Defence has for years been aligned to modern mission scenarios as well as national and alliance defence. This does not only apply to procurement projects but also to development shares in international cooperation projects.

According to the German Aerospace Center (DLR), even before the Corona Crisis there were signs of a slowdown after years of unrestrained growth in worldwide air traffic including a higher number of flights, passengers and flight connections. The DLR believed the global growth might decline to only 1.5% and even predicted negative growth trends for Germany.

And that development is likely to be even aggravated by the current crisis. As a result, the cost pressure will continue to rise in the sector, especially on medium-sized and small suppliers, including Diehl Aviation. German suppliers do not yet feel all effects of the Corona Crisis completely but the aviation business will be changed substan-

tially. Growth in air traffic has been stopped and slowed down permanently. In addition, supply business with the international aviation industry is invoiced almost exclusively in dollars. This leads to a considerable influence of the dollar exchange rate on sales volume and earnings. The Corporate Treasury Department of Diehl Stiftung & Co. KG ensures that risk is reduced according to a defined strategy.

In the course of the energy turnaround pursued worldwide, the system of energy generation and consumption is getting more and more complex. It is no longer about simply recording consumption but about conscious and efficient handling. For this purpose, intelligent measurement systems and modern measuring devices are needed, providing the prerequisites for integration of volatile renewable energies into the power grid. This is why Diehl Metering sees itself in a growing market which is still characterized by high attractiveness. Due to enhanced internationalization and continuous expansion of the cooperation network, the corporate division focuses on responding even more specifically to changing customer needs.

In the months to come, Diehl will focus on various scenarios in order to be prepared for post-Corona times. The Corona Crisis causes a noticeable drop in sales. The instrument of short-time work will accompany the Group until the end of the year 2020. Short-time work is not only intended to preserve jobs but also to mitigate the economic downturn. Digitization is an important keyword which will continue to gain importance for the Diehl Group: video conferences, home office and online product presentations will not only be an interim solution but will become an integral part of the company's culture. In post-Corona times, some uncertainty will remain among most customers. Diehl will have to adapt itself to this in the various sectors it is engaged in. Digitization, transparent communication within the Corporate Group and vis-a-vis the markets as well as customers and suppliers are important factors to overcome the economic impacts caused by the Corona Crisis.

Thanks to the established risk management system, existing risks in the corporate divisions are regarded as low from the Diehl Group's perspective, with the exception of the risks caused by the Corona Virus. The impacts of the virus on the global economy will noticeably impair the Diehl Group's development as well as the whole German economy. The Diehl Group will have to further develop its positioning as a community of opportunities and risks under basic conditions still unknown to us. The Diehl Group will therefore record a significant decline in sales together with notably lower income in 2020.

Nürnberg, April 15, 2020

Diehl Verwaltungs-Stiftung

Dr. Karl Tragl  
Wolfgang Weggen  
Dr. Christof Bosbach  
Helmut Rauch  
Dr. Heinrich Schunk  
Dr. Martin Sommer  
Rainer von Borstel





As of the balance sheet date, December 31, 2019, the Diehl Group employed a total of 17,557 people at its worldwide locations. A comparison with the previous year (17,298) shows an increase of 259 employees (1.5%). A significant rise in the number of employees was recorded, in particular, at the Aviation (210) and Defence (157) Corporate Divisions, a decline at the Metal (141) Corporate Division. Growth was also seen at the German locations where 12,022 people were employed on the balance sheet date (11,882 in the previous year). The domestic rate also increased slightly to 68.5%.

Despite the decline in economic activity, the situation in the German labor market has not yet eased. Thus, Diehl sees itself confronted with constant challenges in the search for suited specialized and executive staff. Diehl therefore relies on its own qualified dual vocational training within the Group as a proven basis for securing the next generation of employees in the field of specialist personnel and young graduates. As in previous years, the number of junior staff hired remained at a consistently high level with 462 apprentices (2018: 468), 431 (438) of them in Germany. At a total of 14 training locations in Germany, the apprentices complete their training in 25 recognized training occupations together with 75 junior employees who undergo a dual course of studies in 12 different fields of study, combining study as well as practical in-depth training phases at our locations. In addition, 15 prospective specialists from other companies are trained at our Diehl training centers, acquiring the necessary basic and technical skills of their training occupation that cannot be offered by the respective associated partner.

Diehl continues to give young people from crisis regions the chance to get qualified vocational training with subsequent employment in the Group in order to enable them to integrate optimally into society. To this end, seven young refugees from Afghanistan, Iraq and Syria are currently undergoing vocational training. Within the scope of diverse Diehl training marketing activities, initial contacts with students are usually made at training fairs, but also at related events at regional schools or directly at events in the company itself, such as parents' evenings, project days or an open day. Throughout Germany, around 250 students are invited to the sites each year to gain an interesting insight into the world of work and the training occupations offered by Diehl as part of a one-week trial internship. In order to also get young women interested in technical professions, Diehl has been involved in the "Girls' Day" and the "Girls for Technology Camp" educational initiative of the Bildungswerk der Bayerischen Wirtschaft e. V. (Educational Institute of the Bavarian Industry) for many years. Besides traditio-

nal marketing measures, the vocational training department also uses social networks and promotes training and study opportunities via various social media channels.

The continued lively interest in the demanding and varied internships Diehl offers students in order to give them an insight into operational processes and career opportunities at Diehl is a delight. If desired, the cooperation with students can be further intensified in the context of project-oriented seminar papers, bachelor or master theses. Applications can be submitted via the E-recruiting system.

The topic of specialized and executive staff and their qualification is of particular importance for Diehl. Numerous measures are offered for professional and personal advancement for this group of people. Whether employees with required potential for higher-level duties, junior staff or experts – the scope of on-the-job and off-the-job qualification opportunities at Diehl is extensive and constantly extended.

As a competing family-owned company, Diehl recruits exclusively on the basis of the relevant qualifications. In accordance with legal requirements, the proportion of women does not fall short of the already achieved quota.

At Diehl, it is a tradition that employees and executive staff stick together on all levels even more in challenging times such as the current Corona Crisis. Relying on this, in April, the Corporate Supervisory Board addressed all employees for the first time to ask for every individual's assistance.

Diehl's success is based on the commitment and inventiveness of its employees. Diehl's customers and partners especially appreciate their impressive joint performance. The Executive Board would like to expressly thank all employees for this. We also want to thank the employees' representatives for their always objective and constructive cooperation also in case of difficult factual issues, allowing us to achieve viable and future-oriented solutions.



Martin Link, Development Engineer at Diehl Defence, Überlingen.



For many years, it has been Diehl's philosophy that all activities undertaken in the company comply with the principles of a foresighted and sustainable company culture. Hence, the proven management systems have been designed so that the responsible use of all natural resources is in harmony with entrepreneurial success. The company is currently identifying and making transparent different aspects of sustainability at all corporate divisions to be able to derive target corridors, e.g. for further reducing CO2 emissions. So, the current CO2 footprint is measured at all corporate divisions and offers for alternative mobility services for employees are solicited.

