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KAPP GmbH & Co. KG

Coburg

Consolidated financial statements for the financial year from 07/01/2019 to 06/30/2020

Group management report for the financial year from July 1, 2019 to June 30, 2020

Business activity and framework conditions

KAPP GmbH & Co. KG, headquartered in Coburg, is the holding company in the KAPP NILES group of companies. This is a leading global manufacturer of machines / tools for fine machining of gears and profiles as well as high-precision measuring technology. In Germany, the group has production plants in Coburg, Berlin and Aschaffenburg. The other locations abroad are in the USA, Brazil, Japan, China, Italy and, since the beginning of 2020, also in India. This means that KAPP NILES is present worldwide. The sales markets are also spread across the globe; In the past financial year, most of the sales, at around 77%, were made abroad; The most important region in this financial year was Asia, with a focus on China. In terms of industry, the focus has long been on the industry segment, which accounted for 60% of project sales. The automotive sector contributed only 40% to sales (after more than 60% in previous years).

According to the industry figures of the "Association of German Machine Tool Builders / VDW", the exciting German machine tool industry, which also includes KAPP NILES, showed a slightly positive development on the sales side in the 2019 calendar year compared to the previous year (+ 2%). In the first 6 months of the current calendar year, however, this development has completely reversed and sales were -27%. Incoming orders already showed a drastic decline in 2019 at -26% compared to the previous year, which worsened again significantly in the first half of 2020 at -35%. Domestic orders were -36% and the proportionately high foreign demand was -34% below the already very weak values of the previous year. In the 2nd In the second quarter of 2020, the corona crisis also made itself clearly noticeable; from April to June the negative deviations in sales and incoming orders were well above the months of January to March. The outlook for the following months and the coming year is therefore very pessimistic.

Earnings situation

The turnover of the KAPP NILES Group reached € 139.8 million in the past financial year and was thus around 13% below the value of the previous year; but with which the target was exceeded. The machine business with stable revenues contributed 75%, tools 13% and service / spare parts 12%. The gross profit as a percentage of output improved by around 2 percentage points compared to the previous year. There was a slight decrease in personnel expenses in absolute terms, but the rate rose due to performance (around + 5% points). The average number of employees rose by only 0.9% in the financial year. The financial / investment result could be reduced by over 50% compared to the previous year. The EBIT as a financial performance indicator was € 3.5 million, and thus slightly exceeded the planned value. The overall declining business development led to an EBT of around € 3.1 million (previous year € 7.0 million) across all individual companies.

Assets and financial position

The balance sheet total was € 141.1 million, € 5.3 million below the previous year's figure. Fixed assets increased by € 1.6 million to € 44.1 million compared to the previous year. Significant additions relate to intangible assets and financial assets, including shares in affiliated companies and other loans.

The working capital, i.e. the total of inventories and trade receivables less trade payables, reached around € 76.4 million due to processing and was thus slightly below the previous year (-0.6%). At around € 15.6 million, liquid funds were even higher than the already good value of the previous year. The liabilities to banks amounted to € 13.7 million; 80% of these have a remaining term of less than 1 year. The economic equity (equity according to the commercial balance sheet plus shareholder accounts as well as the silent participation) reached 77% of the balance sheet total, 2% points higher than a year ago. Financial indicators are primarily used to manage the group; the most important are sales, earnings before interest and taxes (EBIT) and working capital. As already mentioned, these control parameters exceeded the target for sales and EBIT.

The Group's financial position remains solid. The KAPP NILES Group achieved a cash flow from operating activities of € 2.8 million in the 2019/20 financial year. Further additions came from taking out short-term loans (€ 5.6 Million). These inflows were used in particular for investments in property, plant and equipment (€ 4.7 million). As of the balance sheet date, these payments resulted in a change in cash and cash equivalents of € +0.6 million. The Group had liquidity reserves from liquid funds of € 15.6 million and unused credit lines of around € 3 million ..

employees

The number of employees (excluding trainees) was 697 as of June 30, 2020, 3 employees below the previous year's level. The fixed-term employment contracts amounted to 23 (previous year 56). Personnel indicators are regularly determined as non-financial control parameters, such as the development of the number of employees or sick leave per cost center. In order to meet changed requirements for qualifications and technological change, training and further education of employees represent a focus of the personnel measures.

Research and Development

At KAPP NILES, the focus in the past financial year was on the further development of the new machine platform 1, which, based on the KNG350 Expert, offers a single-spindle machine with fast workpiece changing times for applications up to 350 mm in diameter and 700 mm in length. An automation concept for different markets was implemented and can now be marketed. For the KNG12 P Master, the modular system has been expanded to include grinding heads for large-module gears, primarily for wind power. The "Industry 4.0 applications" such as process and condition monitoring were installed in the field as a dashboard. Our RFID solution for checking in machine components offers the customer greater security when setting up the machine. The KN Grind control, based on a new HMI concept, has been further developed and now covers the requirements for profile and generating grinding. Both the space requirement and energy consumption of the cooling lubricant units have been reduced by 20% each.

Risk and opportunity report

Due to the international orientation, the early detection of opportunities and risks as well as the measures to be derived from them are important components of corporate management. Corresponding principles and procedures are defined in a guideline within the framework of a risk management system. The functionality and effectiveness of this system are an integral part of regular tests, and the findings from this are taken into account in the continuous further development of the system.

