2020
ANNUAL REPORT

zeppelin.com

ZEPPELIN®
WE CREATE SOLUTIONS

AT A GLANCE

	IFRS				HGB
	2020	**2019**	**2018**	**2017**	**2017**
SALES					
Construction Equipment Central Europe SBU	1,373	1,470	1,315	1,210	1,308
Construction Equipment Nordics SBU	258	n/a	n/a	n/a	n/a
Construction Equipment Eurasia SBU	494	500	482	412	430
Rental SBU	528	509	473	410	410
Power Systems SBU	407	392	360	341	351
Plant Engineering SBU	306	332	348	323	326
Total for the Group [1]	3,272	3,118	2,897	2,622	2,751
EMPLOYEES (average for the year, FTEs including trainees)					
Construction Equipment Central Europe SBU	2,949	2,914	2,775	2,687	2,687
Construction Equipment Nordics SBU	603	588 [5]	n/a	n/a	n/a
Construction Equipment Eurasia SBU	1,906	1,872	1,792	1,673	1,673
Rental SBU	1,769	1,651 [5]	1,487	1,336	1,336
Power Systems SBU	1,044	1,022 [5]	849	823	823
Plant Engineering SBU	1,622	1,529	1,468	1,366	1,366
Total for the Group [1]	10,170	9,748 [5]	8,502	8,004	8,004
FIXED ASSETS [2]					
Additions	368.6	466.9	356.4	373.3	236.9
Changes in consolidated companies	0.5	74.7	4.8	0.0	0.0
Depreciation	241.6	213.7	192.9	181.6	103.6
in percent of accruals	66	46	54	49	44
of which rental assets					
• Additions	265.7	333.3	263.8	283.8	169.5
• Changes in consolidated companies	0.0	1.7	0.3	0.0	0.0
• Depreciation	156.5	144.9	132.5	125.3	60.1
PROFIT BEFORE INCOME TAX	124.6	133.7	130.8	97.7	93.5
NET GROUP INCOME	91.5	92.4	90.0	63.0	57.6
CASH FLOW	259.6 [3]	75.4 [3]	81.5 [3]	47.8 [3]	195.5 [4]
EQUITY	890.0	845.4	771.4	696.4	674.4
• of which subscribed capital	100.0	100.0	100.0	100.0	100.0
• of which capital reserves	60.0	60.0	60.0	60.0	60.0
• of which retained earnings	759.5	688.3	614.8	536.7	468.7
• of which accumulated other comprehensive income	-41.3	-12.8	-10.8	-6.3	–
• of which shares held by non-controlling interests	11.7	9.9	7.3	6.0	5.7

SBU: Strategic business unit
[1] Including Zeppelin GmbH and SMC Zeppelin Digit/Zeppelin Lab GmbH
[2] Financial assets, companies valued according to the equity method, intangible assets, and property, plant and equipment
[3] Cash flow from operating activities (IFRS); definition adjusted for 2020 and earlier
[4] Net cash flow (HGB)
[5] As at December 31, 2019, including employees who joined from acquisitions in Sweden and Denmark

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THE GROUP MANAGEMENT BOARD

PETER GERSTMANN

Chairman of the Management Board of Zeppelin GmbH

Group Development, IT and Innovation, Digital Business, Auditing and Corporate Communications

- Responsible for the Plant Engineering and Construction Equipment Eurasia strategic business units
- MBA
- Member of the Management Board of Zeppelin GmbH since 2007 and Chair since 2010

CHRISTIAN DUMMLER

Managing Director of Zeppelin GmbH / CFO

- Finance, Controlling, Real Estate Management, Law, Corporate Social Responsibility
- Responsible for the Power Systems strategic business unit
- Certified Banking Specialist
- Member of the Management Board of Zeppelin GmbH since 2011

MICHAEL HEIDEMANN

Vice Chairman of the Management Board of Zeppelin GmbH

- Sales, Marketing, and Service
- Responsible for the Construction Equipment Central Europe, Construction Equipment Nordics and Rental strategic business units
- Industrial manager
- Member of the Management Board of Zeppelin GmbH since 2000 and Vice Chair of the Management Board of Zeppelin GmbH since 2010

ALEXANDRA MEBUS

Managing Director of Zeppelin GmbH / Labor Director

- HR and HR development, Compliance and Data Protection, Diversity
- Master of Business Administration, Graduate Diploma in Social Education
- Member of the Management Board of Zeppelin GmbH since 2018

MANAGEMENT BOARD REPORT

PETER GERSTMANN
Chairman of the Management Board of Zeppelin GmbH

DEAR CUSTOMERS, PARTNERS, EMPLOYEES, AND READERS,

The global COVID-19 pandemic means that 2020 presented Zeppelin, like others, with major challenges. With turnover of EUR 3.27 billion, the Group was nevertheless able to achieve a slight year-on-year increase. Earnings before tax of EUR 124.6 million (7% below the previous year's figure) prove that the Group is asserting itself in a difficult market environment and is a reliable factor for customers and business partners. All strategic business units (SBUs) were affected by the COVID-19 pandemic, though the impact was felt differently across the various business areas. All SBUs closed the fiscal year with a positive operational result.

MORE THAN ANYTHING, IT IS THE PEOPLE WHO MAKE ZEPPELIN. WE ARE PROUD TO HAVE WEATHERED THE RECENT MONTHS SO WELL, AND IT IS THANKS TO THE COMMITMENT AND TIRELESS EFFORTS OF ALL ZEPPELIN EMPLOYEES.

NEW CHALLENGES AND THE NEW NORMAL

The Zeppelin Group celebrated its 70th company anniversary in 2020. We are characterized both by a sense of tradition and an innovative spirit, in equal measure. More than anything, it is the people who make Zeppelin. We are proud to have weathered the recent months so well, and it is thanks to the commitment and tireless efforts of all Zeppelin employees. For management, the priorities were to ensure all the usual services for our customers, along with the health of our employees, the financial safeguarding of the company, and the protection of jobs. Zeppelin set up four crisis management teams at an early stage, focused on personnel, finance, operations, IT service and infrastructure. In the short term, operations were adapted to fit pandemic-related hygiene rules; extended mobile working was enabled; shift models were introduced; and work and communication were shifted to virtual formats.