As in past years, efforts again focused on various measures to improve energy efficiency in the year under review. Considerable energy savings were, for instance, achieved in the course of necessary building alterations or selective improvements at practically all locations at home and abroad. The Nürnberg headquarters do not only dispose of a new gas heating but also of a block heat and power

plant which provides heat for the heating systems, simultaneously generating about one third of the electricity requirements in an environmentally friendly manner. The Controls location in Wangen was also able to achieve a noticeable CO2 reduction thanks to the installation of frequency-controlled motors and the conversion to gas. This also applies, in different ways, for the Defence and Aviation locations.

Another focal point of the activities was the further reduction of the waste generated in production. 70 tons of plastic waste could be avoided alone through the reuse of thermoplastic scrap at the Aviation location in Laupheim. At the Aviation site in Frankfurt, a new concept of waste separation made it possible to increase the respective quota from about 50 percent to approximately 80 percent. In many places, considerable savings were also achieved in the field of water, for example at Diehl SynchroTec in Wuxi where the location's obsolete drainage system was renewed, or at Diehl do Brasil where toilets are no longer flushed with drinking water but with rainwater collected. It is also notable that

employees at almost all locations contribute creative ideas, e.g. to avoid plastic drinking cups at coffee machines. This also shows that issues such as environmental protection and sustainability are regarded as an important task throughout all hierarchical levels at Diehl.



For more than thirty years, the activities of the charitable Karl Diehl Foundation for People in Need have been recognized and appreciated in the Nürnberg network of good cooperation between local authorities, dioceses, administrative region and public welfare. Since its establishment in 1987, the Karl Diehl Foundation helped more than 14,500 people – often their families as well – and supported them in difficult situations. Specific assistance in emergency

situations in which no state or other public charitable institution feels responsible for – for whatever reason. The Foundation has spent approximately € 4.7 million for people in need since its establishment.

The Irmgard Diehl Children's Foundation is another important institution in the network of social help whose assistance is targeted at abused, traumatized, socially disadvantaged, sick and handi-

capped children and young people from Central Franconia, Upper Franconia, and Swabia. In cooperation with about twenty social institutions, funding is provided above all for treatments in the medical/therapeutic sector, in particular treatment methods with horses, dogs, and dolphins, the costs of which are usually not covered by health insurers.

For decades, the Diehl company and family have supported the impressive commitment of Nürnberg's Old-Town Friends who have set themselves the task of preserving and reconstructing precious architectural objects of the former free imperial city. Nürnberg's Pellerhof building has been their largest project until now. The once world-famous Renaissance courtyard in the heart of the old town has been resurrected from the ruins, thus regaining its beauty thanks to the considerable support from Karl Diehl and his son Werner Diehl.





**Consolidated Financial Statements as of  
December 31, 2019**

# CONSOLIDATED BALANCE SHEET OF DIEHL VERWALTUNGS-STIFTUNG AS OF DEC. 31, 2019

(in K€)

## ASSETS

	Dec. 31, 2019	Dec. 31, 2018
<b>A. Fixed assets</b>		
I. Intangible assets	23,911	22,815
II. Tangible assets	562,916	545,479
III. Financial assets	16,572	14,182
	<b>603,399</b>	<b>582,476</b>
<b>B. Current assets</b>		
I. Inventories		
1. Raw materials and supplies	299,011	312,653
2. Work in process	418,205	430,262
3. Finished goods and merchandise	156,306	162,961
4. Advance payments	89,662	84,931
5. Advance payments received	- 253,460	- 265,880
	<b>709,724</b>	<b>724,927</b>
II. Receivables and other assets		
1. Trade receivables	452,264	429,002
2. Receivables due from affiliated companies	7	3
3. Receivables due from companies in which participations are held	47,069	103,346
4. Other assets	71,272	96,112
	<b>570,612</b>	<b>628,463</b>
III. Securities		
Trade securities	2,825	1,291
IV. Cash, bank balances and checks	407,160	377,156
	<b>1,690,321</b>	<b>1,731,837</b>
<b>C. Prepaid expenses</b>	<b>7,935</b>	<b>6,745</b>
<b>D. Deferred tax assets</b>	<b>142,002</b>	<b>112,475</b>
<b>E. Excess of plan assets over pension liabilities and similar obligations</b>	<b>65</b>	<b>321</b>
	<b>2,443,722</b>	<b>2,433,854</b>



# CONSOLIDATED INCOME STATEMENT OF DIEHL VERWALTUNGSSTIFTUNG FOR THE PERIOD JAN. 1 TO DEC. 31, 2019

(in K€)

	2019	2018
1. Sales	3,628,520	3,693,515
2. Increase in finished goods and work in process	4,196	13,833
3. Capitalized services and material	10,645	10,565
4. Other operating income	138,900	110,550
5. Cost of materials and services :		
a) Cost of raw materials, supplies and purchased goods	- 1,674,291	- 1,738,600
b) Cost of purchased services	- 262,833	- 243,251
	- 1,937,124	- 1,981,851
6. Personnel expenses :		
a) Wages and salaries	- 895,547	- 857,372
b) Social security and pensions costs	- 177,352	- 173,640
– <i>thereof for pensions :</i>	- 10,945	- 16,247
	- 1,072,899	- 1,031,012
7. Amortization and depreciation		
a) On intangible assets and tangible assets	- 99,602	- 91,964
b) Unusual amortization and depreciation on current assets	- 32,400	0
	- 132,002	- 91,964
8. Other operating expenses	- 520,193	- 508,424
9. Income from investments	193	351
– <i>thereof from affiliated companies :</i>	93	98
10. Income from investments in associated companies	1,149	- 282
11. Other interest and similar income	5,904	3,647
– <i>thereof from affiliated companies :</i>	24	21
12. Write-down of financial assets and current securities	- 3	- 2
13. Interest and similar expenses	- 84,835	- 83,018
– <i>thereof to affiliated companies :</i>	- 1	- 1
14. Income tax	- 27,975	- 68,597
– <i>thereof deferred taxes :</i>	26,297	7,738
<b>15. Earnings after tax</b>	<b>14,476</b>	<b>67,311</b>
<b>16. Net income for the year</b>	<b>14,476</b>	<b>67,311</b>
– <i>thereof part of other shareholders :</i>	14,454	67,298

# CONSOLIDATED CASH FLOW STATEMENT OF DIEHL VERWALTUNGSSTIFTUNG FOR THE PERIOD JAN. 1 TO DEC. 31, 2019

(in K€)