In terms of opportunities, the products that have been well received in the market and the global sales presence should also be mentioned. On the risk side, the high proportion of business with China, the pleasingly reduced but still existing dependency on the "Automotive" sector and, since March 2020, the effects of the corona crisis have had an impact. The latter in particular has resulted in a significant decline in incoming orders, which of course was also reflected in the low order backlog as of June 30, 2020 and thus in the sales expectations for the planned year 2020/21. We do not expect any major cancellations or price changes in the order books, but project delays must be expected.

Outlook for the new financial year

For the planning of the 2020/21 financial year, it is assumed that sales will decline significantly (-30%) on the basis of the very weak order situation, primarily due to the corona. Through the use of short-time working and other cost measures, earnings before taxes, interest, depreciation and amortization (EBITDA) should be achieved around "break even".

In addition, the implementation of a management system in accordance with VDA 6.4 and the conversion of the IT system from SAP R / 3 to SAP S / 4 HANA will be continued.

Coburg, October 30, 2020

KAPP GmbH & Co. KG

Managing directors

Signed Martin Kapp

Signed Helmut Nüssle

Consolidated balance sheet as of June 30, 2020

ACTIVE SITE

	06/30/2020		Previous year
	EUR	EUR	EUR
A. Fixed assets			
I. Intangible Assets			
1. Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets	2,236,651.73		1,229,873.73
2. Advance payments made	2,771,176.76		2,779,476.76
		5,007,828.49	4,009,350.49
II. Tangible assets			
1. Land, land rights and buildings including buildings on third-party land	11,162,134.88		12,053,660.88
2. Technical systems and machines	1,705,988.00		1,682,268.00
3. Other equipment, factory and office equipment	7,420,803.24		5,962,789.24
4. Advance payments and assets under construction	120,816.72		725,922.49
		20,409,742.84	20,424,640.61
III. Financial assets			
1. Shares in affiliated companies	9,891,466.87		9,257,202.32
2. Loans to affiliated companies	0.00		600,000.00
3. Holdings	1,000.00		1,000.00
4. Other loans	8,835,472.87		8,215,093.40
		18,727,939.74	18,073,295.72
		44,145,511.07	42,507,286.82
B. Current Assets			
I. Inventories			
1. Raw materials and supplies	17,828,866.53		21,878,403.92
2. Work in progress, work in progress	38,835,010.85		48,646,676.47
3. Advance payments made	376,379.10		328,359.20
4. Advance payments received on orders	-10,356,227.79		-17,787,115.59
		46,684,028.69	53,066,324.00

	06/30/2020	Previous year
	EUR	EUR
II. Receivables and other assets		
1. Trade accounts receivable	29,756,040.70	28,395,088.11
2. Receivables from affiliated companies	542,534.76	435,045.27
3. Other assets		
- of which with a remaining term of more than one year: EUR 10,000.00 (previous year: EUR 10,000.00)	2,605,800.38	5,242,404.21
	32,904,375.84	34,072,537.59
III. Securities		
Other securities	1,623,582.16	1,592,097.92
IV. Cash in hand and bank balances	15,624,275.91	14,997,538.89
	96,836,262.60	103,728,498.40
C. Prepaid expenses	121,324.48	197,499.25
	141,103,098.15	146,433,284.47

Passive side

	06/30/2020	Previous year
	EUR	EUR
A. Equity		
I. Capital shares of the limited partners	1,636,134.00	1,636,134.00
II. Reserves	58,141,296.78	58,248,482.06
III. retained profit		
- Profit carried forward: EUR 19,435,972.16 (previous year: EUR 16,915,023.38)	20,644,556.76	19,435,972.16
IV. Non-controlling interests	23,600,700.21	23,188,615.23
	104,022,687.75	102,509,203.45
B. Silent participation	1,000,000.00	3,000,000.00
C. Provisions		
1. Provisions for pensions and similar obligations	1,724,003.12	1,700,962.07
2. Tax provisions	255,272.54	252,973.66
3. Other provisions	10,115,521.80	12,564,216.86
	12,094,797.46	14,518,152.59
C. Liabilities		
1. Liabilities to credit institutions	13,675,000.00	8,031,250.00
- of which with a remaining term of up to one year: EUR 10,931,250.00 (previous year: EUR 781,250.00)		
- of which with a remaining term of one to five years: EUR 2,743,750.00 (previous year: EUR 7,250,000.00)		
2. Trade accounts payable	5,332,743.13	9,839,422.25
- of which with a remaining term of up to one year: EUR 5,332,743.13 (previous year: EUR 9,839,422.25)		
3. Liabilities to affiliated companies	149,491.60	16,393.86
- of which with a remaining term of up to one year: EUR 149,491.60 (previous year: EUR 16,393.86)		
4. Liabilities to shareholders	3,362,495.49	4,241,161.57
- of which with a remaining term of up to one year: EUR 3,362,495.49 (previous year: EUR 4,241,161.57)		
5. Other Liabilities	1,465,882.72	4,277,700.75
- of which with a remaining term of up to one year: EUR 1,465,882.72 (previous year: EUR 4,277,700.75)		
- of which from taxes: EUR 725.55 (previous year: EUR 1,099,333.93)		
	23,985,612.94	26,405,928.43
	141,103,098.15	146,433,284.47

Consolidated income statement for the financial year from July 1, 2019 to June 30, 2020

