



**DIEHL**

**ANNUAL REPORT**

**2020**



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Project- and Brand Communications Manager from Diehl Metering.



**THE STRENGTH  
TO OPERATE  
FLEXIBLY.**

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**2020: With resilience through the Corona Crisis – 2021: Growing confidence in view of positive business performance**

In the year under review, the Diehl Group's corporate sales – at € 2,978.8 million – were below the previous year's value (€ 3,628.5 million) by € 649.7 million. The Diehl Group was also severely affected by the profound global recession triggered by the pandemic. However, the overall figures were better than initially feared at mid-year thanks to decisive countermeasures. Defence, for example, recorded the second most successful year in its history, and Metall,

Controls and Metering also recovered well after substantial declines in the first and second quarters.

The generated EBIT amounts to € -132.1 million and was thus € 253.5 million below the value of the previous year. In addition to the drop in earnings due to the dramatic decline in sales at Aviation, one-time expenses for structural adjustments of around € 100 million also contributed to this.

The **Metall Corporate Division** was able to achieve its target turnover. And did so despite the massive market changes that have affected the core business of the automobile industry in particular since 2019. The growing trend toward electromobility allowed the corporate division to further expand its range of products and technologies for alternative drives and continue its profitable growth in this field.

A strong second half of the year helped the **Controls Corporate Division** maintain its sales level despite the Corona Crisis. The successful development of business in new market segments such as drive controls for heating and ventilation systems also continued.

**Diehl Defence** was able to further expand its business activities with its proven portfolio and create new jobs. The continued stable growth ensured increases in sales and earnings as well as full utilization of development and production capacities.

At **Diehl Aviation** business slumped massively from March of the year under review in parallel with the development of the entire aviation industry due to the pandemic. As a result, business volumes for all civil products fell to around half the previous year's level after the second quarter. As part of a product innovation offensive, Diehl developers are currently working more intensively on further improving the hygiene standard in cabins and improving the safety and well-being of passengers.

The effects of the pandemic at **Diehl Metering** ensured that the company was unable to match the previous year's growth. Business with the Middle East in the customer segment Water was particularly affected by the decline. By contrast, sales in the gas meter business segment showed a stable positive development.

Following the record level of previous years, **investments** decreased from € 125 million to € 116 million against the background of the corona burdens. R&D expenses also declined, amounting to € 328.9 million (after € 366.6 million in the previous year).

As an internationally positioned and broadly diversified company, Diehl has come through the crisis resiliently. The company will therefore be able to win back lost business when demand in its traditional markets picks up again. Positive signs in the corporate divisions Metall, Controls and Metering indicate that the catch-up process has already started there. On the other hand, all forecasts predict that the Aviation Corporate Division will not reach its former sales level for years to come and is therefore facing difficult times.

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 Reinl

## Executive Board

Dipl.-Kfm. Jürgen Reimer  
Vice President of the Executive Board  
Corporate Department Finance and Controlling

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

Dipl.-Wirtsch.-Ing. Dieter Landgraf  
Corporate Division Metall

Dipl.-Ök. Carsten Wolff  
Corporate Division Controls

Dipl.-Ing. (BA) Helmut Rauch  
Corporate Division Defence

Dipl.-Ing. (FH) Dipl.-Wirtsch.-Ing. (FH) Josef Köcher  
Corporate Division Aviation

Dr.-Ing. Christof Bosbach  
Corporate Division Metering

## Senior Vice Presidents

Dr. rer. nat. Elisabeth Hauschild  
Government Affairs

Dipl.-Staatsw. Bernd Joeris  
Corporate Affairs

Verw.-Betriebswirt (VWA) Michael Prymelski  
Corporate Communications

Organizational status as of June 2021

# OVERVIEW OF THE DIEHL GROUP

## Metall

Diehl Metall Stiftung & Co. KG  
Division Board

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

**Diehl Brass Solutions**  
Röthenbach a. d. Pegnitz

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

**Diehl Advanced Mobility**  
Zehdenick

**Diehl Augé Découpage**  
Besançon/France

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

**Diehl Electronic Components**  
Wuxi/China

**Diehl Metal Applications**  
Berlin  
Teltow

**Diehl Metal India**  
Pune/India

**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

## Controls

Diehl AKO Stiftung & Co. KG  
Division Board

Dipl.-Ök. Carsten Wolff (P)  
Josef Fellner  
Dipl.-Ing. (FH) Betriebswirt (VWA) Dirk Fricke

**Diehl AKO**  
Wangen  
Nürnberg

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

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

**Diehl Controls Mexico**  
Querétaro/Mexico

**Diehl Controls Development  
Center Querétaro**  
Querétaro, Qro. Mexico

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

**Diehl Connectivity Solutions**  
Nürnberg  
Wangen

## Defence

Diehl Defence GmbH & Co. KG  
Division Board

Dipl.-Ing. Helmut Rauch (P)  
Dipl.-Betriebsw. Thomas Bodenmüller  
Dipl.-Ing. Harald Buschek, Ph.D.  
Dipl.-Ing. Frank Kienzler, MBA

### Diehl Defence

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

### AIM Infrared Modules

Heilbronn

### Diehl & Eagle-Picher

Röthenbach a. d. Pegnitz

### Diehl Retrofit Missile Systeme

Überlingen

### DynITEC

Troisdorf

### EuroSpike

Röthenbach a. d. Pegnitz

### GIWS

Gesellschaft für Intelligente  
Wirksysteme mbH, Nürnberg

### JUNGHANS Microtec

Dunningen

### JUNGHANS T2M

La Ferté Saint Aubin/France

### PARSYS

Schrobenhausen

### RAM-System

Ottobrunn

## Aviation

Diehl Aviation Holding GmbH  
Division Board

Dipl.-Ing. (FH) Dipl.-Wirtsch.-Ing. (FH)  
Josef Michael Köcher (P)  
Dipl.-Ing. Dipl.-Wirtsch.-Ing. Harald  
Mehring  
Dr. rer. pol. Christoph Weigand

### Diehl Aviation

Office in Dubai/U.A.E.  
Office in Seattle, Washington/USA  
Office in North Charleston,  
South Carolina/USA

### 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  
Singapore  
Sterrett, Alabama/USA

## Metering

Diehl Metering GmbH  
Division Board

Dr.-Ing. Christof Bosbach (P)  
Dipl.-Kfm. Reiner Edel  
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

Rochdale

### Diehl Metering/U.A.E

Dubai

### Diehl Metering/Austria

Vienna

### Diehl Metering/Poland

Bažanowice

### Diehl Metering/France

Saint-Louis  
Nanterre  
Villeurbanne

### Diehl Metering/Singapore

### Diehl Metering/Spain

Madrid

### Diehl Metering/Sweden

Rosersberg

### Diehl Metering/USA

Naperville

P = President

Organizational status as of June 2021

## Basic Economic Conditions

According to calculations of the German Federal Statistical Office, the German economy entered a deep recession during the Corona Crisis in 2020 after a ten-year growth phase, similar to the last time during the financial and economic crisis of 2008/2009. However, the overall economic downturn of -5.0 % was less severe than the -5.7 % recorded in 2009. The economic downturn was thus particularly pronounced in the service sectors, some of which recorded the sharpest declines ever. In the manufacturing sector excluding construction, price-adjusted economic output declined by 9.7 % in Germany compared with 2019, and in the manufacturing sector even by as much as 10.4 %. The industry was particularly affected by the consequences of the corona pandemic during the first half of the year, including the temporary disruption of supply chains (source: PM 020 from the Federal Statistical Office, issued on January 14, 2021).

According to an economic survey conducted by the Deutscher Industrie- und Handelskammertag (Association of German Chambers of Industry and Commerce - DIHK) on January 26, 2021, 50 % of German companies still claim financial distress as a result of the Corona Crisis. According to the DIHK, the issue could become the defined breaking point for a broad economic upswing, as this must be based on a recovery of corporate investments – which must be financed. The German government expects the German economy to regain momentum over the course of the year as the corona situation eases. It thus expects the price-adjusted GDP to increase by 3.0 % as compared to the previous year (source: Annual Economic Report 2021).

## Business Development of the Diehl Group

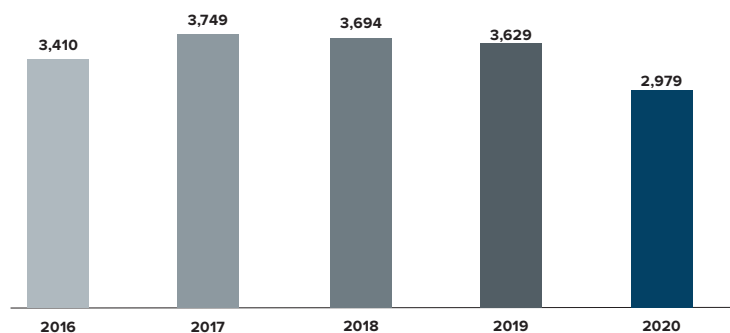
At Group level, the key performance indicators for business development are sales as well as earnings.

In the year under review, the Diehl Group's corporate sales – at € 2,978.8 million – were below the previous year's value (€ 3,628.5 million) by € 649.7 million. As recently as 2019, the Diehl Group had confidently expected sales to stabilize at the previous year's level in fiscal year 2020. However, analysts had already anticipated a slowdown of the global economy at the beginning of the year. The repercussions of the Corona Crisis then triggered a worldwide deep recession though that no one could have foreseen and which also hit the Diehl Group hard. Supervisory Board and Executive Board used worst-case, realistic and best-case scenarios to steer the company and thus jointly responded to the threatening developments in a fast and targeted manner. Overall, figures achieved at the end of the year under review were better than initially feared in the middle of the year.