	2019	2018
Net income	14,476	67,311
Adjustment to reconcile net income between exchange rate as of 12/31/2019 and yearly average exchange rate	– 188	60
Depreciations / write-ups on fixed assets	99,611	92,891
Decrease / increase in accruals and provisions	– 15,150	9,425
Other non-cash expenses	– 6,264	– 4,773
Gains on disposals of assets related to investing activities	– 12,734	– 294
Decrease / increase in inventories, trade receivables and other assets	43,605	– 153,861
Decrease / increase in trade payables and other liabilities	– 29,894	135,660
Interest expenses / interest income	78,931	79,371
Other investment earnings	– 1,244	– 1,231
Income tax expenses	54,223	76,335
Income tax payments	– 41,136	– 68,211
Income from grants	– 11,349	– 10,861
<b>Cash flow from operating activities</b>	<b>172,887</b>	<b>221,822</b>
Disposals of tangible and intangible assets	20,737	5,171
Purchase of tangible and intangible assets	– 122,635	– 118,433
Acquisition of / disposals of financial assets	– 554	– 1,988
Cash outflow from financial assets from short-term financial management	– 1,534	– 36
Interest received	1,900	1,976
Dividends received	1,244	1,231
<b>Cash flow from investing activities</b>	<b>– 100,842</b>	<b>– 112,079</b>
Dividends paid to shareholders	– 55,762	– 46,236
Decrease of bank liabilities and other financial liabilities	– 21,472	– 28,923
Increase of bank liabilities and other financial liabilities	36,599	23,246
Payments from grants	11,349	10,861
Interest paid	– 14,313	– 16,277
<b>Cash flow from financing activities</b>	<b>– 43,599</b>	<b>– 57,329</b>
<b>Change in cash and cash equivalents</b>	<b>28,446</b>	<b>52,414</b>
Effect of changes in exchange rates, changes in Group structure and changes due to valuations	– 779	423
<b>Cash and cash equivalents at beginning of period</b>	<b>356,689</b>	<b>303,852</b>
<b>Cash and cash equivalents at end of period</b>	<b>384,356</b>	<b>356,689</b>
<i>Cash and cash equivalents have been reduced by € 22.8 million (12/31/2018: € 20.4 million) of current liabilities due to banks and other short-term financial liabilities.</i>		

**STATEMENT  
OF CHANGES IN CONSOLIDATED EQUITY  
OF DIEHL VERWALTUNGS-STIFTUNG**

	Equity of parent company				Capital of Non-controlling interests before net income
	Capital stock	Reserves	Retained earnings brought forward	Equity of parent company	
(in K€)					
<b>As of Dec. 31, 2018</b>	<b>511</b>	<b>185</b>	<b>1,642</b>	<b>2,338</b>	<b>696,786</b>
Allocation to reserve		10	– 10		11,776
Distribution of earnings					
Currency translation					695
Other changes					
Net income for the year			22	<b>22</b>	
<b>As of Dec. 31, 2019</b>	<b>511</b>	<b>195</b>	<b>1,654</b>	<b>2,360</b>	<b>709,257</b>

Non-controlling interests						Shareholders' equity
subgroup Diehl Stiftung & Co. KG		other non-controlling interests			Shares held by other share holders	
Profits / losses due to non-controlling interests	Total	Non-controlling interests before net income	Profits / losses due to non-controlling interests	Total		
	<b>696,786</b>	<b>66,746</b>		<b>66,746</b>	<b>763,532</b>	<b>765,870</b>
- 11,776						
- 11,776	<b>- 11,776</b>	- 22,922		<b>- 22,922</b>	<b>- 34,698</b>	<b>- 34,698</b>
	<b>695</b>	30		<b>30</b>	<b>725</b>	<b>725</b>
		9		<b>9</b>	<b>9</b>	<b>9</b>
- 8,520	<b>- 8,520</b>		22,974	<b>22,974</b>	<b>14,454</b>	<b>14,476</b>
<b>- 32,072</b>	<b>677,185</b>	<b>43,863</b>	<b>22,974</b>	<b>66,837</b>	<b>744,022</b>	<b>746,382</b>

## I. General remarks

Diehl Verwaltungs-Stiftung, headquartered in Nürnberg, is registered in the commercial register of the Nürnberg Local Court under number HRA 11756.

The consolidated financial statements of the Diehl Group are prepared in accordance with the consolidation rules of the German Commercial Code.

The financial statements of all companies included in the consolidated financial statements are prepared pursuant to the accounting and valuation methods valid in the Diehl Group. Accounting for foreign companies is adjusted to the uniform accounting and valuation principles where this is material to give a true and fair view of the net assets, financial position and results of operations.

## II. Basis of consolidation and associated companies

In addition to Diehl Verwaltungs-Stiftung, the consolidated financial statements include 44 domestic and 27 foreign companies, which are under direct or indirect control of Diehl Verwaltungs-Stiftung. As of fiscal year 2019, Diehl Metering ApS will no longer be included in the consolidated financial statements.

Seven domestic shareholdings were included in the consolidated financial statements as associated companies.

Due to their minor significance for a true and fair view of the group's net assets, financial position and results of operations, 9 companies were not consolidated. Based on Art. 296, Para 1, no. 1 of the German Commercial Code, two companies were not included in the corporate financial statements since their assets are limited to the respective company purpose.

An overview of share ownership and of the basis of consolidation is provided in an appendix to the notes.

## III. Consolidation principles

For companies which were included in the consolidated financial statements as fully consolidated companies on December 31, 2009, the book value method is applied for capital consolidation.

For subsidiaries which were for the first time fully consolidated in the consolidated financial statements from January 1, 2010, the revaluation method is applied for capital consolidation, with assets and debts being stated at their full fair value and the acquisition value of the shareholding offset against the group's share of the equity of the consolidated company at the time of its acquisition. The resulting difference on the assets side is shown as goodwill.

The shares in associated companies are treated in accordance with the principles of the equity method of accounting. They are stated using the book value method at the date of their acquisition.

Intercompany profits and losses, sales, expenses and income as well as receivables and payables between fully consolidated companies are eliminated. Intercompany results with associated companies are not eliminated since their influence on the Group's overall situation is of minor significance.

Deferred taxation is made for consolidation operations affecting the results whenever diverging tax expenses are expected to be compensated for in future fiscal years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2019

## IV. Accounting and valuation principles, foreign currency translation

As in previous years, the financial statements were prepared on the basis of the following accounting and valuation principles.

### 1. Fixed assets

**Acquired intangible assets** are valued at acquisition cost, less scheduled or non-scheduled amortization. Normally, the useful life is 3 years, unless a different period is appropriate, e.g. due to the validity period of rights of use. A capitalized goodwill is amortized over a maximum period of 15 years.

**Tangible assets** are valued at the cost of acquisition or manufacture, less scheduled or non-scheduled depreciation. The production costs of self-constructed fixed assets also include proportional overhead expenses and depreciation in addition to direct costs. For new investments from 2010, the straight-line method of depreciation is used, for investments made before 2010 the declining-balance or straight-line method, depending on the tax opportunities. It is changed to the straight-line method when the latter results in higher depreciation amounts. Scheduled depreciation of buildings and parts of buildings is based on a useful life ranging from 3 to 50 years, depending on the extent of use. The useful life of technical equipment and machinery and that of other equipment, factory and office equipment ranges from 1 to 25 years. Low-value assets with acquisition costs of up to 800 euros are completely written off in Germany in the year of acquisition. Fixed values are defined for tools and fixtures. Extraordinary value reductions are taken into account by means of non-scheduled depreciation.