	2019/2020	Previous year
	EUR	EUR
1. Sales	139,842,098.04	159,854,936.74

	2019/2020	Previous year
	EUR	EUR
2. Reduction in stocks of finished and unfinished products	-9,811,665.62	-6,157,354.82
3. Other own work capitalized	547,765.65	253,419.45
4. Other operating income	4,583,199.14	4,434,987.33
- of which from currency conversion: EUR 48,386.41 (previous year: EUR 31,125.92)		
5. Cost of materials		
a) Expenses for raw materials and supplies and for purchased goods	-47,426,468.97	-57,620,392.77
b) Expenses for purchased services	-3,076,164.56	-3,893,221.60
	-50,502,633.53	-61,513,614.37
6. Personnel expenses		
a) Wages and salaries		
b) social security and pension and support expenses	-41,044,340.28	-41,979,641.63
- of which for pensions: EUR 137,990.45 (previous year: EUR 291,357.60)	-7,995,990.92	-7,980,059.20
	-49,040,331.20	-49,959,700.83
7. Depreciation of intangible assets and property, plant and equipment	-3,447,301.70	-3,435,131.29
8. Other operating expenses	-28,648,657.51	-35,695,655.20
- of which from currency conversion: EUR 10,817.07 (previous year: EUR 6,694.02)		
9. Other Interest and Similar Income	198,587.70	177,554.72
- of which from affiliated companies: EUR 197,529.93 (previous year: EUR 161,380.45)		
- of which from discounting: EUR 0.00 (previous year: EUR 5,826.63)		
10. Depreciation on financial assets and on securities held as current assets	0.00	-105,483.77
11. Interest and Similar Expenses	-578,700.03	-841,057.42
- of which to affiliated companies: EUR 301.01 (previous year: EUR 270.35)		
- of which from compounding: EUR 159,258.94 (previous year: EUR 165,660.00)		
12. Income taxes	-1,259,056.96	-2,487,405.59
13. Consolidated earnings after taxes	1,883,303.98	4,525,494.95
14. Other taxes	-72,202.93	-103,424.39
15. Consolidated net income	1,811,101.05	4,422,070.56
16. Profit carried forward from the previous year	19,435,972.16	16,915,023.38
17. Allocations to retained earnings	-27,814.72	-29,676.00
18. Profit shares of other shareholders	-412,084.98	-1,703,282.13
19. Credit to capital accounts	-157,616.75	-168,163.65
20. Other changes	-5,000.00	0.00
21. Consolidated balance sheet profit	20,644,556.76	19,435,972.16

Notes to the consolidated financial statements for the financial year from July 1, 2019 to June 30, 2020

A. General information

1. General information on the parent company

KAPP GmbH & Co. KG, Callenberger Str. 52, 96450 Coburg, is based in Coburg and is entered in the commercial register at the Coburg District Court (reg.no. HRA 184).

2. General information on the consolidated financial statements

The consolidated financial statements were prepared in accordance with the provisions of the Commercial Code in the version of the Accounting Directive Implementation Act (BilRUG) and the relevant provisions of the articles of association.

The individual financial statements of the companies included in the group were accounted for and valued on the basis of uniform reporting, accounting and valuation guidelines in accordance with the provisions of the Commercial Code (Handelsbilanz II) and prepared in accordance with the balance sheet date of the parent company.

The total cost method was chosen for the consolidated income statement.

3. Information on the scope of consolidation

The companies are included in the consolidated financial statements

- KAPP GmbH & Co. KG, Coburg (group parent company),
- KAPP Werkzeugmaschinen GmbH, Coburg,
- NILES Werkzeugmaschinen GmbH, Berlin,
- KAPP NILES GmbH & Co. KG, Coburg,
- KAPP Technologie GmbH, Coburg and
- KAPP NILES Metrology GmbH, Großostheim.

The named subsidiaries and / or the parent company have fulfilled the conditions for the use of the exemption provisions applicable to corporations and equivalent partnerships in accordance with Section 264 (3) of the German Commercial Code and Section 264b of the German Commercial Code and therefore do not disclose their annual financial statements including the management report.

4. Companies not included in the group

KAPP Verwaltungs-GmbH, Coburg and BITEK srl, Gallarate / Italy, are not included in the scope of consolidation due to their subordinate importance for conveying a true and fair view of the asset, financial and earnings position in accordance with Section 296 (2) HGB, because their annual result and their sales make up less than 1% of the group result or the group turnover.

The following foreign subsidiaries are also not included in the scope of consolidation due to a contractual exclusion with regard to controlling influence in accordance with Section 290 (2) HGB:

- KAPP GRINDING INC., USA,
- KAPPTec LTDA., Brazil,
- KAPP ASIA TECHNOLOGIES (JIASHAN) CO., LTD., China,
- KAPP NILES INDIA TECHNOLOGIES PVT. LTD., India
- KAPP JAPAN TECHNOLOGIES CO., LTD., Japan and
- Chongqing Sino-German Smart Factory Solutions Co., Ltd., China.

5. Information on the consolidation methods

The revaluation method in accordance with Section 301 (1) No. 1 of the German Commercial Code (HGB) was used for capital consolidation (full consolidation). Offsetting against equity was based on the valuations at the time of the initial consolidation of the subsidiaries to be included.

There are no differences in accordance with Section 301 (1) HGB from the offsetting between the acquisition costs of the investments and the fair value of the respective pro-rata equity.

Debt consolidation was carried out in accordance with Section 303 (1) of the German Commercial Code (HGB) by eliminating the receivables with the corresponding liabilities between the companies included in the consolidated financial statements.