Securing jobs in the long term was an important goal. The drop in employment and turnover was countered through the running-down of flexible working hours and vacation accounts. Short-time working was put in place only where contracts and projects were broken off and other compensation mechanisms were no longer available. Many areas were not affected at all throughout the pandemic, or only to a very minor extent. An additional payment on top of the short-time working allowance was agreed with the Employee Representatives, with a view to keeping financial losses as low as possible. The Supervisory Board and top management forwent part of their salary. No redundancies due to operational reasons were needed, trainees were taken on, and all the hiring commitments already made were fulfilled.

We have gained valuable experience and learned new things. We have understood the crisis as an opportunity, and will use the findings as a basis for our further strategy and business alignment. Examples of this include new, more flexible ways of working, increased use and investment in the digitization of our processes and the review of supply chains.

CRISIS MANAGEMENT THROUGH STRATEGY AND VALUES

Two key factors that have enabled us to handle this crisis positively so far are our GPS corporate strategy and our system of values, which we developed as a lesson from the 2008/2009 financial crisis. The goals of continuous Growth, outstanding Performance, and lasting Stability point the way ahead for the Group. The corporate culture of the Zeppelin Group is shaped by its identity as a foundation-owned company, and its history. The cuts which the Zeppelin Group has had to manage because of the COVID-19 pandemic so far are much less onerous than they were during the financial crisis – which indicates how well Zeppelin is positioned today.

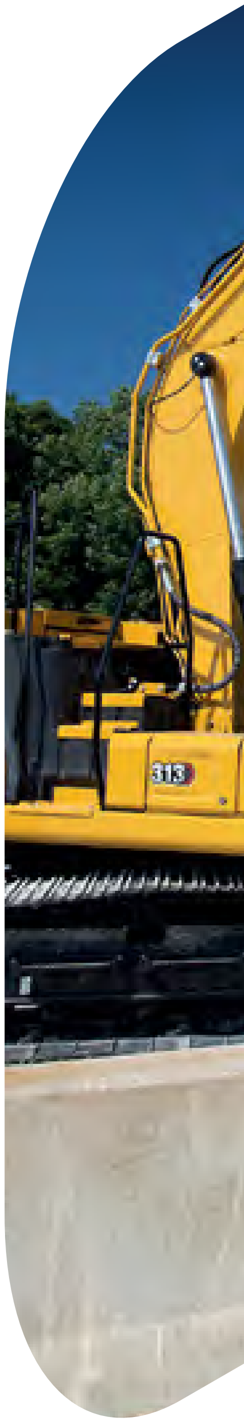
This, alongside the 70th anniversary of the Zeppelin Group in its current form, gives us occasion in this Annual Report to present the key topics and events of 2020 in the structure of our mission statement, the ten "Grafensätze" (our principles).

CONSTRUCTION EQUIPMENT CENTRAL EUROPE STRATEGIC BUSINESS UNIT

Although the COVID-19 pandemic had comparatively little effect on the construction industry, the Construction Equipment Central Europe SBU had to accept decreased sales in new machine business, and as such remained slightly below the previous year's turnover, though it was able to maintain the very good result of the previous year. In Germany, construction activities largely continued despite lockdown, which led to good utilization of machinery and therefore stable service and spare parts business. Declining orders and sales due to closed construction sites were more noticeable in Austria. Even though construction equipment sales declined in Czech Republic and Slovakia, Zeppelin was able to hold its own in both markets. In Poland, the SBU was able to maintain its turnover at roughly the same level as the previous year.

CONSTRUCTION EQUIPMENT NORDICS STRATEGIC BUSINESS UNIT

At the beginning of the fiscal year, Zeppelin took over responsibility for distribution and service of Caterpillar construction and mining machinery in Sweden, Denmark, Greenland and the Faroe Islands, bringing them together in the Construction Equipment Nordics SBU. For this fiscal year, the focus was on integrating the new organizational units and harmonizing processes and IT systems. Zeppelin is expanding its machine population in the new markets and strengthening its spare parts and service business with good service concepts, including through the recruitment of new employees and establishment of a basic and further training initiative.



WE HAVE UNDERSTOOD THE CRISIS AS AN OPPORTUNITY, AND WILL USE THE FINDINGS AS A BASIS FOR OUR FURTHER STRATEGY AND BUSINESS ALIGNMENT.

Economic development in Sweden and Denmark fluctuated over the course of the year and there was considerable reluctance to invest. The SBU was nonetheless able to achieve success in new machine sales, for example by selling construction machinery to VSM, one of Sweden's largest construction companies. A contract has been entered into with Kaunis Iron AB for the supply of eight Cat 777 dump trucks, to be used in Swedish strip mining. Zeppelin also supplied a large number of construction machines to support the expansion of two airports in Greenland by the Danish Munck Group. The SBU started with sales in line with our expectations and closed its first fiscal year with a positive operating result.

CONSTRUCTION EQUIPMENT EURASIA STRATEGIC BUSINESS UNIT

In addition to COVID-19, the Construction Equipment Eurasia SBU was heavily affected by sanctions and geopolitical tensions. However, sales and earnings decreased only slightly. Positive sales development arising from high demand for machines in Russia, Ukraine and Uzbekistan partially cushioned the declining development in spare parts and service business.

Zeppelin supplied a new fleet of construction and mining machinery for a large gold mine project in Uzbekistan. The new St. Petersburg distribution and service office, which went into full operation in May, is a clear sign of Zeppelin's continued commitment to working in the Eurasian region.

RENTAL STRATEGIC BUSINESS UNIT

The Rental SBU increased its sales slightly compared to the previous year, although trends in the individual business units varied widely. It was not possible to meet the record result of the previous year. Temporary modular room systems were in greater demand in Germany, and Zeppelin demonstrated its expertise in this area with the construction of a COVID-19 treatment center on the Berlin exhibition grounds, among other projects. On the other hand, business connected to events equipment and large-scale gatherings came to a complete standstill. The tense financial situation for municipal authorities, and the changed responsibility for the awarding of motorway lots have led to delayed tenders and public contracts among our customers, which has impacted the transport technology market and increased competition.

Rental markets in Austria, Czech Republic and Slovak Republic recorded stable performance, but remained below the previous year's level. In Denmark, the company entered the market with the opening of a rental store in Brøndby, Denmark. In Sweden, the existing Rental business was integrated into the Group as part of the takeover, and expansion was begun.

With the acquisition of 100% of the shares in German Energyst Rental Solutions GmbH & Co. KG and Swedish Energyst Rental Solutions AB from Energyst B.V. (ENG), Zeppelin expanded its offering in the area of temporary energy and climate solutions in Germany and Sweden. The transaction was closed in the first days of 2021.