**Shares in affiliated companies and participations** are valued at cost of acquisition or at the lower applicable value.

**Shares in associated companies** are valued using the equity method of accounting, starting with the book value. As a matter of principle, this calculation is based on the audited annual financial statements made available for each of these companies.

Interest-bearing **loans** are stated at their nominal values, non-interest bearing ones at their cash values.

**Long-term marketable securities** recorded under fixed assets are valued at the cost of acquisition or at the lower applicable value.

### 2. Current assets

Under **inventories**, raw materials and supplies as well as resales are valued at lower of cost or market value.

The valuation of metal inventories at the lower of cost or market takes account of the contracted selling prices for the metal portion, if selling contracts already exist at the balance sheet date.

Work-in-process and finished goods are valued at cost. In addition to the direct cost of material and labor, proportional overheads are included.

Depreciation is made for stock and usability risks to an appropriate extent.

If at the time of preparing the balance sheet a need for devaluation is identified because costs are not covered completely by the proceeds, an appropriate markdown is made for the purpose of loss-free valuation.

Advances paid and received are stated at nominal value. Advances received are deducted from the inventories in accordance with Art. 268, para 5, sentence 2 of the German Commercial Code.

**Receivables, other assets and liquid assets** are always included in the balance sheet at their nominal value. In the case of receivables, allowances are made to appropriately cover discernible individual risks through individual value adjustments and general credit risks as well as costs of collecting receivables through general value adjustments. Interest-free receivables which will probably be received only after a period of 12 months are shown at their cash value. **Short-term marketable securities** under current assets are valued at lower of cost or market value.

### 3. Accruals / liabilities

**Accruals for pensions and similar liabilities** are actuarially valued according to the modified entry-age normal method. Calculations are based on the 2018 G mortality tables published by Prof. Dr. Klaus Heubeck. Assumptions regarding the future development of particular parameters are taken into account in the valuation. Wage and salary increases of 2.74% p.a. and a dynamic pension increase of 1.65% p.a. have been taken as a basis. An interest rate of

2.71 % p.a. as given by the German Central Bank for a remaining term of 15 years is used for the discounting of reserves.

**Tax accruals** and **other accruals** are set up to cover all contingent liabilities and discernible risks. They are stated in the amount expected to be required based on prudent commercial assessment (i.e. including future price and cost increases). Accruals with a residual term of more than 1 year are discounted. The average market rate of the past 7 years established by the German Central Bank is used for related remaining term of the accrual.

If no valuation units are formed between metal purchase contracts and the metal portion of sales contracts, these items are checked for impending losses.

All **liabilities** are stated at the amount payable.

#### 4. Foreign currency translation

The valuation date for fixed assets in foreign currencies is the day of purchase, while receivables and payables are valued on the day they accrue. Short-term assets and liabilities with a term of less than one year are converted at the average spot exchange rate on the balance sheet date. Receivables and liabilities with a remaining term of more than one year are valued according to the imparity principle, using the average spot exchange rate.

The financial statements of the consolidated foreign companies in foreign currencies are translated at the rates valid on the balance sheet date. The individual equity items are converted at historical rates, the net income at the average rate of the year.

The items of the income statement are converted at the average rate of the year. The difference between balance sheet date rate, historical rates and average rates is reported in the equity section of the corporate group Diehl Stiftung & Co. KG or in the shares of other third-party shareholders. Differences over the previous year's statement are taken into account without affecting the income.

Currency and metal-price risks are countered by a corporate-wide risk management strategy. Valuation units are created and documented in accordance with Art. 254 of the German Commercial Code. If they are hedged by forward transactions, the respective hedging rates are applied.

Receivables and liabilities in the same currency with nearly the same term are combined to form valuation units if they are of the same value.

Effective items of the valuation units created are reported in the balance sheet using the freezing method (compensatory valuation). For ineffective items, the imparity principle is applied. This means that positive market values are not shown in the balance sheet and provisions for contingent losses are set up for negative market values only if a negative balance results from a valuation unit or if an open item yields a loss.

## V. Notes to the balance sheet

### 1. Fixed assets

Development of the individual fixed asset items and depreciations is shown in an appendix to the notes. The changes column contains all changes to the initial amounts resulting from additions and disposals affecting the consolidated companies and from currency translation differences.

### 2. Receivables and other assets

A residual term of more than one year applies for the following amounts under the respective items:

	K€ 12/31/2019	K€ 12/31/2018
Trade receivable	345	1,545
Receivables from companies in which participations are held	385	225
Other assets	1,021	593

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2019

### 3. Deferred taxes

Deferred taxes (on the assets and liabilities side) result from valuation differences in the commercial and tax balance sheet, tax loss carryforwards as well as consolidation measures if the differences are compensated in the future. Deferred taxes on the assets and liabilities side are not balanced.

Deferred taxes are valued at uniform corporate tax rates of 12% to 16% (partnerships) or 28% to 31% (joint-stock companies) for domestic companies. For foreign subsidiaries, the individual national statutory tax rates (11% to 34%) are applied.

Deferred taxes on the assets side in the amount of K€ 142,002 mainly result from the creation of deferred taxes based on different valuation methods in the commercial and tax balance sheet (pension reserves, different depreciation methods and valuation methods and periods different in fixed and current assets, other accruals and tax loss carryforwards) as well as elimination of intercompany profits and losses in the fixed assets and inventories.

Deferred taxes on the liabilities side in the amount of K€ 13,658 mainly result from special tax depreciation, different valuation methods in the commercial and tax balance sheet as well as reserves only permissible under tax law (e.g. Art. 6b of the Income Tax Act).

	K€ as of 12/31/2019	K€ as of 12/31/2018	K€ variation
Deferred taxes on the assets side	142,002	112,475	29,527
Deferred taxes on the liabilities side	13,658	10,671	2,987

### 4. Shareholders' equity

The equity of the corporate group Diehl Stiftung & Co. KG consists of the liable limited liability capital of Diehl Stiftung & Co. KG, the reserves of Diehl Stiftung & Co. KG and the differences between the investment book value and the proportionate equity of the subsidiaries. The statement of changes in equity is prepared according to the principles of the German Accounting Standard DRS 22.

### 5. Accruals

Long-term marketable securities used to finance life work-time accounts are valued at their fair value and offset against the respective accruals in the amount of K€ 10,770 (inclusion of plan assets). The acquisition costs were K€ 9,314.

Receivables from pension liability insurances for deferred compensation are offset against pension reserves for reinsured deferred compensation (inclusion of plan assets). The historical acquisition cost and the fair value of the receivables from offset pension liability insurances amount to K€ 12,628. The settlement amount of the pension reserve offset for reinsured deferred compensation corresponds to the asset value from the pension liability insurance (K€ 12,628). Expenses and income in the amount of K€ 127 were offset.