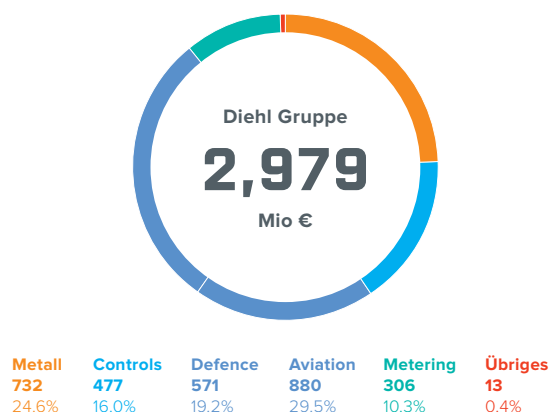
Looking back at 2020 once again makes clear how important broad positioning is for the Group: While Aviation had its worst year ever, the Defence Corporate Division saw the second most successful year in its history – a striking contrast. Metall, Controls, and Metering recovered well after significant declines during the first and second quarter.

## FISCAL YEAR 2020

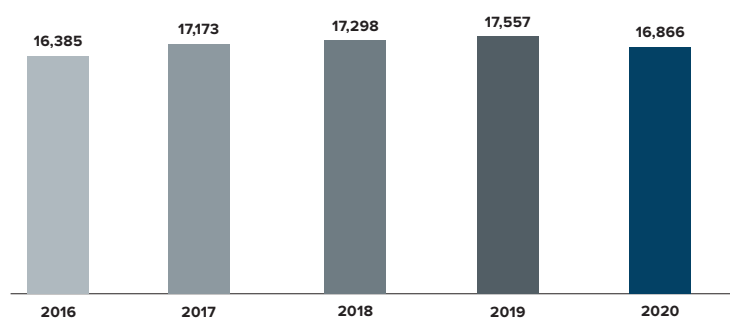
### SALES (in million euros)



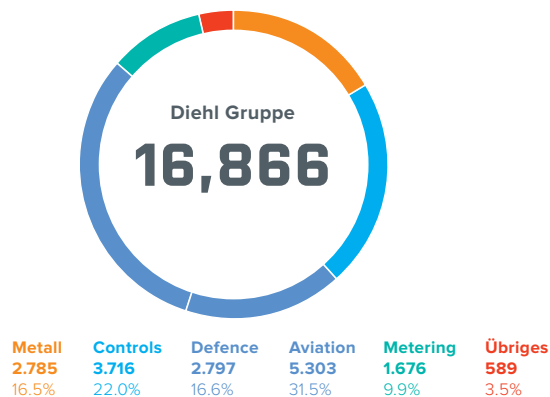
### SALES PER CORPORATE DIVISION (in million euros)



### EMPLOYEES



### EMPLOYEES PER CORPORATE DIVISION



The total number of employees decreased by 691 persons – i.e. 3.9 % – to now 16,866 persons. This decrease was caused mainly by adjustments in the corporate divisions Aviation (-387) and Metall (-542), in particular as a result of the departure of Sundwiger Messingwerk and the restructuring program of 2020.

Both sales and income goals were not achieved in the year under review. The generated EBIT amounts to € -132.1 million and was thus € 253.5 million below the value of the previous year and fell short of the forecast. In addition to the drop in earnings due to the dramatic decline in sales at Aviation, one-time expenses for structural adjustments of around € 100 million also contributed to this. The decrease in sales from € 649.7 million to € 2,978.8 million was caused mainly by Aviation with € 608.1 million. However, the loss of sales could not be fully offset by the immediately introduced cost-cutting measures.

## Aspects of the Financial Situation

The Diehl Group's total assets decreased by € 298.7 million or 12.2 % to € 2,145 million, mainly due to the effects of the pandemic-related decline in business. Fixed assets remained largely unchanged on the assets side. Inventories without received advance payments decreased by € 32.2 million to € 931.0 million, corresponding to the decline in business activity in several corporate divisions. The Defence Corporate Division was exempt from this due to higher upfront expenditures for existing orders. Trade receivables decreased by € 95.7 million to € 356.5 million in line with business performance, but also as a result of the

good willingness to pay on the part of customers at the end of the year. The remaining assets increased by € 30.7 million to € 101.9 million, mainly because of the increase in receivables from factoring and income taxes. Deferred tax assets increased by € 46.5 million to € 188.5 million, in particular as a result of valuation differences in pension provisions and the creation of deferred taxes on loss carryovers. On the liabilities side, the shareholders' equity decreased by € 181.1 million to € 565.3 million due to the loss for the financial year. Despite the lower balance sheet total, the equity ratio decreased from 30.5 % to 26.4 %. The change in provisions by € 82.6 million to € 1,196.8 million mainly results from the increase in provisions for structural adjustments, with which the Diehl Group will adapt its position in the market to the new circumstances. Liabilities decreased significantly by € 200.8 million to € 362.4 million in the year under review, whereby especially trade payables were reduced as a result of lower sales volumes. In the fiscal year 2020, liquid assets decreased by € 237.8 million to € 169.3 million so that, after deduction of current financial liabilities of € 5.7 million, cash and cash equivalents amounted to € 163.6 million compared to € 384.4 million in the previous year. This corresponds to an decrease of € 220.8 million compared to the previous year. Cash flow from operating activities dropped into the negative range, decreasing by € 216.3 million to € -43.4 million. After deducting the negative cash flow from investments of € 122.3 million, free cash flow amounted to € -165.7 million. In the year under review, there was an outflow of € 55.3 million from cash flow from financing activities.

## Advance investments

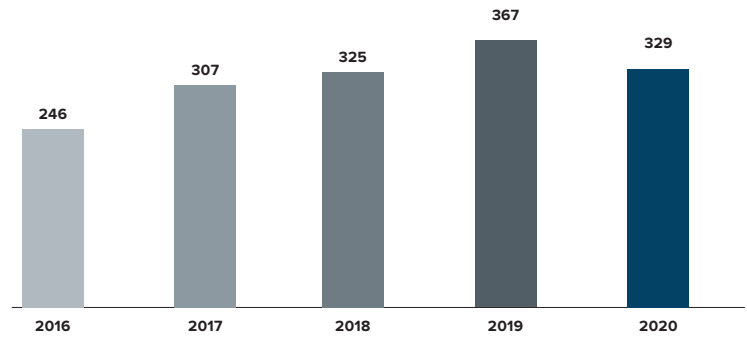
Investments (addition to tangible assets and intangible assets) decreased from the record level of previous years against the background of the corona strains from € 125 million to € 116 million. The largest investments were made at Defence, Diehl Advanced Mobility, Diehl Aviation in Laupheim, and Diehl Aerospace. In the Metall division, investments were made in new equipment, especially at Diehl Metall Applications, to establish four new production lines. Diehl Advanced Mobility also invested in what is now the third capacity increase for the current series production lines. As in previous years, Controls focused on system replacements, the modernization of production processes, and the launch of new projects, while Metering implemented the global alignment and modernization of its production operations initiated in the previous year according to schedule. Facilities for improving and modernizing production processes were also the focus at Aviation, while Defence – in addition to investing in expansions, rationalization, and replacements – concentrated in particular on commissioning a modern integration center for air defence systems. In the year under review, R&D expenditures remained at a comparably high level of € 328.9 million (after € 366.6 million in the previous year). Developments in the corporate divisions Aviation and Defence are mainly responsible for the expenses.

## Corporate Legal Changes

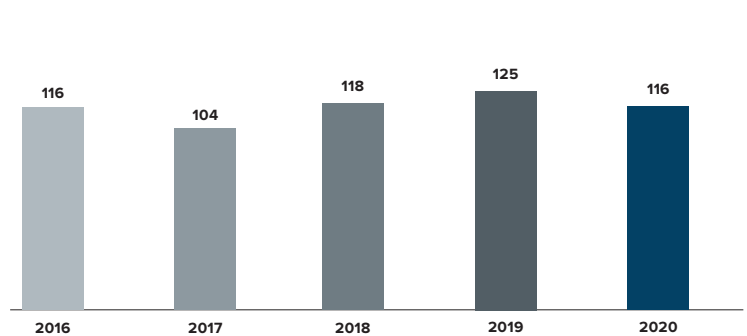
In the year under review, there were again some corporate legal changes: For example, the Diehl Metall Corporate Division sold its rolled products business segment with sites in Hemer-Sundwig (Germany), Meriden (USA), and Shenzhen (China) to the investment company Deutsche Invest Mittelstand (DI Mittelstand) effective November 4, 2020. This sale had no material impact on net assets, financial, and income position. The successful closing marked the end of a structured sales process as part of the portfolio focus in the Diehl Metall Corporate Division. As part of the consistent advancement of the strategic business segment Diehl Metal Applications, it is necessary to establish, in the medium term, the entire value-added chain of DMA in China as well. As a first formal step in this direction, Diehl Electronic Components Co. Ltd (DEC) was founded in the year under review as a 100 % subsidiary of DMA GmbH.

In the year under review, Diehl Aviation further strengthened its global presence by opening an 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.

## R&D EXPENSES (in MILLION EUROS)



## INVESTMENTS (in MILLION EUROS)



Dr. Goekhan Akkasoglu Head of Quality Management  
Corporate Division Diehl Metall in Röthenbach.