Consolidation of expenses and income was carried out in accordance with Section 305 (1) of the German Commercial Code (HGB) by offsetting sales and other operating income between the group companies with the expenses incurred. The interest and similar income were also offset against the corresponding expenses. There were no eliminations of interim results.

B. Accounting and valuation methods

Intangible assets and property, plant and equipment are valued in accordance with Section 253 of the German Commercial Code (HGB) at acquisition or production costs, reduced by scheduled, usage-related depreciation. The prepayments made mainly related to ERP software that had to be capitalized in connection with the switch from SAP R / 3 to S4 / HANA. Depreciation is generally carried out on a straight-line basis pro rata temporis over the normal useful life. Assets that fall under the collective item in accordance with Section 6 (2a) EStG are depreciated at 20% in the year of acquisition and in the following years.

The financial assets are valued at cost at most, unless lower valuations are required. Permanent reductions in value in fixed assets are taken into account through unscheduled depreciation. The financial assets essentially contain shares in affiliated companies and loans to affiliated and related companies. Significant changes in the shares resulted from the takeover of shares in KAPP NILES Metrology GmbH, Großostheim (+ € 140,000), the takeover of shares in connection with the establishment of KAPP NILES INDIA TECHNOLOGIES PVT. LTD., India (+ € 16,070), and the increase in the shares in KAPPTec LTDA., Brazil, due to the conversion of a loan into equity (+ € 618,000). The main changes in loans were the increase in existing loans to affiliated or related companies in Germany (+ € 2,320,379.47).

Inventories are valued at acquisition or production cost or at the lower market price.

Raw materials and supplies are valued at acquisition cost using the moving average method. Necessary deductions are made in accordance with the usability of the individual assets.

The valuation of unfinished products as well as parts manufactured in-house is based on the manufacturing costs. Warehouses are devalued to a reasonable extent.

The manufacturing costs of parts and assemblies manufactured in-house include the direct material and manufacturing costs as well as appropriate parts of the associated overheads. General administration and distribution costs are not taken into account. Necessary deductions are made in accordance with the usability of the individual assets.

The advance payments made are shown without sales tax.

Advance payments received on orders are openly deducted from inventories and are shown at their nominal value without sales tax.

Receivables and other assets are shown at cost or nominal value. All identifiable risks are taken into account through appropriate devaluations.

The other securities include bank balances that are not freely available and securities to secure obligations arising from the employees' fair value balances. The valuation takes place at the nominal value.

Liquid funds are valued at their nominal value.

Provisions are made for all identifiable risks and uncertain liabilities at the time the balance sheet is drawn up with the necessary settlement amounts.

The pension obligations were determined in accordance with Section 249 (1) of the German Commercial Code (HGB). In accordance with Section 253 of the German Commercial Code (HGB) using the entitlement coverage method with an actuarial interest rate of 2.54% (previous year 2.98%) (average interest rate for the last 10 years), taking into account a remaining term of 15 years. The pension trend was set at 1.8%, as in the previous year. Salary increases and fluctuation are not taken into account. Klaus Heubeck's 2018 G mortality tables were used as the biometric calculation basis. The difference according to Section 253 (6) of the German Commercial Code (HGB) is € 345 thousand.

The current value of a reinsurance policy of € 3,008 thousand was offset against the pension provision. In the case of pledged reinsurance policies, this amount corresponds to the acquisition costs. Expenses from the compounding of interest amounting to € 136 thousand were recorded. The settlement amount is € 4,731 thousand (previous year: € 4,655 thousand).

The provisions for the obligation arising from partial early retirement arrangements are determined in accordance with commercial law principles. They are valued at the projected unit credit. The discount rate used is an average of 0.64% (previous year: 0.86%) (average interest rate for the last 7 years) based on an average remaining term of 2.73 years. A wage trend of 2.0% is still assumed and the 2018 G mortality tables from Klaus Heubeck are used.

The other provisions essentially consist of provisions for wages, salaries and vacation entitlements that have already arisen, maintenance costs, closing and inspection costs, warranties, commissioning obligations for machines that have already been delivered as of the balance sheet date, outstanding invoices and other costs.

Liabilities are shown at the settlement amount.

C. Notes on the consolidated balance sheet**1. Deviations from accounting and valuation methods**

There have been no changes to the accounting and valuation methods compared to the previous year.

2. Development of fixed assets and depreciation in the financial year

The development of fixed assets can be found in the fixed asset movement schedule, which is part of this appendix.

3. Currency conversion

Receivables and liabilities in foreign currencies are recorded at the rate on the day of the business transaction. If they have a remaining term of up to one year, they are converted using the mean spot exchange rate on the reporting date; With remaining terms of more than one year and exchange rate changes up to the balance sheet date, the valuation is generally based on the nominal value or the settlement amount on the balance sheet date, taking into account the lower of cost or market principle.

4. List of financial assets in accordance with Section 313, Paragraph 2 of the German Commercial Code (HGB)

The company owns capital shares in companies in which the shareholding serves to establish a permanent connection.