POWER SYSTEMS STRATEGIC BUSINESS UNIT

The Power Systems SBU was particularly affected by the effects of the COVID-19 pandemic and suffered a significant decline in both its incoming orders and result compared to the previous year.

This was most pronounced in the marine sector, where the cruise ship industry came to a complete standstill, resulting in a sharp decline in new engine and service orders. In the market for original equipment for industrial engines, new customers were acquired in spite of the crisis. Order entries increased in the fourth quarter and ensured improved utilization of capacities in the service business.

The Electric Power (EP) segment has proved particularly stable in terms of demand for uninterruptible power supply solutions for data centers, while the awarding of contracts for combined heat and power plants has slowed despite a high number of projects. We have maintained a stable level by serving regular customers in the locomotives market. The low oil price resulted in stagnating project activity at oil and gas OEMs. Overall, capacities could not always be fully utilized, and short-time working was implemented to respond to this.

At the beginning of the year, Zeppelin took over distribution and service activities for Caterpillar and MaK engines in Sweden, Denmark, Greenland and the Faroe Islands, and the distribution and service territories for MaK engines were extended to Estonia, Latvia, Lithuania, Finland and Iceland. Conversely, in 2020 we also divested of our involvement in MWB Marine Service GmbH, which offered manufacturer-independent maintenance and repair services as well as spare parts for marine engines. Both transactions resulted in depreciation and restructuring costs being applied to the SBU result.

PLANT ENGINEERING STRATEGIC BUSINESS UNIT

Despite the difficult and volatile environment, the Plant Engineering SBU was able to win some important projects in the fiscal year and generate sales which fell only slightly short of the previous year's figure. The SBU managed to achieve a clearly positive result and as such a turnaround compared to the previous year.

Investment uncertainty emerged as a consequence of the lockdown in the first quarter of the year, accompanied by a reluctance to award contracts on the part of the various industries. After a brief decline in sales, the Chinese growth market recovered faster than other markets and again contributed to the success of the SBU at an early stage.

The food processing industry benefited from the pandemic and was able to consolidate and expand its position.

A restricted ability to travel necessitated flexibility in areas other than distribution activities, and digital tools such as VR glasses and remote analysis tools were used during assembly. These tools meant that the corresponding work could be carried out without a fitter on-site, and even the commissioning process for a complete plant went entirely digital.

The decline in order entries and delivery restrictions due to border closures had a particularly profound impact on the German market, meaning that not all production areas were fully utilized during the year and short-time working was put in place.

With the acquisition of company shares in MTI Mischtechnik, the Plant Engineering business area further expanded its market position in the mixing technology sector. The portfolio includes heating, cooling and universal mixers for PVC processing and other chemical applications. This is the ideal complement to the Plant Engineering product range, as MTI and Zeppelin mixer solutions are primarily used in different industries and so there is only a slight portfolio overlap. The transaction was closed in January 2021.

ZEPPELIN DIGIT STRATEGIC MANAGEMENT CENTER

The Zeppelin Digit Strategic Management Center (SMC) bundles all IT and digitization resources and supports the SBUs as a cross-business function. During lockdowns, the SMC very quickly made available infrastructures which enabled employees to work remotely and collaborate extensively in digital form. The SMC supported the introduction of various new software solutions in the HR department and was involved in the further introduction of SAP as well as the expansion of our customer platform. Zeppelin Lab GmbH, our innovation and start-up center within Zeppelin Digit, has launched a new innovative solution on the market in the form of akii, an app-based digital solution for key management on construction sites.

ZEPPELIN AS AN EMPLOYER

Independent rankings by Stern and Focus Business confirmed that Zeppelin was one of the best employers in 2020. At the beginning of the year, we set up a dedicated Diversity department. We underlined how important diversity is to us in the company with the WE ARE COLORFUL campaign week and the signing of the Diversity Charter. We have also worked on further measures to achieve balance between work and home life.

CORPORATE SOCIAL RESPONSIBILITY

We have brought together our social commitment and the enactment of our responsibilities as a business in a separate Corporate Social Responsibility (CSR) Management department. The Group has set itself the goal of becoming a carbon-neutral company by 2030, and among other aspects backs renewable energies and economical use of resources. Zeppelin is also very committed to supporting scientific, cultural and charitable goals within the framework of its donations policy.

COMPLIANCE

The Compliance organization has launched a new Compliance Risk Assessment (CRA) framework which enables the early identification, assessment and documentation of potential compliance risks at Zeppelin. The framework is being gradually rolled out throughout the Group.

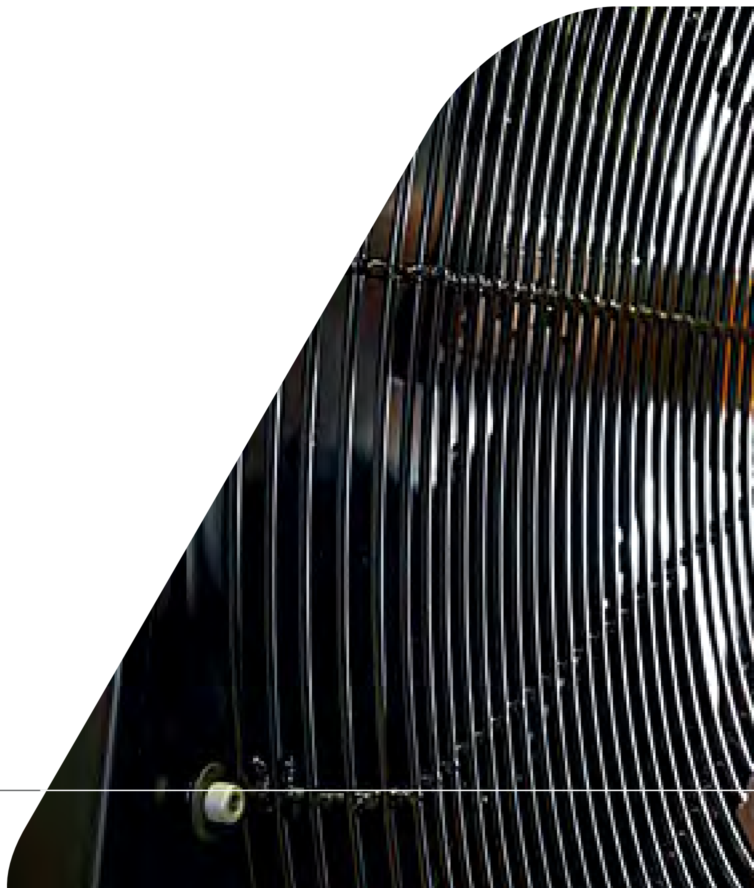
FINANCE

Early on, the Zeppelin Finance Crisis Management Group further expanded its financial capacity to act at any time by means of additional credit lines, active management of current assets and adjustment of order exposure. Expenditure was adapted as the crisis developed, and investments were reduced to the necessary level. In addition, we have launched a strategic process in which we have taken into account various scenarios for the expected course of the crisis, and examined our business models, products, services and investments in detail.