Coverage capital for insolvency insurance of life work-time accounts in the amount of K€ 5,009 was offset against the corresponding accruals in the amount of K€ 5,046.

Moreover, receivables from pension liability insurances to secure partial retirement balances are assessed with a fair value and historical acquisition cost of K€ 64 and are shown as difference because no more settlement backlogs are existing.

In addition, other assets worth K€ 20,035 were offset against pension reserves.

Other accruals mainly include accruals for warranty expense, for outstanding invoices, for severance pay, for paid release from work and job creation companies (without partial retirement), for long-term working time accounts, for accrued overtime, for contractual penalties and for management bonuses and gratuities.

### 6. Liabilities

The total amount of liabilities and the breakdown of liabilities based on their remaining term are shown in an appendix to the notes.

The total amount of **liabilities due to banks** runs to K€ 5,407 and is secured by pledged accounts and land charges.

**Other liabilities** include the following items:

	K€ 12/31/2019	K€ 12/31/2018
Social security liabilities	6,763	6,920
Tax liabilities	33,083	39,892

## 7. Derivative financial instruments and valuation units

For its business activities, the Diehl Group uses forward contracts to manage the risks arising from the fluctuations in currencies and metal prices between the balance sheet date and the settlement date.

Forward exchange transactions are concluded by the companies with Diehl Stiftung & Co. KG. The latter, in turn, concludes appropriate forward exchange contracts with banks, which are essentially identical regarding value and term. The conclusion of such contracts is based on uniform guidelines, subject to internal controls and restricted to business in foreign currencies.

The nominal volume and the market values of the derivative financial instruments existing at the balance sheet date are as follows:

in million € Type	Market values		Nominal- volume
	positive	negative	
Forward exchange contracts			
USD	4	104	1,489
PLN	1	0	37
HUF	0	0	14
MXN	1	0	4
GBP	0	0	8
CNY	0	0	8
Other currencies	0	0	2
Commodity futures contracts			
Nonferrous metals exchange	2	1	53

The nominal volume is the total of all buying and selling values of derivative financial instruments.

The market value of forward exchange and commodity futures contracts is calculated on the basis of a comparison between the forward (futures) contract value applicable at the balance sheet date for the remaining contract term and the contracted value (market-to-market method).

Forward exchange transactions are conducted to hedge business in foreign currencies and valuation units are created to cover the risks on the balance sheet date, worth € 6 million. Micro and macro hedges as well as portfolio hedges are employed in the valuation of foreign currency positions. Foreign currency receivables (€ 271.2 million), liquid assets (€ 34.8 million), foreign currency liabilities (€ 41.4 million), firmly contracted business not yet included in the balance sheet (€ 1,030.0 million) and transactions expected with high probability (€ 185.1 million) are included in the valuation units.

Transactions expected with high probability mainly concern orders on hand. Basically, opposite changes in value/cash flows of these underlying and hedging transactions will presumably balance completely by December 2021.

The business transactions summarized in valuation units are subject to the same risk. Accordingly, it is to be expected that opposite changes in value of the underlying and hedging transactions will in the future balance completely for the respective risk hedged. The prospective effectiveness of hedging relationships is determined on every balance sheet date by means of the critical-terms-match method, ensuring that the value-determining factors (nominal value, term, currency) for the underlying transaction and the hedging instrument are identical. Therefore, the individual hedging relationships are each rated as effective for the entire hedging period.

The same applies for retroactive determination of the previous effectiveness. Here, too, it is proved by the critical-terms-match method that all value-determining factors of the hedged part of the underlying business and the hedging part of the hedging instruments are identical. In these cases, there can be no ineffectiveness that is relevant for the balance sheet with regard to the valuation units.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2019

Metal price risks in connection with metal procurement and metal sales contracts (pending business) result from the change in the prices of primary metals, scraps and semi-finished products between the date of contract conclusion and performance. Purchase and sales contracts not covered by corresponding physical transactions are hedged by appropriate exchange positions.

Commodity futures and forward contracts are concluded to hedge metal price risks (pending business). Micro and portfolio hedges are employed in valuation. The risks covered by portfolio hedges are highly homogeneous. The contract volume of hedging transactions is chosen so that it agrees with the contract volume of the underlying transactions – related to the respective primary metal portion.

Underlying and hedging transactions are included in the valuation units with the following market values (futures contract value applicable at the balance sheet date compared with the contracted value):

<b>Metals Dec. 31, 2019</b>	Market value in million €
Pending procurement transactions	1.0
Hedged by commodity futures	– 0.7
Pending sales transactions	2.2
Hedged by commodity futures	– 0.3

The changes in value of the pending sales and procurement transactions are hedged over a period of up to 24 months for the valuation units.

Opposite changes in value of these underlying and hedging transactions will presumably balance completely in the next two years. The effectiveness of the valuation units employed is measured by means of the „dollar-offset method“ in a cumulated form, taking into account given risk limits. The „dollar-offset method“ compares the cumulated market value changes of the underlying transactions with the cumulated market value changes of the hedging transactions in absolute amounts of money from the designated date. The „dollar-offset test“ is carried out on every balance sheet date.

A provision of € 0.01 million was set up on the balance sheet date. Risks worth € 1.9 million were hedged by micro/portfolio hedges, thus avoiding corresponding negative value changes on the balance sheet date. Transactions expected with high probability with a volume of € 6.7 million were included in the evaluation units.

## **8. Contingent liabilities**

On the balance sheet date, there were liabilities on guarantees in the amount of € 27.1 million (2018: € 23.5 million) and liabilities under warranties worth € 128.5 million (2018: € 59.9 million).

On the balance sheet date, there were contingent liabilities due to affiliated companies in the amount of € 17.9 million (2018: € 77.2 million).

In view of the business development of the individual companies towards which contingent liabilities exist, no related claims are expected to be raised.

Indirect pension liabilities are not shown in the balance sheet. The respective missing amount – € 3.7 million (2018: € 4.3 million) – due to affiliated, non-consolidated companies is included in the contingent liabilities (liabilities from warranty contracts).

## **9. Other financial commitments**

Financial commitments from long-term contracts amount to € 1,016.0 million. They relate above all to commitments from open purchase orders and from quantity contracts for metal (purchasing) for which prices have not yet been finally fixed, offset obligations, commitments under rental and leasing contracts, commitments from commodity futures contracts (Metall) as well as obligations to pay back development cost subsidies.

On the balance sheet date, there were other financial commitments to affiliated companies in the amount of € 42.0 million (2018: € 42.0 million).