	Equity in LW	Participation in %	Result in LW
KAPP Werkzeugmaschinen GmbH, Coburg		100.0	
Annual financial statements as of June 30, 2020			
NILES Werkzeugmaschinen GmbH, Berlin *		49.5	
Annual financial statements as of June 30, 2020			
KAPP Technologie GmbH, Coburg		100.0	
Annual financial statements as of June 30, 2020			
KAPP NILES Metrology GmbH, Großostheim		90.0	
Annual financial statements as of June 30, 2020			
KAPP Verwaltungs-GmbH, Coburg	EUR 87,577.97	100.0	EUR 4,303.50
Annual financial statements as of June 30, 2020			
BITEK srl, a socio unico, Gallarate, Italy	EUR 44,778.00	100.0	EUR 34,095.00
Annual financial statements as of December 31, 2019			
KAPTEC IND. E COM. DE MÁQU. E FERR. LTDA., Diadema SP, Brazil	BRL 3,753,095.00	100.0	BRL -876,212.00
Annual financial statements as of December 31, 2019			
KAPP GRINDING INC., Boulder, USA	USD 663,889.00	100.0	USD 20,921.00
Annual financial statements as of December 31, 2019			
KAPP ASIA TECHNOLOGIES (JIASHAN) CO., LTD., Jiashan, China	RMB 46,112,595.58	100.0	RMB 9,707,306.43
Annual financial statements as of December 31, 2019			
KAPP NILES INDIA TECHNOLOGIES PVT. LTD., Bangalore, India	INR 339,865.00	85.0	INR -349,865.00
Annual financial statements as of March 31, 2020			
KAPP JAPAN TECHNOLOGIES CO., LTD., Nagoya, Japan	JPY 8,264,312.00	60.0	JPY -82,240.00
Annual financial statements as of March 31, 2020			
Chongqing Sino-German Smart Factory Solutions Co., Ltd., Chongqing City, China	RMB 88,177,902.59	30.0	RMB -22,033,905.39
Annual financial statements as of December 31, 2019			

* NILES Werkzeugmaschinen GmbH is fully consolidated based on Section 290 Paragraph 2 No. 2 of the German Commercial Code.

5. Development of the group reserves

The development of equity in the financial year can be seen from the statement of changes in equity.

The reserves contain the past results of the companies included in the consolidated financial statements and are made up as follows on the balance sheet date:

	€
Capital increase from company funds from previous years	14,723,048.56
- KAPP GmbH & Co. KG	13,428,406.72
- KAPP Werkzeugmaschinen GmbH	18,381,194.00
- KAPP Technologie GmbH	2,500,000.00
- NILES machine tools GmbH	24,000,000.00
	73,032,649.28
less other shareholders	
due capital reserve of NILES Werkzeugmaschinen GmbH	-2,636,352.50
	70,396,296.78
less other shareholders	
retained earnings of NILES Werkzeugmaschinen GmbH	-12,120,000.00
	58,276,296.78
less other changes (KAPP NILES Metrology GmbH)	-135,000.00

(See table of consolidated equity in the attachment.)

6. Receivables from and liabilities to shareholders

On the balance sheet date, there were liabilities to shareholders of € 3,362 thousand (previous year: € 4,241 thousand).

7. Long-term liabilities and collateral

Long-term liabilities with a term of more than five years exist as of the balance sheet date in the amount of T € 3,287, resulting from a long-term lease agreement with the State of Berlin with a term until December 31, 2064.

The bank liabilities are secured by land charges in the amount of T € 4,602 (= TDM 9,000) and by notarized owner mortgage land charges in the amount of T € 5,000.

In the case of trade payables, there are retention of title customary in the industry.

8. Discount

There is no discount included in the prepaid expenses.

9. Group equity

The equity development in the financial year can be seen in the consolidated equity statement.

The balance sheet was drawn up taking into account the partial use of the group result. The balance sheet profit attributable to the parent company as of the balance sheet date is as follows:

	T €
Consolidated net income 2019/2020	1,811
Less profit shares from third-party shareholders / other changes	-417
	1,394
Group profit carried forward	19,436
less appropriation of earnings	
Allocation to retained earnings	-28
Credit to shareholder accounts	-157
	20,645

The group reserves and the group net profit are only partially available for distribution purposes and amounted to T € 78,786 as of the balance sheet date June 30, 2020.

10. Financial Derivatives

Derivative financial instruments such as currency forwards and interest rate swaps are also used to hedge risk positions from currency and interest rate fluctuations. The hedging transactions cover the risk of changes in interest rates from booked underlying transactions (external financing) and currency risks from pending delivery and service transactions.

In the financial year, a total of 4 currency forwards were concluded, the term of which lasts beyond the balance sheet date. From a total of 4 USD sales positions (with a total volume of USD 6,200 thousand), unrealized profits of around EUR 142 thousand are expected as of June 30, 2020. The fair values are determined according to the market price valuation. Full compensation for the opposing changes in value is expected in the short term.

11. Other Financial Obligations

Indirect pension obligations of the support fund of the KAPP eV group of companies amount to around T € 9,854.

The total of all financial obligations from leasing contracts amounted to around T € 6,637 as of June 30, 2020, from rental contracts T € 237.

The sum of the obligation from guarantees amounted to T € 18,414 as of June 30, 2020.

The group is jointly and severally liable for granted bank loans in the amount of T € 13,675. In addition, there are further loans from related companies with joint and several liability in the amount of T € 464 and joint liability as co-lessee of T € 64.

Based on the knowledge gained up to the time of preparation, we assume that the obligations on which the contingent liabilities are based will be fulfilled by the respective main debtors. The risk of a claim is therefore assessed to be low.

D. Notes on the consolidated income statement

1. Outline procedure

The structure and structure of the income statement are based on the total cost method in accordance with Section 275 (2) of the German Commercial Code (HGB).