Creditreform Rating AG also gave the Zeppelin Group an excellent rating of "A" in 2020, in recognition of our high credit rating and sound financial situation. The package of measures that Zeppelin rapidly implemented against the backdrop of the COVID-19 pandemic and with a suitable focus on the future – without neglecting investment in the timely expansion of infrastructure and IT systems – also had a positive impact.

INVESTMENTS

Zeppelin reviewed its investments at the beginning of the COVID-19 pandemic and adapted them to the changed conditions where appropriate and possible. Much of the investment activity was in replacement of the rental fleets and the development of the rental fleets in Denmark and Sweden. We are also investing in the



expansion of the IT infrastructure. We have acquired properties for the construction of new branches in Eschweiler and Bratislava. The total investment volume in 2020 was EUR 203 million.

GROUP MANAGEMENT BOARD, AND CHANGE IN SUPERVISORY BOARD

The contracts of our Group Managing Directors Christian Dummler and Alexandra Mebus have been extended. Vincenzo Savarino resigned from the Supervisory Board of Zeppelin GmbH as Employee Representative after almost 25 years; Frederic Striegler succeeded him with effect from August 1, 2020.

OUTLOOK

The development of the global economy will depend to a large extent on the containment of the COVID-19 pandemic and regulations on global trade disputes and sanctions. Geopolitical tensions and volatile oil prices are also affecting some of our key markets.

However, according to the Ifo Business Climate Index December 2020, in the German economy there is a brightening mood in the industrial sector. German industrial companies are cautiously optimistic about the future due to well-filled order books and slightly higher export expectations – especially in chemicals and mechanical engineering. This is also true for Zeppelin.

The past year has put us more firmly on our path. With our innovative and pioneering spirit and the commitment of our employees, we will also master future challenges successfully.

On behalf of the Management Board of Zeppelin GmbH, I would like thank our customers for their confidence in our solutions. Without you, our success simply would not be possible. I would also like to express my particular gratitude to our employees for their passionate commitment and loyalty in these extraordinary times. Our thanks also to the Employee Representatives for their support, and our shareholders and Supervisory Boards for their trust.

On behalf of the Group Management Board

Peter Gerstmann
Chairman of the Management Board of Zeppelin GmbH

SHAREHOLDER REPRESENTATIVES

Andreas Brand
Chairman, Mayor of the City of Friedrichshafen

Dr. Reinhold Festge
Partner in HAVER & BOECKER OHG

Dr. Werner Pöhlmann
Lawyer, Tax Adviser, Certified Public Accountant

Univ.-Prof. Dr.-Ing. Dr.-Ing. e.h. Dr. h.c. Dieter Spath
Head of the Institute for Ergonomics and Technology Management at the University of Stuttgart, Head of the Fraunhofer Institute for Industrial Engineering, Stuttgart President of acatech, the German Academy of Science and Engineering

Prof. Dr. Yasmin Mei-Yee Weiß
Professor at the Nuremberg Institute of Technology

Univ.-Prof. Dr. Dr. h.c. mult. Horst Wildemann
Chair for Corporate Management, Logistics and Production at the Technical University of Munich

THE SUPERVISORY BOARD

The Supervisory Board, constituted in accordance with Article 7 of the German Codetermination Act (Mitbestimmungsgesetz), comprises the following members:

EMPLOYEE REPRESENTATIVES

Heribert Hierholzer
Vice Chairman, Production Foreman and Chairman of the General Employee Council of Zeppelin Systems GmbH

Roswita Feineis
Head of Compensation & Benefits Department of Zeppelin GmbH, Management Representative

Thomas Mann
Head of Time Management and HR Officer at Zeppelin Baumaschinen GmbH

Ralph Misselwitz
Senior Field Service Representative, Chairman of the General Employee Council of Zeppelin Baumaschinen GmbH, Chairman of the Group Employee Council of Zeppelin GmbH

Vincenzo Savarino
(to July 31, 2020)
Primary Authorized Representative of the Friedrichshafen-Upper Swabia and Singen Chapters of the IG Metall Trade Union

Frederic Striegler
(from August 1, 2020)
Second Authorized Representative of the Friedrichshafen-Upper Swabian Chapter of the IG Metall Trade Union

Marita Weber
Primary Authorized Representative of the Offenbach Chapter of the IG Metall Trade Union

SUPERVISORY BOARD REPORT

ANDREAS BRAND
Chairman of the Supervisory Board of Zeppelin GmbH

IN 2020, THE FOCUS WAS ON SAFEGUARDING OPERATIONAL CAPACITY TO ACT AND PROTECTING THE HEALTH OF EMPLOYEES, AS WELL AS THE FINANCIAL INDEPENDENCE OF THE GROUP. DESPITE THE DIFFICULT ENVIRONMENT, THE ZEPPELIN GROUP WAS ABLE TO CLOSE A FINANCIALLY SUCCESSFUL 2020 YEAR WITH SLIGHT SALES GROWTH.

The 2020 fiscal year was challenging for the Zeppelin Group in many respects, shaped as it was by the effects of the COVID-19 pandemic and the measures taken to respond to it.

We all had to take the necessary steps systematically and quickly at the beginning of 2020. The focus was on safeguarding operational capacity to act and protecting the health of employees, as well as the financial and economic security of the Group. At the start of Q2 2020, nobody could foresee what path lay ahead in terms of economic developments.

The Supervisory Board and the Management Board took the necessary and appropriate steps to safeguard the financial independence of the company.

Looking back now, the whole year developed more favorably than was expected in spring. Construction growth was stable and the diversified positioning of the Zeppelin Group was advantageous. Recent acquisitions made a good contribution to sales growth and underlined the company's solid strategic alignment, which also focuses on balanced organic and inorganic growth.