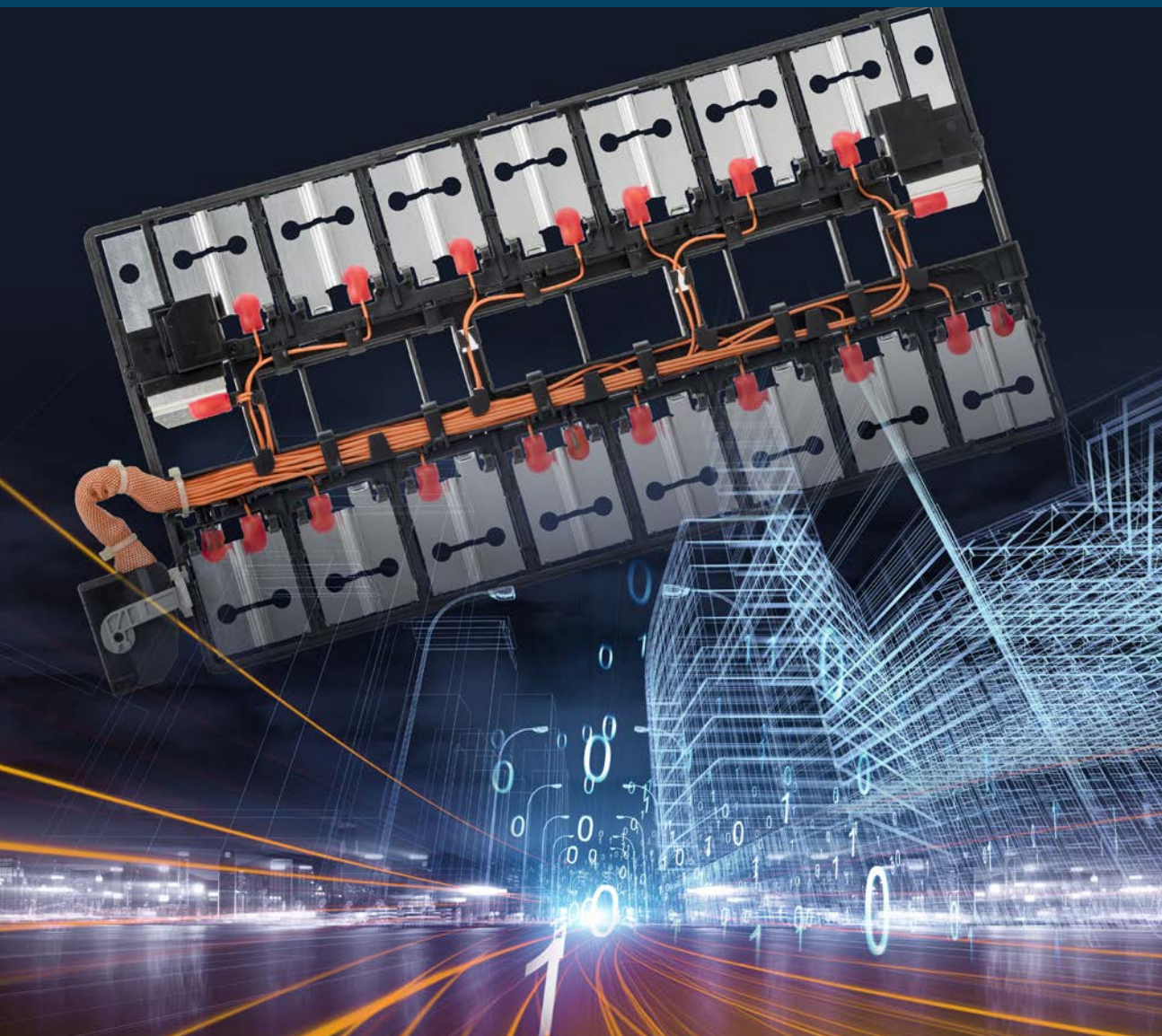




**WE CREATE  
FUTURE-ORIENTED  
SOLUTIONS.**

In the year under review, the Metall Corporate Division achieved its target turnover despite the massive market changes affecting the automotive industry core business particularly since 2019. The sales collapses seen here were intensified by the effects of the global corona pandemic, which at times led to an almost complete standstill of the automotive production. The fact that Diehl Metall was nevertheless able to economically compensate for these challenges all in all was due to the success of a large number of efficiency measures, capacity adjustments, a strict cost-cutting program, and the balanced portfolio.

In 2020, business performance in the strategic business segment of extruded and drawn products was significantly influenced by the circumstances surrounding the corona pandemic. The first priority was, of course, the safety of the employees and the company's capacity to act. The lack of orders was reasonably offset by extensive countermeasures, including the introduction of reduced working hours, consistent implementation of efficiency projects, and active inventory management. Despite challenging circumstances, the business segment was even able to open up further markets and new applications. The focus here was particularly on lead-free alloys and special brasses, which will play a crucial role in the further strategic development of the product portfolio. For example, the successful enter of the market for hydraulic applications through a cooperation with the VDM Metals Group. In order to be able to even better meet these efforts in the future, a legally independent company with the name "Diehl Brass Solutions" is being spun off for this purpose in 2021.



The strategic business segment Forgings suffered a renewed drop in sales in the reporting year, although this was solely attributable to the effects of the corona pandemic in 2020. However, the demand for synchronizer rings, the business segment's main products, which are used exclusively in vehicles with internal combustion engines, remains tight in the long term due to the upheaval in the automobile industry. The development of new markets and the expansion of the portfolio will therefore be systematically pursued in order to put the Diehl business unit Metall Forging in particular back on track for growth. The start of series production of housings for modern ultrasonic water meters and the series for pin-fin heat sink, which are used in the future market of electromobility, will contribute to this. Despite the corona situation, Chinese subsidiary Diehl SynchroTec in Wuxi developed

favorably in the year under review. Both locations in India and Brazil, on the other hand, suffered significant losses in sales. In Brazil, this was partly offset by the restructuring measures already underway, while in India stable sales growth is not expected until the start of new projects in the coming years.

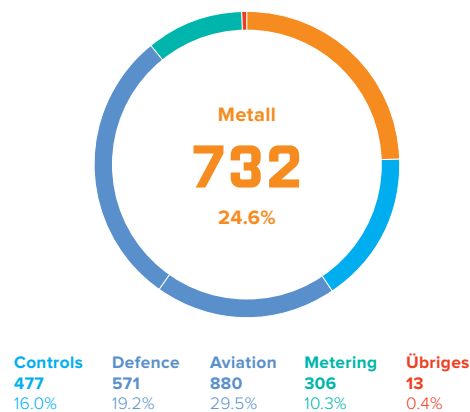
The strategic business segment Diehl Metal Applications continued to advance satisfactorily. Although the effects of corona also had a significant impact on sales here, this was largely offset by an efficiency program. Further growth is expected in this area, particularly in sensor technology. The business segment has therefore invested in equipment and built four new production lines. All other current activities focus especially on solutions related to electromobility, autonomous driving, and e-solutions.

The strategic business segment Diehl Advanced Mobility GmbH (DAM) continues to be very well positioned with its core product of high-performance cell contact systems as required for contacting battery cells in electric vehicles: The trend toward electromobility continues unabated and supported further in part by targeted economic purchase incentives. In this environment, DAM was able to continue the pleasing trend of the previous year and further expand the profitable growth. In 2020, especially the high flexibility and commitment of the workforce, but also the smooth integration of further capacity expansion for the current series production facilities, contributed to this. Since a significant increase in volume is also expected from the current series production business in the coming years, major investments including the construction of an additional production hall are scheduled for that location.

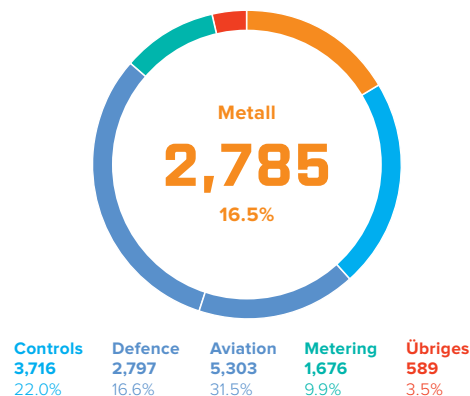
One important achievement in the strategic realignment of the corporate division in the year under review was the successful sale of the business segment Rolled products with the companies Sundwiger Messingwerk (Germany), The Miller Company (USA), and Diehl Metall Shenzhen (China) to the investment company Deutsche Invest Mittelstand.

In the current year, the corporate division will continue to focus its efforts on realigning business in key future markets in order to achieve continuous and sustainable growth in sales and earnings.

## DIEHL METALL SALES (in MILLION EUROS)



## EMPLOYEES AT DIEHL METALL



Tobias Wahl, Production Equipment Service Manager and  
Stefan Wespel, Value Stream II Manager (right) in Wangen.



A strong second half of the year helped the Controls Corporate Division maintain its sales level at almost last year's level despite the Corona Crisis. Although the first half of the year saw serious sales declines in Asia due to corona and moderate sales declines in the European region, these were offset almost completely by a surge in demand during the second half of the year. At the end of the year, the regions Europe and America even exceeded the previous year's sales volume. In the Asian region, on the other hand, even a strong second half of the year could not fully compensate the decline in sales of the first half.

The corporate division had already taken extensive measures in the spring to protect its employees from COVID-19 infections and minimize the impact of the pandemic on customers. These measures have been adapted several times to the respective regional conditions. Extensive testing facilities were made available to employees during the year to further ensure production capability. Staff availability was also supported by other regional measures like childcare services, accelerated expansion of the workforce, and extra shifts. In view of the progressing infection, necessary quarantine measures and official directives, temporary effects on staffing levels and production volumes could not be prevented though.



**WORLD CLASS IN  
DEVELOPMENT AND  
PRODUCTION.**



Together with the above described abrupt surge in demand, isolated supply bottlenecks for electronic components, and staff shortages, this led to delivery problems on the part of Diehl Controls, particularly in late fall.

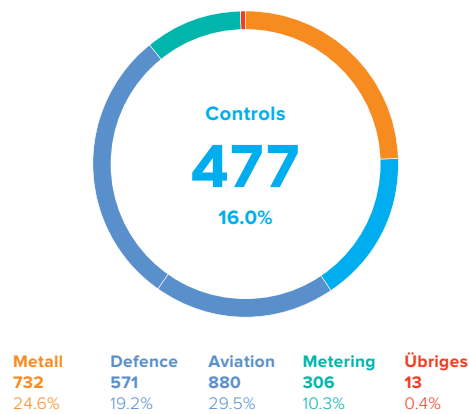
The proven competence profile of Diehl Controls with its focus on the development and production of customer-specific electronic components again proved attractive in 2020, both for existing and new customers. Numerous interesting new projects could be acquired in the

three product segments User interfaces, Power units and Drives (inverters). The sixth generation of inverters, for example, is currently a success on the market while the specification for generation seven is already being defined during the development. As in previous years, the corporate division's main business in the year under review was again based on innovative electronic control systems for the white goods industry. However, the successful development in new market segments like drive controls for heating and ventilation systems also continued; sales in these segments grew strongly. This successful diversification is currently continued in the area of the electronic control of hot water boilers and refrigeration systems.