2. Breakdown of sales

The sales i. H. v. T € 139,842 (previous year: T € 159,855) break down according to divisions in the regional markets as follows:

	2019 / € 20 thousand	2018/19 T €
Inland:		
Machines / tools	23,921	24,109
Assembly / service / miscellaneous	7,714	6,576
EU:		
Machines / tools	18,384	24,751
Assembly / service / miscellaneous	3,415	5,206
Rest of the world:		
Machines / tools	77,655	92,464
Assembly / service / miscellaneous	8,753	6,749

E. Supplementary report

No events of particular importance occurred after the end of the financial year.

F. Cash flow statement

Cash and cash equivalents include cash on hand and bank balances that are immediately available. They are reported at their nominal value and correspond to the funds indicated in the cash flow statement.

G. Other information**1. Management**

The management is carried out by the company KAPP Verwaltungs-GmbH, Coburg, as general partner; the subscribed capital amounts to T € 56. It is managed by its managing directors

Mr. Dipl.-Ing. (TU) Martin Kapp, Coburg, and

Dipl.-Betriebswirt (FH) Helmut Nüssle, Coburg,

active. The remuneration of the managing directors is not stated in line with Section 286 (4) of the German Commercial Code (HGB).

2. Advisory Board

According to Section 23 of the articles of association, the company can form an advisory board.

The advisory board was made up of the following people in the reporting year:

Prof. Dr.-Ing. Erich Killinger, Gaggenau (Chairman)

Dr. Thomas Bucksteeg, Munich (Deputy Chairman)

Mr. Klaus Winkler, Nürtingen.

The remuneration of the members of the Advisory Board is € 31 thousand.

3. Employees

An average of 673 people were employed in the financial year, of which 304 were industrial workers and 369 white-collar workers.

4. Auditor's fees

The total fee calculated by the auditor for the financial year amounts to T € 231 and is broken down as follows:

	T €
final exam	125
Tax advice	95
Other services	11th

Coburg, October 30, 2020

KAPP GmbH & Co. KG

Managing directors

Signed Martin Kapp

Signed Helmut Nüssle

Development of group fixed assets for the financial year from July 1, 2019 to June 30, 2020 (Appendix to the Notes)

	Acquisition and production costs				
	As of 07/01/2019 EUR	Additions EUR	Disposals EUR	Rebookings EUR	As of June 30, 2020 EUR
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets	5,403,999.79	1,512,241.47	-23,177.00	0.00	6,893,064.26
2. Advance payments made	2,779,476.76	0.00	0.00	-8,300.00	2,771,176.76
	8,183,476.55	1,512,241.47	-23,177.00	-8,300.00	9,664,241.02
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land	41,652,552.27	85,156.45	0.00	0.00	41,737,708.72
2. Technical systems and machines	21,360,853.27	311,055.02	-593,047.89	137,466.33	21,216,326.73
3. Other equipment, factory and office equipment	38,056,726.99	3,072,538.69	-1,417,411.15	239,256.16	39,951,110.69
4. Advance payments and assets under construction	725,922.49	112,516.72	-349,200.00	-368,422.49	120,816.72
	101,796,055.02	3,581,266.88	-2,359,659.04	8,300.00	103,025,962.86
III. Financial assets					
1. Shares in affiliated companies	10,515,920.86	36,790.00	-2,525.45	600,000.00	11,150,185.41
2. Loans to affiliated companies	600,000.00	0.00	0.00	-600,000.00	0.00

Acquisition and production costs					
	As of 07/01/2019 EUR	Additions EUR	Disposals EUR	Rebookings EUR	As of June 30, 2020 EUR
3. Holdings	1,000.00	0.00	0.00	0.00	1,000.00
4. Other loans	8,555,093.40	820,379.47	-200,000.00	0.00	9,175,472.87
	19,672,014.26	857,169.47	-202,525.45	0.00	20,326,658.28
	129,651,545.83	5,950,677.82	-2,585,361.49	0.00	133,016,862.16
Accumulated depreciation					
	As of 07/01/2019 EUR	Additions EUR	Disposals EUR		As of June 30, 2020 EUR
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets		4,174,126.06	505,461.47	-23,175.00	4,656,412.53
2. Advance payments made		0.00	0.00	0.00	0.00
		4,174,126.06	505,461.47	-23,175.00	4,656,412.53
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land		29,598,891.39	976,682.45	0.00	30,575,573.84
2. Technical systems and machines		19,678,585.27	424,793.35	-593,039.89	19,510,338.73
3. Other equipment, factory and office equipment		32,093,937.75	1,540,364.43	-1,103,994.73	32,530,307.45
4. Advance payments and assets under construction		0.00	0.00	0.00	0.00
		81,371,414.41	2,941,840.23	-1,697,034.62	82,616,220.02
III. Financial assets					
1. Shares in affiliated companies		1,258,718.54	0.00	0.00	1,258,718.54
2. Loans to affiliated companies		0.00	0.00	0.00	0.00
3. Holdings		0.00	0.00	0.00	0.00
4. Other loans		340,000.00	0.00	0.00	340,000.00
		1,598,718.54	0.00	0.00	1,598,718.54
		87,144,259.01	3,447,301.70	-1,720,209.62	88,871,351.09
Book values					
				As of June 30, 2020 EUR	As of June 30, 2019 EUR
I. Intangible Assets					
1. Concessions, industrial property rights and similar rights and assets acquired for a fee, as well as licenses to such rights and assets				2,236,651.73	1,229,873.73
2. Advance payments made				2,771,176.76	2,779,476.76
				5,007,828.49	4,009,350.49
II. Tangible assets					
1. Land, land rights and buildings including buildings on third-party land				11,162,134.88	12,053,660.88
2. Technical systems and machines				1,705,988.00	1,682,268.00
3. Other equipment, factory and office equipment				7,420,803.24	5,962,789.24
4. Advance payments and assets under construction				120,816.72	725,922.49
				20,409,742.84	20,424,640.61
III. Financial assets					
1. Shares in affiliated companies				9,891,466.87	9,257,202.32
2. Loans to affiliated companies				0.00	600,000.00
3. Holdings				1,000.00	1,000.00
4. Other loans				8,835,472.87	8,215,093.40
				18,727,939.74	18,073,295.72
				44,145,511.07	42,507,286.82