## VI. Notes to the income statement

### 1. Sales

Sales break down as follows:

in million € 2019	Total	Domestic	Foreign
Corporate Division Metall	794	388	406
Corporate Division Controls	489	82	407
Corporate Division Defence	516	239	276
Corporate Division Aviation	1,488	576	912
Corporate Division Metering	333	55	278
Services / other	9	9	0
<b>Total:</b>	<b>3,629</b>	<b>1,349</b>	<b>2,279</b>

in million € 2018	Total	Domestic	Foreign
Corporate Division Metall	913	429	484
Corporate Division Controls	533	89	444
Corporate Division Defence	464	268	196
Corporate Division Aviation	1,476	613	863
Corporate Division Metering	297	50	247
Services / other	11	11	0
<b>Total:</b>	<b>3,694</b>	<b>1,460</b>	<b>2,234</b>

Foreign sales are mainly generated in Europe, North America and in China.

### 2. Other operating income

Includes income from foreign currency translation in the amount of € 5.4 million (2018: € 8.7 million).

### 3. Other operating expenses

Other operating expenses include other taxes in the amount of € 8.3 million (2018: € 6.6 million) as well as expenses from foreign currency translation in the amount of € 3.5 million (2018: € 12.2 million).

### 4. Other interest and similar income / Interest and similar expenses

The item other interest and similar income includes income from the discounting of accruals in the amount of € 3.7 million (2018: € 1,5 million).

The item interest and similar expenses includes expenses from the discounting of accruals in the amount of € 64.2 million (2018: € 59.0 million).

### 5. Taxes on income

This item includes corporate income tax, trade income tax, deferred income taxes and comparable foreign profit taxes.

### 6. Income/expenses relating to other accounting periods

Other operating income includes income relating to other accounting periods amounting to € 56.0 million, mainly resulting from the reversal of accruals not made use of.

Expenses relating to other accounting periods amounted to € 23.3 million and mainly result from a different tax assessment of inventories.

### 7. Income and expenses of extraordinary size and significance

The dissolution of accruals for structural adaptations are of extraordinary magnitude and significance in the other operating income of € 18.0 million.

Extraordinary depreciations on tangible fixed assets of € 8 million and unusual depreciations on current assets of € 32.4 million were taken into account in the expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2019

## VII. Other information

### 1. Explanations concerning the cash flow statement

The cash flow statement is prepared using the indirect method in accordance with the German Accounting Standard DRS 21. Cash holdings include cash and cash equivalents after deduction of liabilities to banks due at any time.

Payments to shareholders include distributed profits to third-party shareholders as well as withdrawals for taxation of the shareholders of Diehl Stiftung & Co. KG.

### 2. Employees

	Annual average	
	2019	2018
Corporate Division Metall	3,339	3,407
Corporate Division Controls	3,466	3,688
Corporate Division Defence	2,510	2,354
Corporate Division Aviation	5,512	5,285
Corporate Division Metering	1,668	1,684
Services / other	441	423
Staff members	<b>16,936</b>	<b>16,841</b>
Apprentices	427	425
<b>Total:</b>	<b>17,363</b>	<b>17,266</b>

### 3. Fees paid for services provided by auditors

in K€ Type	Group auditor	Other auditors
Annual audit services	1,380	119
Audit-related services	9	44
Tax consultation services	1,012	3
Other services	356	26
<b>Total:</b>	<b>2,757</b>	<b>192</b>

### 4. Events after the reporting period

The spread of the Corona Virus since the beginning of 2020 will lead to unfavorable impacts on the overall industrial sector and will also have negative effects on future net assets, financial positions and result of operations.

### 5. Information required pursuant to Art. 314, Para 1, no. 6 of the German Commercial Code

Total remunerations for the members of the Executive Board amounted to K€ 5,545 in the reporting period. The emoluments of former members of the Executive Board and their surviving dependants amounted to K€ 702. Pension obligations to these persons amounted to K€ 11,923. Remunerations for the Supervisory Board members amounted to K€ 879.

### 6. Proposal for the appropriation of earnings

The Executive Board proposes to add an amount of K€ 10 to the capital maintenance reserve in order to really maintain the foundation's assets.

### 7. Special regulations for business partnerships

Due to their inclusion in and publication of the consolidated financial statements, the following business partnerships are relieved from the obligation to publish their audited annual financial statements pursuant to Art. 264b of the German Commercial Code:

Diehl AKO Stiftung & Co. KG, Wangen im Allgäu, Diehl Defence GmbH & Co. KG, Überlingen, Diehl Metall Stiftung & Co. KG, Röthenbach a. d. Pegnitz, Diehl Röthenbach GmbH & Co. KG, Nürnberg, Diehl Stiftung & Co. KG, Nürnberg, and Sundwiger Messingwerk GmbH & Co. KG, Hemer.

Nürnberg, April 15, 2020

Diehl Verwaltungs-Stiftung

The Executive Board

# STOCK OWNERSHIP OF THE GROUP AS OF DECEMBER 31, 2019

## 1. Consolidated Companies

Name and registered office of company	Share in capital %
<b>Production and sales companies</b>	
<b>Germany</b>	
AIM Infrarot-Module GmbH, Heilbronn	50.0
Diehl & Eagle-Picher Gesellschaft mit beschränkter Haftung, Röthenbach	55.0
Diehl Advanced Mobility GmbH, Zehdenick	100.0
Diehl Aerospace GmbH, Überlingen	51.0
Diehl AKO Stiftung & Co. KG, Wangen im Allgäu	100.0
Diehl Aviation Gilching GmbH, Gauting	100.0
Diehl Aviation Hamburg GmbH, Hamburg	100.0
Diehl Aviation Laupheim GmbH, Laupheim	94.0
Diehl Connectivity Solutions GmbH, Nürnberg	100.0
Diehl Defence GmbH & Co. KG, Überlingen	100.0
DIEHL Gas Metering GmbH, Ansbach	100.0
Diehl Metal Applications GmbH, Röthenbach a. d. Pegnitz	100.0
Diehl Metall Stiftung & Co. KG, Röthenbach a. d. Pegnitz	100.0
Diehl Metering GmbH, Ansbach	98.8
Diehl Metering Systems GmbH, Nürnberg	100.0
Diehl Retrofit Missile Systeme GmbH, Überlingen	100.0
Diehl Service Modules GmbH, Hamburg	100.0
Diehl Werkzeugbau Seebach GmbH, Seebach	100.0
DynITEC GmbH, Troisdorf	58.8
JUNGHANS Microtec GmbH, Dunningen	55.0
SMH Süddeutsche Metallhandelsgesellschaft mit beschränkter Haftung, Nürnberg	100.0
Sundwiger Messingwerk GmbH & Co. KG, Hemer	100.0
<b>Other countries</b>	
Diehl Aerospace Pte. Ltd., Singapore	100.0
Diehl Aerospace, Inc., Birmingham / Alabama, USA	100.0
Diehl Augé Découpage SAS, Besançon, France	100.0
Diehl Aviation Hungary Kft., Nyírbátor, Hungary	100.0
Diehl Controls (Nanjing) Co., Ltd., Nanjing, China	100.0
Diehl Controls México S.A. de C.V., El Marqués / Querétaro, Mexiko	100.0
Diehl Controls North America Inc., Wilmington / Delaware, USA	100.0
Diehl Controls Polska Sp. z o.o., Namysłów, Poland	100.0
Diehl do Brasil Metalúrgica Limitada, São Paulo, Brazil	100.0
Diehl Metal India Private Limited, Pune, Maharashtra, India	100.0
Diehl Metall (Shenzhen) Co. Ltd., Shenzhen, China	100.0
Diehl Metering (Jinan) Co., Ltd., Jinan, China	100.0
Diehl Metering GesmbH, Wien, Austria	100.0
Diehl Metering LLC, Wilmington / Delaware, USA	100.0