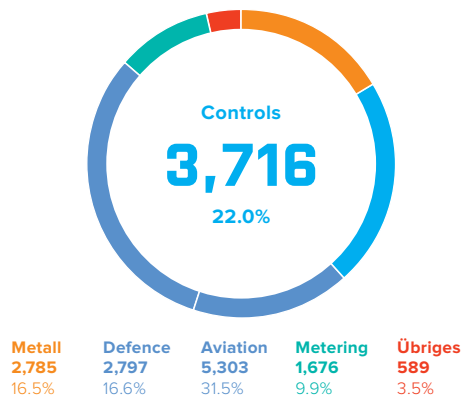
Innovative technologies like the use of ever larger TFT screens and the integration of gesture controls have increasingly found their way into the development of Diehl Controls' user interfaces over the past twelve months. In this context, the importance of in-house software development has also increased further, directly benefiting customers in the areas of safety, energy efficiency, and EMC behavior. All product segments can also draw directly on the company's own areas of expertise in connectivity and IoT.

Business development in 2021 will again be dominated by the effects of the COVID 19 pandemic. The combination of global infection events, national vaccination rates, and uncertainties in viral mutation result in uncertainties for the remainder of the current business year that should not be underestimated as they are probably comparable only to the challenges of 2020. In addition, if demand remains high, the supplier market for electronic components could experience massive pressure. On the other hand, if the global economic development does not see another significant downturn, Diehl Controls expects sales to increase compared to the previous year as well as 2019. All regions contribute to this.

## DIEHL CONTROLS SALES (in MILLION EUROS)



## EMPLOYEES AT DIEHL CONTROLS



André Selz, Head of Center of Competence  
Integration, Qualification & Trials,  
Diehl Defence Überlingen.



In the year under review, the system-critical German defence industry was affected relatively little by the corona pandemic. This also affected Diehl Defence's business. With a few exceptions, the supply chains proved to be stable and efficient. Moreover, contracts are often drawn up for several years and public budgets planned for the long term so that no significant cuts were made in defence budgets and ongoing tenders continued as planned, albeit with corona-related delays. Public sector spending will still be driven with maximum attention in the future due to the pandemic.

The European security architecture continues to be characterized by foreign missions in the context of regionally limited crises and conflicts and the reprioritized national and alliance defence. Counterterm demand results from increased exercise operations of the armed forces and new threats like hypersonic weapons. Europe's preparation for taking on more responsibility is reflected, among other things, in rising defence budgets, the European Defence Action Plan (including the European Defence Fund), and major procurement projects, especially in Eastern Europe and Scandinavia. Consequences of Brexit are currently not to be expected, as the cooperation at NATO level continues unchanged and the UK has its own strong defence industry.

# COMPETENCE IN DEFENCE AND SECURITY.



Launch of a RBS15 Mk3 anti-ship missile with land attack capability.

The Diehl Defence Corporate Division was able to further expand its business activities in 2020 and create new jobs with its proven portfolio in the strategic business segments of Effect & Protection, Reconnaissance, and Fuzes. The continued stable growth ensured increases in sales and earnings as well as full utilization of development and production capacities.

A renewed 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. Major orders from the German armed forces for the RBS15 anti-ship missile program and for the GBU54 high-precision aircraft armament contributed to this. The investment in new production facilities enabled the ground-based air defence product line to successfully fulfill export orders in the short range air defence sector and also deliver first units of a new medium range air defence system to customers. Advances in seeker head technology to increase the combat value of the transatlantic ship

defence weapon RAM (Rolling Airframe Missile) contribute to the technological protection of the guided missile business, as do initiatives for the advancement of the high-tech effector family IRIS-T or participation in the concept studies for the Future Combat Air System (FCAS) as part of the German FCMS consortium. In the area of non-lethal weapons, a first major export order marked the company's successful entry into the fast-growing market of counter-unmanned aerial systems.

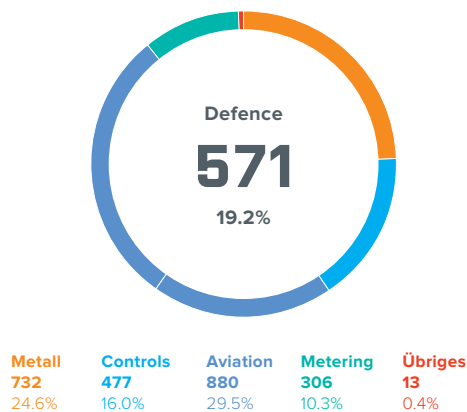
Together with its French subsidiary Junghans T2M SAS, JUNGHANS Microtec GmbH is a leading supplier of high-tech fuzes in Europe and international markets. JUNGHANS Defence products

play a decisive role in the safe handling of ammunition and warheads and are crucial for target impact effectiveness. The company's strong export orientation ensured a good workload in the technical area. But pandemic-related delays in the manufacturing process and in deliveries to customers still led to a decline in sales, partly because of supply bottlenecks.

AIM Infrarot-Module GmbH, a leading component supplier of thermal imagers and seeker heads for missiles, could continue its growth course. 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.

As part of a family-owned technology group, Diehl Defence contributes to the national security and defence precautions. The company's market position was systematically expanded in its core business and its position as a systems supplier in the field of ground-based air defence was strengthened. Furthermore, the sustainable strategy of product-specific cooperations with selected strong partners proves to be successful.

### DIEHL DEFENCE SALES (in MILLION EUROS)



### EMPLOYEES AT DIEHL DEFENCE



Irene Benninger, HR Business Partner,  
Diehl Aviation, Gilching.



Business at Diehl Aviation also slumped massively after March of the year under review due to the pandemic – in parallel with the development of the entire aviation industry. As a result, business volumes for all civil products fell to around half the previous year's level after the second quarter. Aircraft manufacturers had massively reduced their production rates in response to the dramatic drop in demand for newly built aircraft and related products and services. As a direct consequence, suppliers like Diehl Aviation had to adjust their volumes accordingly. The markets for after-sales services, cabin upgrades, and retrofits sold directly to airlines also suffered greatly due to the unprecedented global drop in travel.

To still any fears of infection among travelers, Diehl Aviation developers have since increased their efforts for improved air quality and disinfection equipment with UV-C technology in aircraft cabins as well as touchless cabin functions (e.g. in lavatories). This product innovation offensive aims at further improving the hygiene standard in cabins and increasing passenger safety and well-being. Diehl Aviation has been dealing with these issues for years. The coronavirus has now made these protective measures more relevant than ever.



# INNOVATION AS PART OF OUR DNS.



In the business segment Urban Air Mobility (UAM), Diehl Aviation also made progress with a contract with customer Volocopter that made the company's market entry possible in the spring of 2020. Diehl Aviation was selected to develop and produce novel flight control computers for the Volocopter platform "VoloCity" based on its recognized expertise in the field of flight control. The corporate division was also successful in the military market segment, where it succeeded in participating in the demonstrator phase for the coming European air combat system FCAS. Here, Diehl Aviation's expertise in the field of avionics, but also its vast experience in the field of international cooperation, is in particular demand.

Diehl Aviation was also able to further strengthen its global presence: With the newly opened office of the corporate division in Dubai, Diehl Aviation could further expand its local customer support close to the market and its range of required services. Market positioning was also strengthened in North America, where Diehl Aviation joined the group of BFE suppliers approved by customer Boeing (BFE: Buyer Furnished Equipment). This also offers direct access to additional distribution channels for cabin monuments sold directly to airlines.

Particularly important to corporate division in the year under review was the concern for the health of its employees and the introduction of strict hygiene concepts. However, precautions had to be taken simultaneously to adjust the necessary

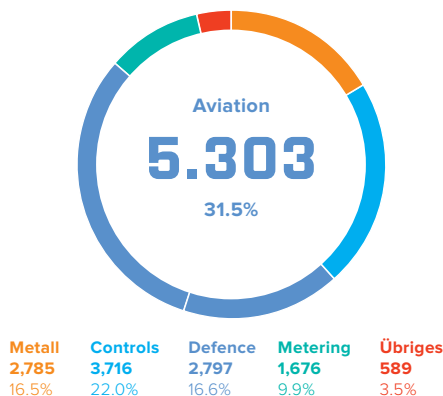
workforce to the drastically reduced business volume (e.g. by reducing contract work, introducing reduced working hours). After it became clear that the Aviation division would not be able to return to the level before the outbreak of the Corona Crisis before 2024/25, Diehl Aviation presented a concept for the future that includes both an innovation offensive and restructuring. Adjusting the economically appropriate size of the company to a reduced market demand and increasing competitiveness will require a noticeable downsizing at the German locations by the end of 2021. Discussions with the Works Council were already initiated at the end of the reporting year. In the innovation offensive, the launched future concept is aimed at developing sustainable lightweight components and systems for zero-emission flying. Diehl Aviation is thus clearly putting the focus on the strategically important issue of “sustainable aviation” for the industry as a whole, which will become increasingly important in future years.

An outlook for the current fiscal year is subject to major uncertainties due to the high level of planning uncertainty associated with the direct and indirect effects of the corona pandemic. In any case, it is to be expected that a sustained recovery in global air traffic and thus corresponding demand for aircraft components and related services at pre-crisis levels cannot be anticipated for several years. 2021 will continue to take place at a very low sales level – with the prospect of bottoming out in 2022.