Consolidated cash flow statement for the financial year from July 1, 2019 to June 30, 2020

	2019/20 EUR	2018/19 EUR
1. Earnings for the period before income taxes	1,811	4,422
2. +/- write-downs / write-ups on fixed assets	3,447	3,435
3. + / - depreciation on financial assets	0	105
4. + / - interest expenses / interest income	380	663

	2019/20 EUR	2018/19 EUR
5. - / + profit / loss from the disposal of VG of the AV	-424	-144
6. + / - Increase / decrease in provisions	-2,426	-1,963
7. + / - Other non-cash expenses and income	-142	-577
8. - / + Increase / decrease in inventories, trade receivables and other assets that cannot be allocated to investing or financing activities	7,595	3,951
9. + / - Increase / decrease in trade payables and other liabilities that cannot be allocated to investing or financing activities	-8,065	-1,671
10. + / - Income tax expense / income	-1,259	2,487
11. - / + Income taxes paid	1,257	-2,761
12. Cash flow from operating activities		
(Sum of 1 to 11)	2,174	7,947
13. + Payments from the disposal of items of property, plant and equipment	1,086	1,904
14. - Payments for investments in property, plant and equipment	-3,581	-2,337
15. - Payments for investments in intangible assets	-1,512	-1,418
16. + Payments from the disposal of items of financial assets	203	0
17. - Payments for investments in financial assets	-857	-4,778
18. + Interest and dividends received	199	172
19. Cash flow from investing activities		
(Sum of 13 to 18)	-4,462	-6,457
20. - Payments to company owners and minority shareholders	-158	-168
21. - Payments for the repayment of financial loans	0	-625
22. + Deposits from taking out financial loans	5,644	6,000
23. - Payments from repatriation of silent partnerships	-2,000	0
24. - Interest paid	-437	-675
25. Cash flow from financing activities		
(Sum of 20 to 24)	3,049	4,532
26. + Cash change in financial resources	761	6,022
(Sum of 12, 19 and 25)		
27. + / - Scope of consolidation and valuation-related Changes in financial resources	-135	0
28. + Cash funds at the beginning of the period	14,998	8,976
29. Cash funds at the end of the period		
(Sum of 26 to 28)	15,624	14,998

Consolidated statement of changes in equity for the 2019/2020 financial year

	Parent Company Equity			Equity
	Fixed capital EUR	Reserves EUR	Balance sheet profit EUR	EUR
As of June 30, 2018	1,636,134.00	58,231,206.06	16,915,023.39	76,782,363.45
Withdrawals by the shareholders	0.00	0.00	-168,163.65	-168,163.65
Group profit for the year	0.00	0.00	2,718,788.42	2,718,788.42
Allocation to the reserves	0.00	29,676.00	-29,676.00	0.00
Other changes	0.00	-12,400.00	0.00	-12,400.00
As of June 30, 2019	1,636,134.00	58,248,482.06	19,435,972.16	79,320,588.22
Withdrawals by the shareholders	0.00	0.00	-157,616.75	-157,616.75
Group profit for the year	0.00	0.00	1,497,659.98	1,497,659.98
Allocation to the reserves	0.00	27,814.72	-27,814.72	0.00
Other changes	0.00	-135,000.00	-103,643.91	-238,643.91
As of June 30, 2020	1,636,134.00	58,141,296.78	20,644,556.76	80,421,987.54
	Non-controlling interests			Group equity
	Profits / losses			
	Non-controlling interests before net profit for the year	attributable to non-controlling interests EUR	Sum EUR	EUR
As of June 30, 2018	22,341,352.50	-856,019.40	21,485,333.10	98,267,696.55
Withdrawals by the shareholders	0.00	0.00	0.00	-168,163.65

	Non-controlling interests		Group equity	
	Profits / losses			
	Non-controlling	attributable to non-	Sum	
	interests before net	controlling interests	EUR	EUR
	profit for the year	EUR	EUR	EUR
Group profit for the year	0.00	1,703,282.13	1,703,282.13	4,422,070.55
Allocation to the reserves	0.00	0.00	0.00	0.00
Other changes	0.00	0.00	0.00	-12,400.00
As of June 30, 2019	22,341,352.50	847,262.73	23,188,615.23	102,509,203.45
Withdrawals by the shareholders	0.00	0.00	0.00	-157,616.75
Group profit for the year	0.00	313,441.07	313,441.07	1,811,101.05
Allocation to the reserves	0.00	0.00	0.00	0.00
Other changes	-5,000.00	103,643.91	98,643.91	-140,000.00
As of June 30, 2020	22,336,352.50	1,264,347.71	23,600,700.21	104,022,687.75

Independent auditor's report

To KAPP GmbH & Co. KG, Coburg

Examination Opinions

We have prepared the consolidated financial statements of KAPP GmbH & Co. KG, Coburg, and its subsidiaries (the group) - consisting of the consolidated balance sheet as of June 30, 2020, the consolidated income statement, the consolidated equity statement and the consolidated cash flow statement for the financial year from July 1st. 2019 to June 30, 2020 as well as the notes to the consolidated financial statements, including the presentation of the accounting and valuation methods. In addition, we have audited the group management report of KAPP GmbH & Co. KG, Coburg, for the financial year from July 1, 2019 to June 30, 2020.