The operational tasks we faced were to integrate the acquisitions from the previous year, continue digitization projects, and optimize the product and service portfolio, including through further smaller-scale acquisitions. All markets relevant to Zeppelin were and are still affected by the pandemic to varying degrees. Despite the difficult environment, the Zeppelin Group was able to close a financially successful 2020 year with slight sales growth.

The Supervisory Board continuously and rapidly monitored the work of the Management Board, and advised and supported it in its management tasks, pandemic crisis management and resulting measures, as well as with respect to key individual topics.

Reporting and monitoring were significantly intensified in the past year, both by the Supervisory Board and in the HR Committee. Initially every 14 days, and later on a monthly basis, the company's supervisory bodies notably fulfilled their duties.

The Supervisory Board continued to perform all its duties in 2020, pursuant to the law, the articles of incorporation, and the rules of procedure in a responsible and continuous manner, and with the greatest diligence. In addition, the Chairman of the Management Board and the entire Management Board also updated the Chairman of the Supervisory Board and his representatives outside board meetings on current developments and material processes. All members of the Supervisory Board were punctually and extensively informed on a monthly basis about the performance of the Zeppelin Group. The prime objective is to ensure long-term successful development of the Zeppelin Group in collaboration with the Management Board, even in times of crisis. The Supervisory Board and the Management Board work together in a way that is open, responsible, and constructive.

The focal point for reporting and consulting was the development of the Zeppelin Group in the COVID-19 crisis, including the evaluation of corresponding scenario and simulation calculations for the Group's most important key performance indicators.

Other key topics included the options for action in connection with the COVID-19 crisis, the strategic further development of the Zeppelin Group and significant Group-wide projects. Additional discussions concerned smaller acquisition projects, the establishment of the Management departments for Corporate Social Responsibility and Diversity, and the revision of the schedule of responsibilities for the Management Board of Zeppelin GmbH.

The Supervisory Board monitored, advised and scrutinized the development and performance of the company and the activities of the Management Board by way of three ordinary meetings and one extraordinary meeting on the basis of documents, reports and presentations regarding the company's strategy, planning, acquisition and investment projects, financial performance, financial position and cash flows including scenario and simulation calculations, as well as the quarterly risk, compliance and data protection report, the Group Auditing department's report, and reporting related to the integration of acquisitions. The corporate, investment and financial plans for 2021 were discussed in detail, along with forecasts for 2022 and 2023.

Following corresponding consideration and consultation with the Management Board, decisions that required the approval of the Supervisory Board were made on a number of projects and measures. In the main these were acquisition projects, the financial and investment plans for the 2021 fiscal year, the D&O insurance protection for the Supervisory Board and Management Board, measures for portfolio improvement, changes under company law for Group companies, and the revised form of the organizational chart for the Management Board of Zeppelin GmbH.

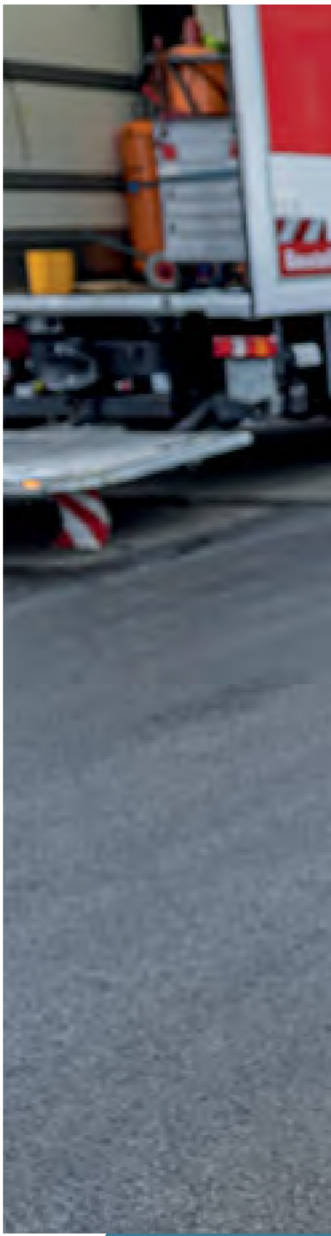
Christian Dummler was confirmed as Managing Director and CFO by the Supervisory Board, and Alexandra Mebus as Managing Director and Labor Director, and at the Supervisory Board meetings of April 1, 2020 and July 31, 2020 respectively, both were reappointed as Managing Directors of Zeppelin GmbH. Resolutions were also passed concerning the appointment and reappointment of Managing Directors at affiliated companies based on relevant recommendations of the HR committee. In five meetings, the HR Committee discussed key issues of corporate development and strategy, the impact of the COVID-19 crisis on the Zeppelin Group and the effectiveness of the measures implemented by the Management Board, fundamental questions, personnel matters and succession planning, and also performed the tasks of the Audit Committee.

The Supervisory Board advised on strategies and measures for the development and expansion of new business areas, employee recruitment and training, the development of the Group's finance, risk and compliance management system, and the status of other important strategic projects. The activities of the Supervisory Board and in particular its monitoring of the Management Board did not give rise to any complaints.

The financial statements of Zeppelin GmbH prepared pursuant to the provisions of the German Commercial Code (Handelsgesetzbuch, "HGB") and the Group Financial Statements prepared in accordance with the basic principles of the IFRS pursuant to Section 315e HGB for the year ending December 31, 2020, and the relevant management reports, were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), who issued an unqualified Auditor's Statement. The Supervisory Board engaged with the documents in detail and also reviewed them itself. The audit reports were provided to all members of the Supervisory Board in a timely manner for this purpose. In due time before the Supervisory Board's accounts review meeting, PwC and members of the Supervisory Board met twice to discuss the details, key points, and findings of the year-end audits. During the accounts review meeting of the Supervisory Board on March 25, 2021, PwC explained the key results of the audit, which were discussed in detail in the presence of PwC.

The Supervisory Board did not raise any objections. It approved the results of the audit and at the same time approved the financial statements of Zeppelin GmbH and the Group Financial Statements. The financial statements were thereby adopted.