## DIEHL AVIATION SALES (in MILLION EUROS)



## EMPLOYEES AT DIEHL AVIATION



Lisa Wißmüller, Project- and Brand Communications Manager  
at Diehl Meteing in the Mobile Office.



The effects of the COVID 19 pandemic ensured that Diehl Metering was unable to match the previous year's growth in 2020. Business with the Middle East in the customer segment Water was particularly affected by the decline. The customer segment Energy recorded a comparatively slight decline in sales and came close to achieving its budget figures. There was also a moderate decline in sub-metering in German-speaking Europe and Scandinavia and in thermal energy. By contrast, sales in the gas meter business segment showed a stable positive development. Consistent and successful further development from a meter producer to a solution provider was surely decisive for a positive business development, especially in the energy field.

The global alignment and modernization in the production area initiated in 2019 was successfully continued with undiminished emphasis in the year under review. For example, the Nürnberg and Saint-Louis locations were equipped with new automation lines, which will further improve cost efficiency and competitiveness in the future. The integrated management system (IMS), which has now been tried and tested, is a major step towards standardizing processes and increasing efficiency throughout the entire corporate division. It ensures reliably high standards in product quality, measurement technology, IT security, occupational health and safety, environmental protection, and compliance with legal requirements across all locations. The IMS also creates the basis for cross-site ISO and MID certification, which



**WE PAVE THE WAY  
FOR DIGITIZATION  
WITH FUTURE-  
ORIENTED SOLUTIONS.**



in many markets is considered an entry requirement for opening up new business. Corresponding audits and certifications were also carried out in the year under review, despite the restrictions caused by corona.

In order to be able to respond even more precisely and agilely to changing customer needs in the face of rapid digitization, Diehl Metering intensified its activities in the field of Data Science in the year under review. For this purpose, the cooperation with the Chair of Pattern Recognition at the Friedrich-Alexander-University Erlangen-Nürnberg was intensified in order to even better detect and classify anomalies

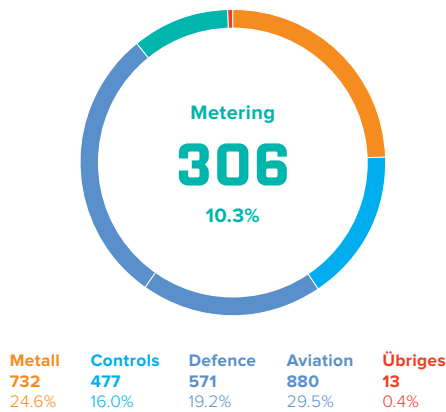
in consumption data. Initial contacts have also been established with the Technical University of Denmark to specifically combine the local knowledge in the field of water supply and energy infrastructure with data analytics. Other external partnerships helped develop new algorithms for consumption prediction and anomaly detection from the information content of meter data.

Agile and market-oriented development is to be driven forward as part of the Solution Provider Initiative. This currently includes the NRW (Non-Revenue Water) solution. Smart algorithms will help identify and even predict water losses in the

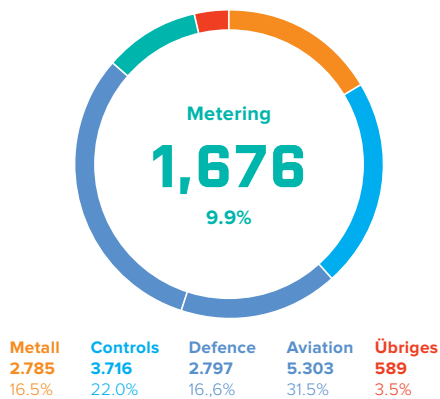
network in the future. Another example is demand forecasting – a software-based service for heat suppliers that helps ideally plan the energy supply into the grids and its control in a CO<sub>2</sub>- and cost-efficient way.

With the “Diehl Metering goes for Sustainability” project launched in the year under review, the corporate division is strengthening responsible corporate action and the pursuit of economic growth with due regard for the environment and social well-being. For the current year, the corporate division expects a significant increase in sales approximately to the pre-crisis level. The customer segment Water will catch up again, particularly in southwestern Europe and the USA. In the customer segment Energy, growth is also expected for the thermal energy field, particularly in Central and Eastern Europe. Similarly, sub-metering is again targeted for positive development. Following a stable sales contribution in the reporting year, the gas segment will show a slight decline due to the completion of a major order. The further expansion of data-based business models and the continuation of the strategic focus on becoming a solution provider will be key to long-term revenue development.

### DIEHL METERING SALES (in MILLION EUROS)



### EMPLOYEES AT DIEHL METERING





## Opportunities, risks and outlook

The upward trend in Germany, which had previously been quite stable, was abruptly halted by the corona pandemic in the first few months of last year, and the German economy experienced one of the worst recessions in decades (source: Annual Economic Report 2021 of the Federal Government). The German government expects that the pre-crisis economic output will not be reached again until the middle of 2022 and anticipates a growth of 3.0 % in 2021 (source: *ibid.*). But this does not yet take into account the impact pandemic and containment measures will have on economic activity in the current year. It is therefore not really possible to predict whether there will be a broad-based recovery of the global economy and thus a catch-up process. The International Monetary Fund (IMF) nevertheless expects global economic output to increase by 6.0 % in 2021 (source: World Economic Outlook, April 2021). According to the forecast, the USA will contribute 6.4 % to this and China 8.4 %, while expecta-

tions for the euro zone have been lowered to 4.4 %. Accordingly, it is probably safe to assume that the global markets will develop in different ways after the Corona Crisis.

As an internationally positioned and broadly diversified company, Diehl has come through the crisis resiliently. The company will therefore be able to win back lost business when demand in its traditional markets picks up again. Positive signs in the corporate divisions Metall, Controls and Metering indicate that the catch-up process has already started there. The situation differs in air traffic, which came to an almost complete standstill worldwide at the height of the crisis. As a result, the major aircraft manufacturers massively reduced their production, and Diehl Aviation experienced a dramatic slump in demand in the spring of 2020, which has since stabilized at a very low level. According to all forecasts, the corporate division will not

reach its former sales level for years to come and is therefore facing difficult times. Against this background, significant cuts in the corporate division cannot be avoided. The restructuring program to be implemented in 2021 in the Aviation Corporate Division is intended to actively bring about the necessary changes to ensure that this area will also have a future. The year under review has once again shown that the orientation of the Diehl Group as a conglomerate has a stabilizing effect even if it does not protect Diehl from cyclical fluctuations. 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 counter-measures can be taken promptly. However, no experience has been available to date regarding pandemic scenarios.

The Corona Crisis will continue to influence especially the Diehl Group's liquidity. However, the level of liquidity as well as available long-term credit lines from the syndicated loan agreement secure the Group's financing. Apart from the consequences 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.

The metal industry is undergoing a profound process of change that is affecting almost all sectors. Climate change and the energy transition, electromobility, and the necessary digitization of production often require new solutions and products that necessitate a transformation of proven processes. Added to this is the continued rise in electricity prices, which is proving

increasingly disadvantageous for German locations, as well as global trade disputes and uncertainties about the further course of the corona pandemic. 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. E-mobility is picking up speed and Diehl is on board.

In the white goods industry, the current year will also be marked by the effects of the corona pandemic. Added to this is the unchanged high price pressure in the supplier business, which is being further accelerated by consolidations among international household appliance manufacturers. In order to still be a sought-after and competitive partner for OEMs in the future, Diehl Controls relies on its recognized expertise in the development of new control systems and fast response times thanks to its international manufacturing network. Moreover, new customers outside the household appliance industry (Extend the Core) are increasingly being targeted. The path shows first good successes.

The corona aids may reduce the future 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.

The medium-term outlook for the business performance of Diehl Aviation will be shaped primarily by the general development of aviation sector and aviation industry in the years up to 2024. In addition to the drop in demand in 2020, the uncertainty as to when, to what extent and at what speed the expected recovery in global air traffic will begin is also problematic for the corporate division. As the corona-related crisis in the aviation industry does not allow for comparisons with similar situations in the past, statements on future developments are subject to a high degree of uncertainty. However, all serious forecasts suggest that the current fiscal year will probably be characterized by demand remaining at a low level, with a gradual recovery only starting in 2022. Volumes in global air traffic and production rates in the aviation industry comparable to the level of 2019 are not expected before 2024. It is also uncertain whether this multi-year recovery phase will have a constant upward trend or whether it will also go through temporary weakness phases in waves with a negative impact on sales, earnings, and the liquidity situation. Significant factors in the recovery of air travel worldwide will be the success of vaccination efforts and passenger confidence in air travel without health hazards. But for Diehl Aviation this scenario also offers the opportunity to participate in industry developments with innovative products and to improve its market position.