According to our assessment based on the knowledge gained during the audit

- The attached consolidated financial statements comply in all material respects with German commercial law regulations and, in compliance with German generally accepted accounting principles, give a true and fair view of the Group's assets and financial position as of June 30, 2020 as well as its earnings position for the financial year from July 1, 2019 to on 06/30/2020 and

- Overall, the attached group management report gives an accurate picture 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 accurately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 of the German Commercial Code (HGB), we declare that our audit has not led to any objections to the correctness of the consolidated financial statements and the group management report.

Basis for the examination results

We carried out our audit of the consolidated financial statements and the group management report in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the generally accepted German auditing principles established by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these regulations and principles is described in more detail in the section "Responsibility of the auditor for the audit of the consolidated financial statements and the group management report" of our auditor's report. We are independent of the group companies in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe

Responsibility of the legal representatives for the consolidated financial statements and the group management report

The legal representatives are responsible for the preparation of the consolidated financial statements, which comply with German commercial law in all material respects, and for ensuring that the consolidated financial statements provide a true and fair view of the assets, financial and earnings position of the in compliance with German generally accepted accounting principles Group mediated. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with German generally accepted accounting principles in order to enable the preparation of consolidated financial statements that are free from material - intentional or unintentional - misstatements.

When preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing matters relating to the going concern of the company, if relevant. In addition, they are responsible for accounting for the going concern basis on the basis of the accounting principle, unless actual or legal circumstances conflict with this.

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

Auditor's responsibility for the audit of the consolidated financial statements and the group management report

Our aim is to obtain sufficient certainty as to whether the consolidated financial statements as a whole are free from material - intended or unintentional - misstatements and whether the group management report as a whole gives an accurate picture of the Group's position and, in all material matters, with the consolidated financial statements as well is in line with the findings of the audit, complies with German legal requirements and correctly presents the opportunities and risks of future development, and issues an auditor's report that includes our audit opinions on the consolidated financial statements and the group management report.

Sufficient security is a high level of security, but no guarantee that an audit carried out in accordance with Section 317 of the German Commercial Code (HGB) and in compliance with the German principles of proper auditing established by the Institute of Auditors (IDW) will always reveal a material misrepresentation. Misrepresentations can result from violations or inaccuracies and are regarded as material if it could reasonably be expected that they individually or collectively influence the economic decisions of the addressees made on the basis of these consolidated financial statements and the group management report.

During the examination, we exercise our due discretion and maintain a critical attitude. Furthermore

- We identify and assess the risks of material - intentional or unintentional - misrepresentations in the consolidated financial statements and in the group management report, plan and carry out audit procedures in response to these risks and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinions. The risk that material misrepresentations are not detected is higher in the case of violations than inaccuracies, since violations can involve fraudulent cooperation, forgeries, intentional incompleteness, misleading representations or the overriding of internal controls.

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and the provisions and measures relevant to the audit of the group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the aim of achieving an audit opinion on effectiveness of these systems.

- We assess the appropriateness of the accounting methods used by the legal representatives as well as the acceptability of the estimated values presented by the legal representatives and the related information.

- we draw conclusions about the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances, the significant doubts about the Group's ability to continue as a going concern Can raise corporate activity. If we come to the conclusion that there is a material uncertainty, we are obliged to draw attention to the relevant information in the consolidated financial statements and in the group management report in the auditor's report or, if this information is inappropriate, to modify our respective audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, mean that the group can no longer continue its business activities.

- We assess the overall presentation, structure and content of the consolidated financial statements, including the information, as well as whether the consolidated financial statements present the underlying business transactions and events in such a way that the consolidated financial statements provide a true and fair view of the assets and finance, taking into account German generally accepted accounting principles - and the earnings position of the group.

- We obtain sufficient suitable audit evidence for the accounting information of the companies or business activities within the group in order to issue audit opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and execution of the group audit. We are solely responsible for our audit opinions.

- We assess the consistency of the group management report with the consolidated financial statements, its compliance with the law and the picture it provides of the Group's position.

- we perform audit procedures on the future-oriented information presented by the legal representatives in the group management report. On the basis of adequate, suitable audit evidence, we particularly review the significant assumptions on which the legal representatives are based on the future-oriented information and assess the appropriate derivation of the future-oriented information from these assumptions. We do not issue an independent audit opinion on the future-oriented information or the underlying assumptions. There is a considerable unavoidable risk that future events will differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system that we discover during our audit.

Fürth, October 30, 2020

Rödl & Partner GmbH
auditing company
tax consulting company
signed Dr. Leuner, auditor
signed Pietz, auditor

Approval of the consolidated financial statements

Date of approval of the consolidated financial statements as of June 30, 2020: November 26, 2020