The Supervisory Board approved the Management Board's proposal concerning the appropriation of profit and recommended to the shareholders that they also approve this. 2020 was an extraordinary and challenging year for all employees. It was necessary for



members of the Supervisory Board on the capital and employee side alike to provide appropriate support and supervision to the Management Board to guide the company through this year. It remains an honor for the Supervisory Board to work for and serve the benefit of the company with expertise and commitment. Profitable growth and job security continue to be the objective of the Supervisory Board. The Zeppelin Group's spirit, culture and strength were particularly evident this year.

The Supervisory Board would like to thank the Management Board, the Employee Representatives and all employees of the Zeppelin Group worldwide for their excellent and very successful work during the challenging year that was 2020, as well as for their extraordinary commitment to the company.

Friedrichshafen, March 25, 2021

On behalf of the Supervisory Board

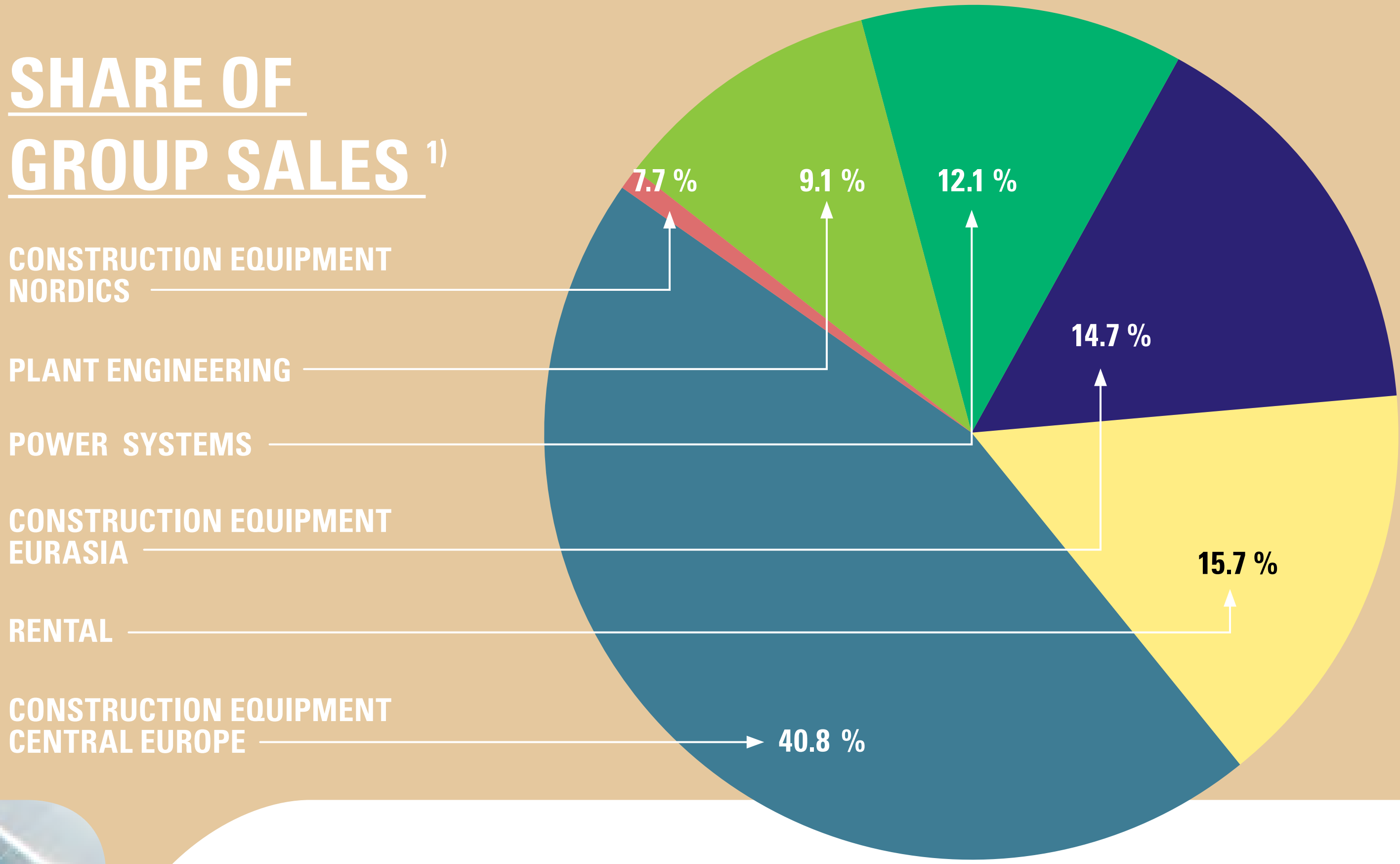
Andreas Brand

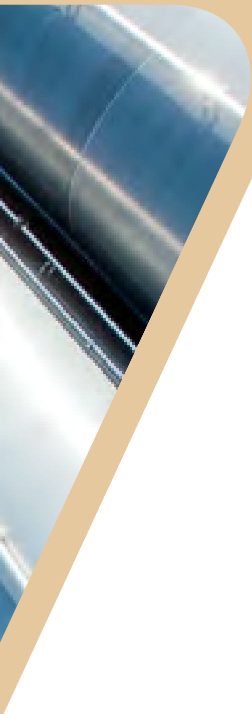
Chairman

GROUP OVERVIEW

The Zeppelin Group offers solutions for the construction industry, drive systems and energy sectors as well as engineering and plant engineering; it is represented in 43 countries and regions around the world at more than 220 sites. The Group has around 10,000 employees, who work in a management holding company with six strategic business units and a strategic management center: Construction Equipment Central Europe, Construction Equipment Nordics, Construction Equipment Eurasia (distribution and service of construction, mining, forestry and agricultural machines), Rental (rental and project solutions for the construction and industry sectors), Power Systems (drive, propulsion, traction and energy systems), Plant Engineering (engineering and plant engineering) as well as Zeppelin Digit (IT and digitization). In the 2020 fiscal year, the Group generated sales of EUR 3.27 billion. Zeppelin GmbH is the Group holding company. It is legally domiciled in Friedrichshafen and has its head office in Garching near Munich.

SHARE OF GROUP SALES [1)]





THE ZEPPELIN GROUP – A FOUNDATION-OWNED COMPANY

Its roots can be traced back to the establishment of the Zeppelin Foundation by Ferdinand Graf von Zeppelin in 1908. The Zeppelin Foundation still owns a direct stake in Zeppelin GmbH, as well as an indirect stake via Luftschiffbau Zeppelin GmbH.