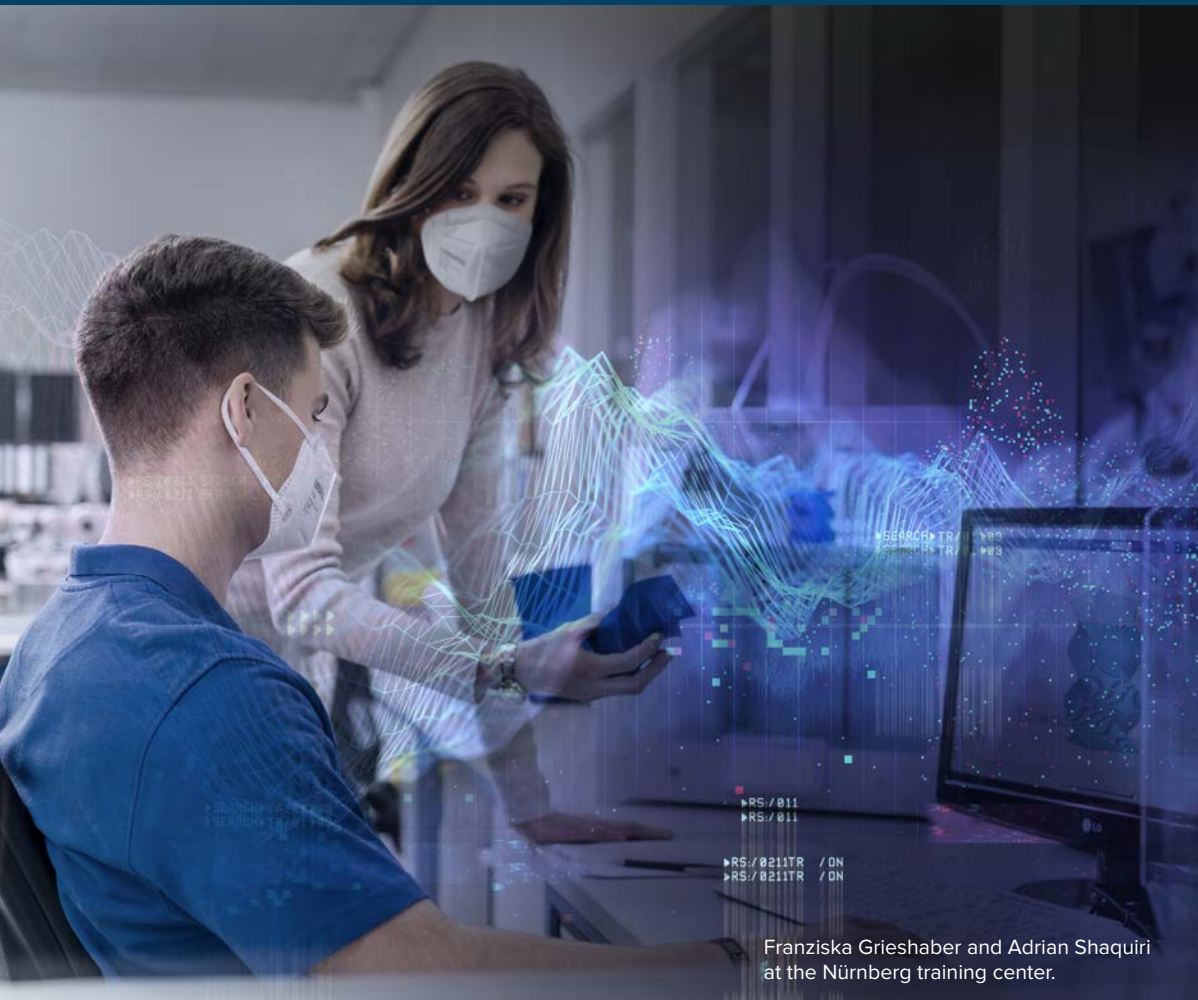
In the course of the global energy transition, the system of energy generation and consumption is becoming increasingly complex. For this purpose, intelligent measurement systems and modern measuring devices are needed, providing the prerequisites for integration of volatile renewable energies into the power grid. This is why Diehl Metering still sees itself in a growing market which is still characterized by high attractiveness. Through increased internationalization, continuous expansion of the cooperation network, and the promotion of Diehl Metering as a solution provider in the market, the corporate division aims to be able to respond even more precisely to changing customer needs. Increasingly important in this context is a clear commitment to responsible business practices and the pursuit of economic growth with due regard for the environment and social well-being. The UN Sustainable Development Goals (SDG) play a special role in this because they coincide in many areas with the approach of Diehl Metering customers and consumers to contribute to the more efficient use of natural resources through smart metering solutions.

The Diehl Group started the year 2021 with cautious expectations. However, in view of the positive course of business during the first weeks and months, confidence in the current year has grown more and more. Even though the plans still show many uncertainties, for example the effects of the parts shortage on production in some corporate divisions, Diehl is generally optimistic about the future. Chances are good that we will be able to achieve the set goals in 2021. Nevertheless, the year remains strained. Digitization, transparent communication within the Group and vis-a-vis the markets as well as with customers and suppliers continue to be important factors to overcome the economic impacts caused by the Corona Crisis. Due to the established risk management system, the risks existing in the corporate divisions are regarded as medium from the Diehl Group's perspective. The positioning of the Group as a community of opportunity and risk continues to be important for the existence and success of the company. For 2021, the Diehl Group is targeting sales at the previous year's level and a significantly lower net loss.

Nürnberg, April 16, 2021

Diehl Verwaltungs-Stiftung

Jürgen Reimer  
Dr. Christof Bosbach  
Dieter Landgraf  
Helmut Rauch  
Dr. Martin Sommer  
Rainer von Borstel  
Carsten Wolff



Franziska Grieshaber and Adrian Shaquiri  
at the Nürnberg training center.

The Diehl Group has employed a total of 16,866 employees at world-wide locations on the key date December 31, 2020. A comparison with the previous year (17,557) shows a decline by 691 employees (3.9 %). This decline can be attributed primarily to reductions in the corporate divisions Metall (-542) and Aviation (-387). Adjusted for the changes in the consolidation scope resulting from the disposal of Sundwiger Messingwerk, Diehl Metall Shenzhen and The Miller Company, the reduction compared with the previous year amounted to 307 employees. At the reporting date, there were 11,394 employees at the locations in Germany (previous year: 12,022). In Germany, this means a headcount reduction of 628. The rate of domestic employees decreased slightly and is now at 67.6 %.

Diehl continues to rely 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 444 apprentices (2019: 462), 405 (431) of whom in Germany. At a total of 14 training locations in Germany, the apprentices complete their training in 20 recognized training occupations together with 74 junior employees who undergo a dual course of studies in 14 different fields of study, combining study as well as practical in-depth training phases at our locations. In addition, 22 prospective specialists from other companies as well as one retrainee 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.

Against the backdrop of the Corona Crisis, it became necessary during the lockdown periods to teach apprentices via “mobile learning” at home and to introduce supplementary shift models in the workshops instead of employing the usual practical vocational training in the training centers.

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. Currently five young refugees from Afghanistan, Iraq and Syria are undergoing vocational training.

As a result of COVID-19, training marketing activities were switched to digital formats like online trade fairs, digital career presentations, or a virtual open day. The usual events in the regional schools or parents’ evenings were held only until mid-March of the reporting year. The new digital training marketing formats are currently further expanded to form an additional permanent offering. Unfortunately, the usual one-week insights into the world of work during trial internships on the apprenticeships offered at the locations could not be carried out to the usual extent in 2020. 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. In 2020, the latter format was conducted completely digitally over a three-day period for the first time. In addition to traditional and new digital marketing measures, training at Diehl also relies on social media and promotes training and study opportunities via various social media channels. Subscribers to these channels are also kept up to date with current posts from each training site.

The area of specialists and executives and their qualification are of crucial importance for Diehl. The current environment requires that, in addition to the continuation of classic classroom approaches, we also increasingly rely on virtual qualification in order to be able to offer suitable measures at present. Whether for 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 will continually be adjusted to current requirements and supported with digital tools.

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.

The Corona Crisis of 2020 made a lasting impression on Diehl and all its employees. Markets and customer relationships have changed in an unprecedented manner, as have the usual processes at individual workplaces. Only committed, flexible, and joint action at all levels made it possible to successfully master these challenges and keep the company on track in the year under review. What is clear, however, is that action is needed in many areas to return to our usual strength. This particularly affects the Aviation Corporate Division, which has to adjust the economically viable size of the company to the reduced market demand as part of a concept for the future that includes both an innovation offensive and restructuring. To achieve this, it will be necessary to cut up to 1,400 jobs at the German locations by the end of 2021. Discussions with the Works Council were already initiated at the end of the reporting year.





Aiwen Hong, Advanced Purchaser / Advanced Purchasing and Harald Rapp, Mechanical Engineering / Change Management Manager.

The Corona Crisis has once again impressively demonstrated that Diehl's success is based on the great commitment, flexibility, and wealth of ideas of its employees. Diehl's customers and partners especially appreciate their 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.



Thomas Bodenmüller Division Board Member and Corona Officer at Diehl Defence during the company COVID test.



Since its entrepreneurial beginnings, the principles of sustainable growth and lasting competitiveness have applied in the family-owned company Diehl.

Consistent guidelines, originally resulting from the tradition of craftsmanship and prudent commercial action, without which around 120 years of company success would be inconceivable. This basic understanding still forms the basis for Diehl's entrepreneurial activities today.

Based on this tradition, the Diehl Group has committed itself to a sustainability strategy that is now in line with a globally accepted framework. At the same time, this gives the company the opportunity to structure the relevant activities in the corporate divisions individually and prioritize them according to the respective stakeholder requirements. Within the framework of the concept, common core objectives were defined to which each Diehl company makes its individual contribution. Sustainability means much more here than just environmental protection. It also includes issues like sustainable production, innovation, humane work, affordable and clean energy, clean water, and gender equality. The proven Diehl compliance principles, which have been practiced for many years, form the framework and foundation for business activities here. Everyone can contribute to this.

In the year under review, it was explicitly included in the company's management and organization manual that the goal of maintaining Diehl as a family-run, independent family business in the long term also means complying with the principles of sustainability and treating the environment and resources with care. This standard is mandatory for all executives as well as employees at Diehl. Diehl takes guidance from the UN Sustainable Development Goals (SDG) as part of its overarching sustainability strategy. As a globally accepted and lived framework, they map the agenda and objective of global advancement in all dimensions of sustainability - social, environmental and economic. To ensure continuous tracking of activities within the company, work is currently underway to integrate them into the strategy process. To this end, a Diehl Sustainability Board was established at the level of the Executive Board to drive forward the framework concept and the further derivation of fields of action and targets in the long term.

Due to the decentralized organization and the different markets and environments of the individual corporate divisions, each corporate division develops a sustainability strategy individually adapted to its needs and the respective market environment, always under the common umbrella of the UN SDG.