Name and registered office of company	Share in capital %
<b>Production and sales companies</b>	
<b>Other countries</b> (continuation)	
Diehl Metering S.A.S., Saint-Louis, France	100.0
Diehl Metering Sp. z o.o., Bażanowice, Poland	100.0
DIEHL POWER ELECTRONIC SAS, Siaugues Sainte Marie, France	100.0
Diehl SynchroTec Manufacturing (Wuxi) Co., Ltd., Wuxi / Jiangsu, China	100.0
Franconia Industries, Inc., Albany / New York, USA	100.0
Junghans T2M SAS, La Ferté Saint-Aubin, France	100.0
The Miller Company, Meriden / Connecticut, USA	100.0
<b>Management, property and other companies</b>	
<b>Germany</b>	
Afelixa Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	94.0
Diehl Assekuranz Rückversicherungs- und Vermittlungs-AG, Nürnberg	100.0
Diehl Ausbildungs- und Qualifizierungs-GmbH, Nürnberg	100.0
Diehl Aviation Holding GmbH, Nürnberg	100.0
Diehl Beteiligungen GmbH, Nürnberg	100.0
Diehl Controls Nürnberg Verwaltungs GmbH, Nürnberg	100.0
Diehl Defence Holding GmbH, Überlingen	100.0
Diehl Defence Land Systems GmbH, Röthenbach a. d. Pegnitz	100.0
Diehl Defence Verwaltungs-GmbH, Überlingen	100.0
DIEHL Informatik GmbH, Nürnberg	100.0
Diehl Röthenbach GmbH & Co. KG, Nürnberg	100.0
Diehl Röthenbach Verwaltungs GmbH, Nürnberg	100.0
Diehl Stiftung & Co. KG, Nürnberg	0.0
Diehl Track Gesellschaft mit beschränkter Haftung, Nürnberg	100.0
Diehl Ventures GmbH, Nürnberg	100.0
GEBRÜDER JUNGHANS GESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG, Röthenbach a. d. Pegnitz	95.9
Goma GmbH, Röthenbach a. d. Pegnitz	100.0
Gummiwerk Blankenheim GmbH, Nürnberg	100.0
Integra Vermögensverwaltungs- und Beteiligungsgesellschaft mbH, Nürnberg	100.0
Neubrandenburger Fahrzeugwerke GmbH, Nürnberg	100.0
Pyrotechnische Fabrik (PYF) GmbH, Röthenbach a. d. Pegnitz	100.0
Sundwiger Messingwerk Verwaltungs GmbH, Hemer	100.0
<b>Other countries</b>	
Diehl Americas, Inc., Wilmington / Delaware, USA	100.0
Diehl Iberia Sistemas, S.A., Sevilla, Spain	100.0
Diehl Metal Applications France SAS, Besançon, France	100.0
DIEHL METERING INDUSTRIA DE SISTEMA DE MEDICAO LTDA, Recife, Brazil	100.0

## STOCK OWNERSHIP OF THE GROUP AS OF DECEMBER 31, 2019

### 1. Consolidated Companies (continuation)

Name and registered office of company	Share in capital %
<b>Management, property and other companies</b>	
<b>Other countries</b> (continuation)	
Hydrometer Verwaltungsgesellschaft mbH, Wien, Austria	100.0
Metares SAS i.L., Saint-Louis, France	100.0

### 2. Affiliated companies

Diehl Metering AB, Stockholm, Sweden	100.0
Diehl Metering ApS, Esbjerg, Denmark	100.0
Diehl Metering FZE, Dubai, United Arab Emirates	100.0
Diehl Metering Limited, Halifax / West Yorkshire, Great Britain	100.0
Diehl Metering Pte. Ltd., Singapore	100.0
Diehl Metering S.L., Madrid, Spain	100.0
Diehl Metering S.R.L., Milano, Italy	100.0
Diehl Middle East GmbH, Nürnberg	100.0
FFT Fahrzeugbau und Fahrzeugtechnik GmbH, Nürnberg	100.0
Heinrich Diehl Gedächtnisfonds Gesellschaft mit beschränkter Haftung, Nürnberg	100.0
Mausser-Werke Oberndorf Unterstützungskasse Gesellschaft mit beschränkter Haftung, Oberndorf am Neckar	100.0

### 3. Associated companies (equity accounting)

Name and registered office of company	Share in capital %
Diehl VC GmbH, Nürnberg	49.6
EuroSpike GmbH, Röthenbach a.d. Peg.	40.0
GIWS Gesellschaft für Intelligente Wirksysteme mbH, Nürnberg	50.0
LOG GmbH, Bonn	25.0
PARSYS GmbH, Schrobenhausen	50.0
RAM-SYSTEM Gesellschaft mit beschränkter Haftung, Ottobrunn	50.0
ROCKETHOME GmbH, Köln	25.1

### 4. Investments (share in capital $\geq 20\%$ )

Diehl Kuwait General Trade & Contracting W.L.L. i.L., Dasman, Kuwait	49.0
HIL Industrie-Holding GmbH i.L., Bonn	33.3
OEM Defence Services SAS, Elancourt, France	20.0
OEMServices SAS, Tremblay-en-France, France	25.0
Schramberger Wohnungsbau, Gesellschaft mit beschränkter Haftung, Schramberg	24.1
Troisdorf Genehmigungshaltergesellschaft mbH, Troisdorf	20.0

# CONSOLIDATED STATEMENT OF FIXED ASSETS OF DIEHL VERWALTUNGS-STIFTUNG

(in K€)