LUFTSCHIFFBAU ZEPPELIN GMBH
in Friedrichshafen, Management Board:
Jörg Bischof, Thomas Brandt

90 %

96.25 %

10 %

ZEPPELIN GMBH
in Friedrichshafen / Garching
Management Board: Peter Gerstmann (Chairman),
Michael Heidemann (Vice Chairman),
Christian Dummler (CFO),
Alexandra Mebus (Labor Director)

ZEPPELIN FOUNDATION
under the administration of
the City of Friedrichshafen

3.75 %

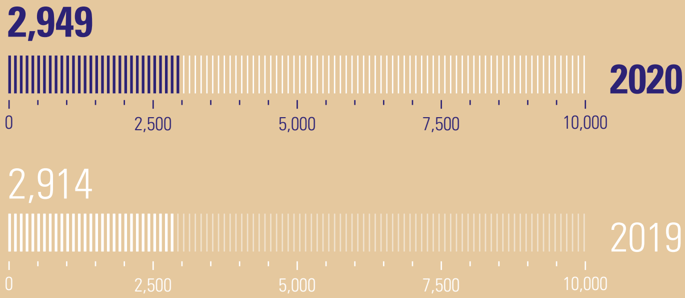
[1)] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

CONSTRUCTION EQUIPMENT CENTRAL EUROPE

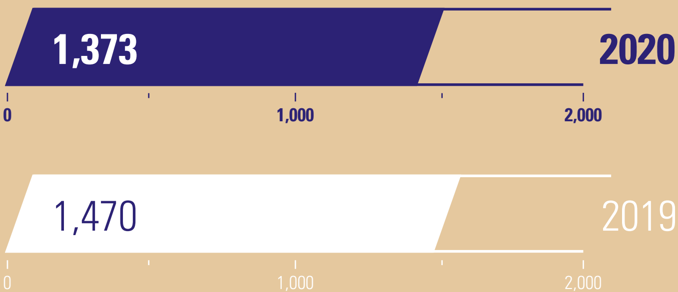
DISTRIBUTION AND SERVICING OF CONSTRUCTION EQUIPMENT IN CENTRAL EUROPE

The Construction Equipment Central Europe SBU is the European leader for the distribution and servicing of construction equipment. Its range includes over 200 different types of machine from market leader Caterpillar. The SBU provides customers with powerful earthmoving, excavation, demolition, recycling, and road construction equipment, and also offers machinery for gardening and landscaping, agricultural, and industrial use. The product range is rounded off with special equipment for surface and underground mining, plus fleet management and machine control systems. A dense network of branches, with 70 sites across five countries as well as central spare parts warehouses, guarantees a fast response and quick delivery for customers. The general overhaul of used construction equipment also presents a cost-effective and resource-conserving alternative to buying new. There is a particular emphasis on all-round assistance for customers in the construction sector and the building materials industry, who are offered integrated solutions from seismographic soil analysis to all-inclusive contracts.

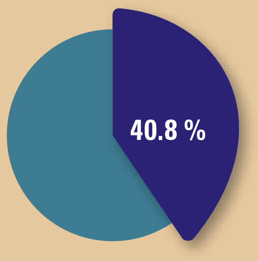
EMPLOYEES
as an average
for the year,
including trainees



SALES
in EUR million /
in acc. with IFRS



SHARE
of Group sales (2020) [1]



"While the COVID-19 pandemic has turned the way we live completely on its head, the restrictions hit the construction industry less hard than other sectors due to the continuing good order backlog, good hygiene conditions and outdoor working. This ensured high machine utilization, meaning that the service and spare parts business actually rose above the level of the previous year. Although a moderate year-on-year market decline was recorded for business with new construction machines, a very pleasing, positive result was achieved at the end of the year, including due to the increasing share of exports in the used machines business. This is a very remarkable achievement by our employees, who kept distribution and service going, in line with the principle that "Grafen stay on course!"

Fred Cordes, Head of the Construction Equipment Central Europe strategic business unit