Unfortunately, in times of coronavirus, other important social issues often take a back seat in public perception. However, it remains important and necessary to continue to help those who are in need of support due to illness or other severe fate. For more than three decades, the Karl Diehl Foundation for People in Need has supported especially elderly and sick people in the Nürnberg network of good cooperation between local authorities, dioceses, administrative region and public welfare. They offer practical assistance in emergency situations for which no state or other public charitable institution feels responsible – for whatever reason. In the year under review, the Foundation's work again effectively helped more than 700 people – often with their families.

The Irmgard Diehl Children's Foundation has been working for many years with around twenty social institutions to help abused, traumatized, socially disadvantaged, sick and disabled children and young people from the Middle Franconia, Upper Franconia and Swabia regions. Funding is provided above all for treatments in the medical/therapeutic field, in particular treatment methods with horses, dogs, and dolphins, the costs of which are usually not covered by health insurers. Unfortunately, many of these facilities were also affected by the general corona-related closures and contact restrictions during the year under review, which brought significant limitations to the usual interaction between children and therapists. It was also possible to help a facility for children with

sever and multiple handicaps. Here, with the help of the Children's Foundation, special cushions could be purchased so that the children can enjoy and experience fresh air reclining in nature.

**Editor's notes:**

Some images were taken  
before the corona pandemic.

**Consolidated Financial Statements  
as of December 31, 2020**

(in K€)

[illegible]

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# **CONSOLIDATED INCOME STATEMENT OF DIEHL VERWALTUNGS-STIFTUNG FOR THE PERIOD JAN. 1 TO DEC. 31, 2020**

(in K€)

	2020	2019
1. Sales	2,978,766	3,628,520
2. Decrease (increase) in finished goods and work in process	– 13,344	4,196
3. Other capitalized services and materials	9,485	10,645
4. Other operating income	113,829	138,900
5. Cost of materials and services :		
a) Cost of raw materials, supplies and purchased goods	– 1,379,982	– 1,674,291
b) Cost of purchased services	– 221,594	– 262,833
	– 1,601,576	– 1,937,124
6. Personnel expenses :		
a) Wages and salaries	– 818,011	– 895,547
b) Social security and pensions costs	– 172,617	– 177,352
– <i>thereof for pensions :</i>	– 8,149	– 10,945
	– 990,628	– 1,072,899
7. Amortization and depreciation		
a) On intangible assets and tangible assets	– 96,006	– 99,602
b) Unusual amortization and depreciation on current assets	0	– 32,400
	– 96,006	– 132,002
8. Other operating expenses	– 533,540	– 520,193
9. Income from investments	230	193
– <i>thereof from affiliated companies :</i>	205	93
10. Income from investments in associated companies	703	1,149
11. Other interest and similar income	3,272	5,904
– <i>thereof from affiliated companies :</i>	25	24
12. Writing down of financial assets and current securities	0	– 3
13. Interest and similar expenses	– 69,039	– 84,835
– <i>thereof to affiliated companies :</i>	– 1	– 1
14. Income tax	25,788	– 27,975
– <i>thereof deferred taxes :</i>	50,634	26,297
<b>15. Earnings after tax</b>	<b>– 172,060</b>	<b>14,476</b>
<b>16. Net loss/net income for the year</b>	<b>– 172,060</b>	<b>14,476</b>
– <i>thereof part of other shareholders :</i>	– 172,066	14,454

(in K€)

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

(in K€)	Equity of parent company				
	Capital stock	Reserves	Retained earnings brought forward	Equity of parent company	Capital of
					Non-controlling interests before net income
<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>
Allocation to reserve		4	– 4		– 1,845
Distribution of earnings					
Foreign currency translation					– 52
Other changes					– 3
Consolidated net loss			6	<b>6</b>	
<b>As of Dec. 31, 2020</b>	<b>511</b>	<b>199</b>	<b>1,656</b>	<b>2,366</b>	<b>707,357</b>

Non-controlling interests						Shareholders' equity
corporate division Diehl Stiftung & Co. KG		other third party shareholders			Shares held by other shareholders	
Profits / losses due to non-controlling interests	Total	Non-controlling interests before net income	Profits / losses due to non-controlling interests	Total		
– 32,072	677,185	43,863	22,974	66,837	744,022	746,382
1,845						
		– 8,396		– 8,396	– 8,396	– 8,396
	– 52	– 607		– 607	– 659	– 659
	– 3	– 8		– 8	– 11	– 11
– 167,041	– 167,041		– 5,025	– 5,025	– 172,066	– 172,060
– 197,268	510,089	34,852	17,949	52,801	562,890	565,256

## 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 43 domestic and 25 foreign companies, which are under direct or indirect control of Diehl Verwaltungs-Stiftung. As of fiscal year 2020, the circle of fully consolidated group companies is extended by the establishment of Diehl Electronic Components (Wuxi) Co., Ltd, Wuxi, China. The companies Sundwiger Messingwerk GmbH & Co. KG, The Miller Company, Meriden / Connecticut, USA as well as Diehl Metall (Shenzhen) Co. Ltd., Shenzhen, China were sold in the fiscal year 2020. No essential impacts on the description of the asset, financial and earnings situation of the Group resulted from this. The companies Diehl Metering GesmbH, Wien, Austria and Hydrometer Verwaltungsgesellschaft mbH, Wien, Austria were merged.

Six 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, 12 companies were not consolidated. The circle of affiliated group companies outside the consolidated entity will be extended as of fiscal year 2020 by the foundation of

Diehl Brass Solutions Stiftung & Co. KG, Diehl Metall Beteiligungs GmbH as well as Diehl Aviation Middle East FZCO, Dubai, UAE. 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 subsidiaries, 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 2020

## 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.

**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, the straight-line method of depreciation is used. Scheduled depreciation of buildings and parts of buildings is based on a useful life ranging from 4 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.

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 1.60% p.a. have been taken as a basis. An interest rate of 2.31 % 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€ 12/31/2020	K€ 12/31/2019
Trade receivables and trade payables	155	345
Receivables due from affiliated companies	163	0
Receivables from companies in which participations are held	0	385
Other assets	1,409	1,021

### 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2020

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 13% (partnerships) or 27% 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€ 188,545 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 and other accruals), 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€ 10,504 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€ Status as of 12/31/2020	K€ Status as of 12/31/2019	K€ variation
Deferred taxes on the assets side	188,545	142,002	46,543
Deferred taxes on the liabilities side	10,504	13,658	– 3,154

## 4. Shareholders' equity

The equity of the corporate division Diehl Stiftung & Co. KG consists of the liable limited liability capital of Diehl Stiftung & Co. KG and the reserves of Diehl Stiftung & Co. KG. The statement of changes in equity is prepared according to the principles of the German accounting standards 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€ 11,037 (inclusion of plan assets). The acquisition costs were K€ 9,946.

Coverage capital for insolvency insurance of life work-time accounts in the amount of K€ 3,728 was offset against the corresponding accruals in the amount of K€ 4,630.

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€ 14,122. The settlement amount of the pension reserve offset for reinsured deferred compensation corresponds to the asset value from the pension liability insurance (K€ 14,122). Expenses and income in the amount of K€ 470 were offset.

Other accruals mainly include accruals for severance pay and paid release from work (without partial retirement), for warranty expense, for outstanding invoices, for long-term working time accounts, for contractual penalties and for anticipated losses from other pending businesses.

## 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€ 4,978 and is secured by pledged accounts and land charges.

„Other liabilities“ include the following items:

	K€ 12/31/2020	K€ 12/31/2019
Social security liabilities	6,428	6,763
Tax liabilities	17,774	33,083

## 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:

Forward exchange contracts in million €	Market values		Nominal- volume
Type	positive	negative	
USD	97	4	1,204
PLN	0	0	43
GBP	0	0	9
MXN	1	0	6
HUF	0	0	4
Other currencies	0	0	1
Commodity futures contracts			
Metals exchange	7	4	72

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 € 98 million. Micro and macro hedges as well as portfolio hedges are employed in the valuation of foreign currency positions. Foreign currency receivables (€ 140.2 million), liquid assets (€ 47.7 million), foreign currency liabilities (€ 41.0 million), firmly contracted business not yet included in the balance sheet (€ 305.6 million) and transactions

expected with high probability (€ 809.5 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 May 2023.

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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2020

contract value applicable at the balance sheet date compared with the contracted value):

<b>Metals Dec. 31, 2020</b>	<b>Market value in million €</b>
Pending procurement transactions	1.2
Hedged by commodity futures	– 0.7
Pending sales transactions	– 7.0
Hedged by commodity futures	7.3

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 € 0.1 million was set up on the balance sheet date. Risks worth € 7.0 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 € 7.7 million were included in the evaluation units.

## **8. Contingent liabilities**

On the balance sheet date, there were liabilities on guarantees in the amount of € 49.7 million (2019: € 27.1 million) and liabilities under warranties worth € 89.6 million (2019: € 128.5 million).

On the balance sheet date, there were contingent liabilities due to affiliated companies in the amount of € 31.5 million (2019: € 17.9 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 – € 3,1 million (2019: € 3.7 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 € 1,069.0 million. They relate above all to commitments from open purchase orders as well as commitments under rental and leasing contracts, offset obligations, quantity contracts for Metall (purchasing) for which prices have not yet been fixed, 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 € 38.9 million (2019: € 42.0 million).

## VI. Notes to the income statement

### 1. Sales

Sales break down as follows:

in million € 2020	Total	Domestic	Foreign
Corporate Division Metall	732	358	374
Corporate Division Controls	477	76	401
Corporate Division Defence	571	245	326
Corporate Division Aviation	880	364	516
Corporate Division Metering	306	59	247
Services / other	13	12	1
<b>Total:</b>	<b>2,979</b>	<b>1,114</b>	<b>1,865</b>

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>

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 € 6.1 million (2019: € 5.4 million).

### 3. Amortization and depreciation

Non-scheduled depreciation in the amount of € 1.7 million was made. This concerned the items „Amortization and depreciation on intangible assets and tangible assets“ in the income statement.