	Cost of acquisition/manufacture						
	As of Dec. 31, 2018	Changes	Additions	Write-ups	Disposals	Transfers	As of Dec. 31, 2019
<b>I. Intangible assets</b>							
1. Acquired concessions, industrial property rights and licenses	130,915	228	7,803	0	162	1,795	140,579
2. Goodwill	214,351	255	0	0	0	0	214,606
3. Advance payments	1,890	0	2,470	0	0	- 1,618	2,742
	347,156	483	10,273	0	162	177	357,927
<b>II. Tangible assets</b>							
1. Real property, corporeal rights in real property and buildings, including buildings on real property of third parties	521,591	423	7,179	0	26,218	7,103	510,078
2. Technical equipment and machinery	889,242	1,720	27,773	0	8,232	29,779	940,282
3. Other equipment, factory and office equipment	506,357	130	28,056	0	16,695	6,630	524,478
4. Advance payments and assets under construction	60,326	83	51,670	0	143	- 43,689	68,247
	1,977,516	2,356	114,678	0	51,288	- 177	2,043,085
<b>III. Financial assets</b>							
1. Shares in affiliated companies	3,679	1,671	0	0	0	0	5,350
2. Shares in associated companies	7,186	0	234	99	0	0	7,519
3. Other investments	3,607	0	0	0	1,955	0	1,652
4. Loans to companies in which participations are held	451	0	0	0	388	0	63
5. Long-term securities	5	0	0	0	5	0	0
6. Other loans	5,982	9	770	0	2	0	6,759
	20,910	1,680	1,004	99	2,350	0	21,343
<b>Total</b>	<b>2,345,582</b>	<b>4,519</b>	<b>125,955</b>	<b>99</b>	<b>53,800</b>	<b>0</b>	<b>2,422,355</b>

## Amortization/Depreciation

## Net book value

As of Dec. 31, 2018	Changes	Additions	Write-ups	Disposals	Transfers	Diff. between exchange rate as of Dec. 31 and yearly average rate	As of Dec. 31, 2019	As of Dec. 31, 2019	As of Dec. 31, 2018
110,031	- 16	9,546	0	162	- 1	12	119,410	21,169	20,884
214,310	255	41	0	0	0	0	214,606	0	41
0	0	0	0	0	0	0	0	2,742	1,890
324,341	239	9,587	0	162	- 1	12	334,016	23,911	22,815
343,737	190	9,330	0	22,986	0	- 6	330,265	179,813	177,854
715,162	1,144	44,278	2	7,973	0	7	752,620	187,662	174,080
373,138	70	36,407	0	12,326	1	- 6	397,284	127,194	133,219
0	0	0	0	0	0	0	0	68,247	60,326
1,432,037	1,404	90,015	2	43,285	1	- 5	1,480,169	562,916	545,479
2,701	0	0	0	0	0	0	2,701	2,649	978
2,070	0	0	0	0	0	0	2,070	5,449	5,116
1,955	0	0	0	1,955	0	0	0	1,652	1,652
0	0	0	0	0	0	0	0	63	451
2	0	0	0	2	0	0	0	0	3
0	0	0	0	0	0	0	0	6,759	5,982
6,728	0	0	0	1,957	0	0	4,771	16,572	14,182
1,763,106	1,643	99,602	2	45,404	0	7	1,818,956	603,399	582,476

## RESIDUAL TERMS OF LIABILITIES AS OF DECEMBER 31, 2019

(in K€)

Liabilities:	Total As of Dec. 31, 2019	Of which with a residual term of up to 1 year	Of which with a residual term of more than 1 year	Of which with a residual term of more than 5 years
1. Liabilities due to banks	112,887	63,324	49,563	5,558
2. Trade payables	291,311	291,311	0	0
3. Payables due to affiliated companies	1,888	1,888	0	0
4. Payables due to companies in which participations are held	40,507	31,609	8,898	0
5. Other liabilities	116,578	109,723	6,855	3,787
<b>TOTAL</b>	<b>563,171</b>	<b>497,855</b>	<b>65,316</b>	<b>9,345</b>

Liabilities:	Total As of Dec. 31, 2018	Of which with a residual term of up to 1 year	Of which with a residual term of more than 1 year	Of which with a residual term of more than 5 years
1. Liabilities due to banks	122,293	60,635	61,658	18,278
2. Trade payables	292,028	292,028	0	0
3. Payables due to affiliated companies	913	913	0	0
4. Payables due to companies in which participations are held	47,736	25,981	21,755	0
5. Other liabilities	139,100	131,621	7,479	4,212
<b>TOTAL</b>	<b>602,070</b>	<b>511,178</b>	<b>90,892</b>	<b>22,490</b>

## ***Independent Auditor's Report***

To Diehl Verwaltungs-Stiftung, Nürnberg

### *Audit Opinions*

We have audited the consolidated financial statements of Diehl Verwaltungs-Stiftung, Nürnberg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31st, 2019 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1st to December 31st, 2019 and notes to the consolidated financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the group management report of Diehl Verwaltungs-Stiftung for the financial year from January 1st to December 31st, 2019.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at December 31st, 2019 and of its financial performance for the financial year from January 1st to December 31st, 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### *Basis for the Audit Opinions*

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### *Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report*

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the

***(Continuation Independent Auditor's Report)***

Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report

that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.



- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group man-

agement report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

München, May 6, 2020

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels  
Wirtschaftsprüfer  
(German Public Auditor)

Thorsten Dzulko  
Wirtschaftsprüfer  
(German Public Auditor)



During 2019, the Executive Board regularly informed the Supervisory Board about the course of business, the situation of the Corporate Group, and important individual business transactions. The questions and decisions resulting from this reporting were discussed comprehensively in meetings. The Supervisory Board was especially concerned with the market orientation of the Corporate Group and Corporate Divisions as well as the financial and earnings situation. For these issues, the Supervisory Board again received the Advisory Board's esteemed advice.

The Advisory Board comprises:

Prof. Dr. Nikolaus Schweickart, Chairman,  
former Chairman of ALTANA Kulturstiftung GmbH and  
former CEO of ALTANA AG,

Dr. Klaus Probst, Vice-Chairman,  
former CEO of Leoni AG,  
Chairman of the Supervisory Board of Leoni AG,

Dr. Jakob Baer (as of July 1, 2019)  
Board member of Barry Callebaut AG,  
former CEO of KPMG Switzerland

Dr. Olaf Berlien,  
CEO of Osram Licht AG

Dr. Johannes Bußmann (as of July 1, 2019)  
CEO of Lufthansa Technik AG,  
Supervisory Board member of DIS AG,

Mr. Karlhermann Jung,  
attorney and notary public (ret.),  
former long-standing member of the Supervisory Board  
of Diehl Verwaltungs-Stiftung,

Mr. Claus Mänz-Siebje (until June 30, 2019)  
former Chairman of the Supervisory Board of  
Diehl Verwaltungs-Stiftung.

The Consolidated Financial Statements and the Group Management Report of Diehl Verwaltungs-Stiftung were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft and certified without qualification. The Supervisory Board has taken note of the audit result. The Supervisory Board would like to express its thanks to the Advisory Board, the Executive Board, the members of the works councils, and all employees of the Corporate Group for the work performed in the past fiscal year.

For the Supervisory Board

Dr. Herbert Fehrecke  
Chairman

Nürnberg, May 06, 2020



**Issued by:**

Diehl Stiftung & Co. KG  
Corporate Communications  
Stephanstrasse 49  
90478 Nürnberg

Phone +49 911 947-2492  
Fax +49 911 947-3643  
[www.diehl.com](http://www.diehl.com)