### 4. Other operating expenses

„Other operating expenses“ include expenses from foreign currency translation in the amount of € 14.8 million (2019: € 3.5 million) as well as other taxes in the amount of € 5.7 million (2019: € 8.3 million).

### 5. 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 € 1.0 million (2019: € 3.7 million).

The item „Interest and similar expenses“ includes expenses from the discounting of accruals in the amount of € 54.5 million (2019: € 64.2 million).

### 6. Taxes on income

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

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

Income relating to other accounting periods amounted to € 45.9 million, mainly resulting from the reversal of accruals not made use of.

Expenses relating to other accounting periods amounted to € 6.5 million. Those mainly result from expenses for previous year's taxes.

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

The creation of accruals for structural adaptations are of extraordinary magnitude and significance in the other operating expenses of € 101.6 million. Extraordinary income result from the creation of deferred tax assets on losses carried forward in the amount of € 45.3 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DIEHL VERWALTUNGS-STIFTUNG FOR FISCAL YEAR 2020

## 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 standards 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	
	2020	2019
Corporate Division Metall	3,050	3,339
Corporate Division Controls	3,556	3,466
Corporate Division Defence	2,651	2,510
Corporate Division Aviation	5,416	5,512
Corporate Division Metering	1,681	1,668
Services / other	479	441
Staff members	<b>16,833</b>	<b>16,936</b>
Apprentices	425	427
<b>Total:</b>	<b>17,258</b>	<b>17,363</b>

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

in K€ Type	Group auditor	Other auditors
Annual audit services	1,288	151
Audit-related services	12	6
Tax consultation services	1,015	0
Other services	323	26
<b>Total:</b>	<b>2,638</b>	<b>183</b>

### 4. Events after the reporting period

No events of special importance, having an impact on the group's net assets, financial position and results of operations, occurred with the companies included in the consolidated financial statements between the balance sheet date – December, 31, 2020 – and April 16, 2021.

### 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€ 5,630 in the reporting period. The emoluments of former members of the Executive Board and their surviving dependants amounted to K€ 749. Pension obligations to these persons amounted to K€ 12,918. Remunerations for the Supervisory Board members amounted to K€ 892.

### 6. Proposal for the appropriation of earnings

The Executive Board proposes to add an amount of K€ 4 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 and Diehl Stiftung & Co. KG, Nürnberg.

Nürnberg, April 16, 2021

Diehl Verwaltungs-Stiftung

The Executive Board

# STOCK OWNERSHIP OF THE GROUP AS OF DECEMBER 31, 2020

## 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
<b>Other countries</b>	
Diehl Aerospace Pte. Ltd., Singapur	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 Electronic Components (Wuxi) Co., Ltd., Wuxi, China	100.0
Diehl Metal India Private Limited, Pune, Maharashtra, Indien	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
Diehl Metering S.A.S., Saint-Louis, France	100.0

Name and registered office of company	Share in capital %
<b>Production and sales companies</b>	
<b>Other countries</b> (continuation)	
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
<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	96.0
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, Röthenbach a. d. Pegnitz	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
Metares SAS i.L., Saint-Louis, France	100.0

## STOCK OWNERSHIP OF THE GROUP AS OF DECEMBER 31, 2020

### 2. Affiliated companies

Name and registered office of company	Share in capital %
Diehl Aviation Middle East FZCO, Dubai, VAE	100.0
Diehl Brass Solutions Stiftung & Co. KG, Röthenbach an der Pegnitz	100.0
Diehl Metall Beteiligungs GmbH, Röthenbach an der Pegnitz	100.0
Diehl Metering AB, Karlskrona, 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
Mauser-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
PARSYS GmbH, Schrobenhausen	50.0
RAM-SYSTEM Gesellschaft mit beschränkter Haftung, Ottobrunn	50.0
ROCKETHOME GmbH, Köln	20.9

### 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, 2019	Changes	Additions	Write-ups	Disposals	Transfers	As of Dec. 31, 2020
<b>I. Intangible assets</b>							
1. Acquired concessions, industrial property rights and licenses	140,579	– 3,857	4,920	0	1,210	1,918	142,350
2. Goodwill	214,606	– 13,561	0	0	1,297	0	199,748
3. Advance payments	2,742	– 110	2,313	0	10	– 1,191	3,744
	357,927	– 17,528	7,233	0	2,517	727	345,842
<b>II. Tangible assets</b>							
1. Real property, corporeal rights in real property and buildings, including buildings on real property of third parties	510,078	– 33,980	14,092	0	119	9,286	499,357
2. Technical equipment and machinery	940,282	– 102,312	35,397	0	10,938	22,212	884,641
3. Other equipment, factory and office equipment	524,478	– 28,171	26,178	0	13,988	7,850	516,347
4. Advance payments and assets under construction	68,247	– 933	35,214	0	233	– 40,075	62,220
	2,043,085	– 165,396	110,881	0	25,278	– 727	1,962,565
<b>III. Financial assets</b>							
1. Shares in affiliated companies	5,350	0	25	0	0	0	5,375
2. Shares in associated companies	7,519	0	183	– 179	0	0	7,523
3. Other investments	1,652	0	0	0	0	0	1,652
4. Loans to companies in which participations are held	63	0	0	0	24	0	39
5. Other loans	6,759	– 34	671	0	2	0	7,394
	21,343	– 34	879	– 179	26	0	21,983
<b>Total</b>	2,422,355	– 182,958	118,993	– 179	27,821	0	2,330,390

## Amortization/Depreciation

## Net book value

As of Dec. 31, 2019	Changes	Additions	Write-ups	Disposals	Transfers	Diff. between exchange rate as of Dec. 31 and yearly average rate	As of Dec. 31, 2020	As of Dec. 31, 2020	As of Dec. 31, 2019
119,410	– 3,293	9,947	0	1,167	– 46	– 6	124,845	17,505	21,169
214,606	– 13,561	0	0	1,297	0	0	199,748	0	0
0	0	0	0	0	0	0	0	3,744	2,742
334,016	– 16,854	9,947	0	2,464	– 46	– 6	324,593	21,249	23,911
330,265	– 25,452	10,708	– 5	108	0	– 44	315,364	183,993	179,813
752,620	– 93,957	46,690	0	10,785	0	– 263	694,305	190,336	187,662
397,284	– 22,578	28,661	– 18	12,465	46	– 58	390,872	125,475	127,194
0	0	0	0	0	0	0	0	62,220	68,247
1,480,169	– 141,987	86,059	– 23	23,358	46	– 365	1,400,541	562,024	562,916
2,701	0	0	0	0	0	0	2,701	2,674	2,649
2,070	0	0	0	0	0	0	2,070	5,453	5,449
0	0	0	0	0	0	0	0	1,652	1,652
0	0	0	0	0	0	0	0	39	63
0	0	0	0	0	0	0	0	7,394	6,759
4,771	0	0	0	0	0	0	4,771	17,212	16,572
1,818,956	– 158,841	96,006	– 23	25,822	0	– 371	1,729,905	600,485	603,399

## RESIDUAL TERMS OF LIABILITIES AS OF DECEMBER 31, 2020

(in K€)

Liabilities	Total As of Dec. 31, 2020	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	79,125	35,496	43,629	5,678
2. Trade payables	166,499	166,092	407	0
3. Payables due to affiliated companies	1,230	1,230	0	0
4. Payables due to companies in which participations are held	44,561	41,238	3,323	0
5. Other liabilities	70,946	64,863	6,083	2,836
<b>TOTAL</b>	<b>362,361</b>	<b>308,919</b>	<b>53,442</b>	<b>8,514</b>

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>

## 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, 2020 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, 2020 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, 2020.

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, 2020 and of its financial performance for the financial year from January 1st to December 31st, 2020 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 para 3 sentence 1 of the German Commercial Code, 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 of the German Commercial Code 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 Group's ability to continue as a going concern. They also have the

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

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

of the German Commercial Code 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 management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospec-

tive 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, 2021

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels

Wirtschaftsprüfer  
(German Public Auditor)

Thorsten Dzulko

Wirtschaftsprüfer  
(German Public Auditor)

## EXECUTIVE BOARD

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Dr.-Ing. Karl Tragl President of the Executive Board Corporate Department Technology	(until December 8, 2020)
Dipl.-Wirtsch.-Ing. Wolfgang Weggen Vice President of the Executive Board Corporate Department Finance and Controlling	(until August 31, 2020)
Dipl.-Kfm. Jürgen Reimer Vice President of the Executive Board Corporate Department Finance and Controlling	(from September 1, 2020)
Dipl.-Kfm. Dr.-Ing. Martin Sommer Corporate Department Human Resources & Social Matters	
Dr.-Ing. Heinrich Schunk Corporate Division Metall	(until March 31, 2020)
Dipl.-Wirtsch.-Ing. Dieter Landgraf Corporate Division Metall	(from April 1, 2021)
Dipl.-Ök. Carsten Wolff Corporate Division Controls	(from August 1, 2020)
Dipl.-Ing. (BA) Helmut Rauch Corporate Division Defence	
Dipl.-Ing. (FH) Rainer von Borstel Corporate Division Aviation	(until April 30, 2021)
Dipl.-Ing. (FH) Dipl.-Wirtsch.-Ing. (FH) Josef Köcher Corporate Division Aviation	(from May 1, 2021)
Dr.-Ing. Christof Bosbach Corporate Division Metering	

During 2020, 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 the ALTANA Kulturstiftung gGmbH  
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,  
among others former CEO of KPMG Switzerland,  
former Chairman of the Board of Directors at Stäubli  
Holding AG, former Vice Chairman of the  
Board at Barry Callebaut AG,

Dr. Olaf Berlien,  
former Chairman of the Executive Board  
of Osram Licht AG,

Dr. Johannes Bußmann,  
CEO at Lufthansa Technik AG  
Member of the Supervisory Board of DIS AG,

Mr. Karlhermann Jung,  
attorney and notary public (ret.),

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, 2021

**Issued by:**

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