[1] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

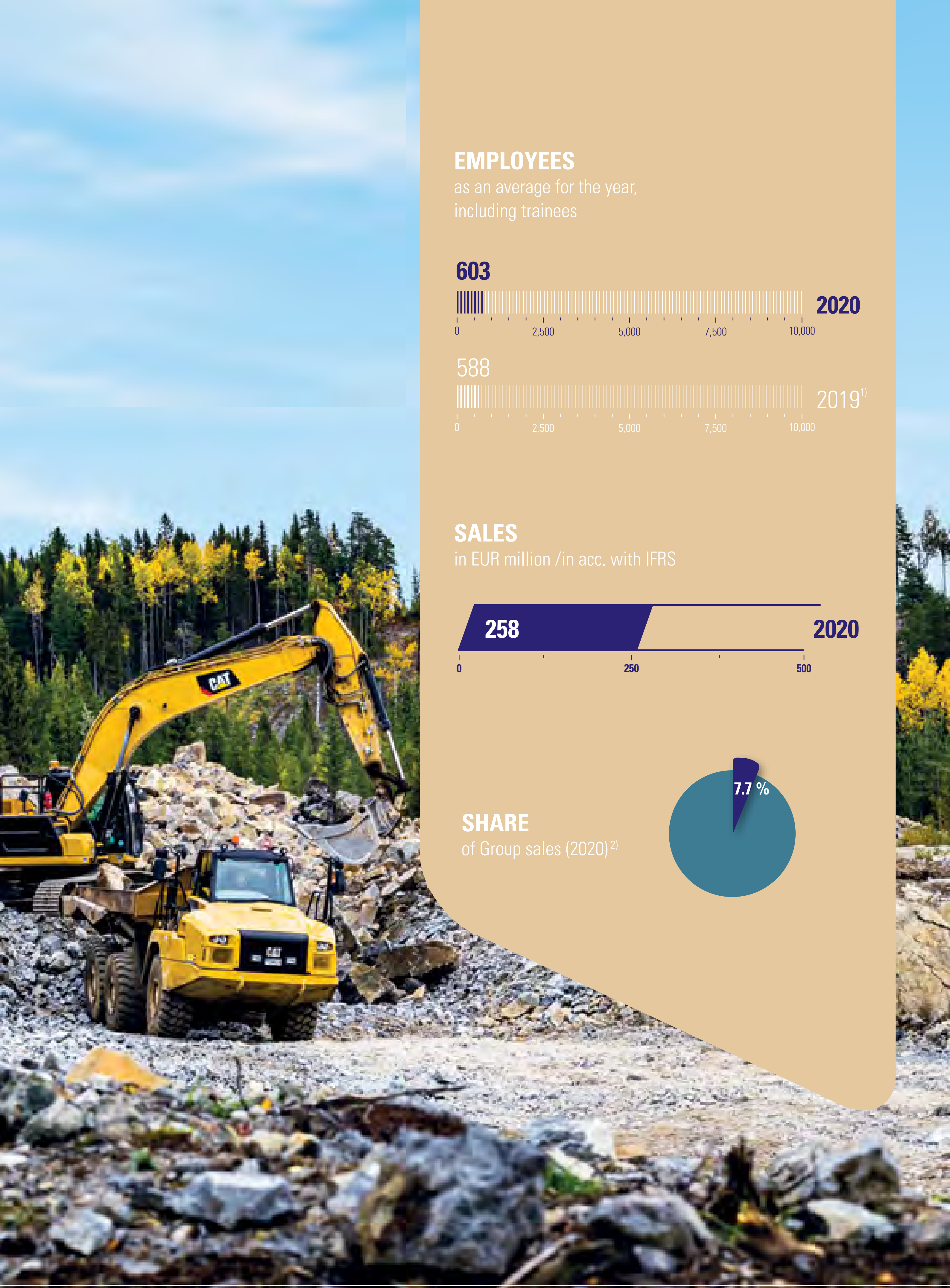
CONSTRUCTION EQUIPMENT NORDICS

DISTRIBUTION AND SERVICING OF CONSTRUCTION AND MINING MACHINERY IN NORTHERN EUROPE

The Construction Equipment Nordics strategic business unit is a reliable partner for the distribution and service of new and used Caterpillar construction machinery and accessories. It offers customized solutions in the fields of earthmoving, excavation of materials, demolition, recycling and road construction, as well as for gardening and landscaping and forestry. One focus is to support mining operations in northern Sweden. The product range also includes special equipment for surface and underground mining, fleet management equipment, machine control systems and other technological solutions. Zeppelin operates a network of branches in Sweden, Denmark and Greenland, with 13 sites, a special component repair center, and spare parts warehouses.

"COVID-19 meant that in addition to the existing requirements, we were faced with further challenges when acquiring new distribution and service territories. Nonetheless, the Nordics SBU was able to achieve the targets set and position itself well within the Zeppelin Group. Taking a major integration step forward in the first year was made possible by the high motivation and commitment of all employees, and their identification with Zeppelin values. And we will keep going forward in the same way: "Grafen get others on board."

Volker Possögel, Head of the Construction Equipment Nordics strategic business unit



EMPLOYEES

as an average for the year, including trainees

603 — 2020

0 | 2,500 | 5,000 | 7,500 | 10,000

588 — 2019[1)]

0 | 2,500 | 5,000 | 7,500 | 10,000

SALES

in EUR million /in acc. with IFRS

258 — 2020

0 | 250 | 500

SHARE

of Group sales (2020)[2)]

7.7 %

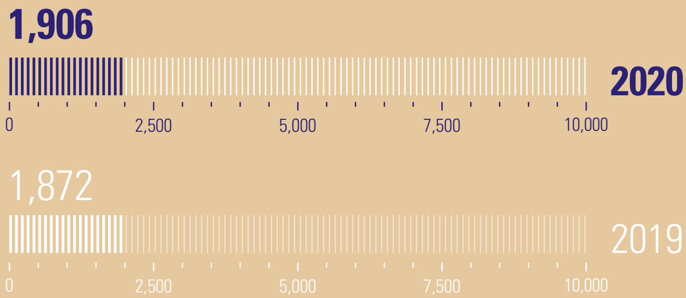
[1)] including employees who joined from acquisitions in Sweden and Denmark at December 31, 2019.
[2)] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

CONSTRUCTION EQUIPMENT EURASIA

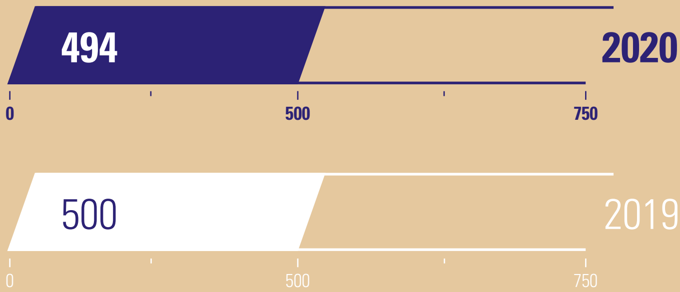
DISTRIBUTION AND SERVICE OF CONSTRUCTION, MINING AND AGRICULTURAL MACHINERY IN EURASIA

The Construction Equipment Eurasia SBU is very well positioned in Eastern Europe and Central Asia. Its portfolio includes Caterpillar construction equipment, special equipment for surface and underground mining, as well as large and special equipment for mines and quarries and the oil and gas industry. It also extends to agricultural and forestry equipment from leading international manufacturers. The extensive product range is rounded off with fleet management and machine control systems for improving work processes and enhancing efficiency. Zeppelin has 62 sites across seven countries in the Eurasian cultural area (in Ukraine, parts of Russia and other CIS countries). Zeppelin is leading the way in the region, with its expert repair centers for overhauling drive components (engines, axles and transmissions) for mining machinery.

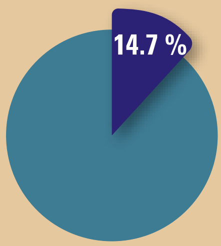
EMPLOYEES
as an average
for the year,
including trainees



SALES
in EUR million /
in acc. with IFRS



SHARE
of Group sales (2020) [1)]



"'Grafen stay on course' – guided by this principle, we have weathered the challenges of 2020 and have a successful year behind us. Although we had a difficult start due to market decline resulting from the COVID-19 pandemic, and the disappearance of our spare parts and customer service business, we countered this with measures to stabilize the situation. Despite changing and sometimes difficult working conditions as well as short-time working, our employees maintained contact with our customers and leveraged the opportunities offered by the markets. As a result of excellent performance by the entire team, we can look forward to strong sales of new and used machines, significantly increased market shares, and a good result for the SBU."

Frank Janas, Head of the
Construction Equipment Eurasia SBU

[1)] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

RENTAL

FROM RENTAL EQUIPMENT TO PROJECT SOLUTIONS

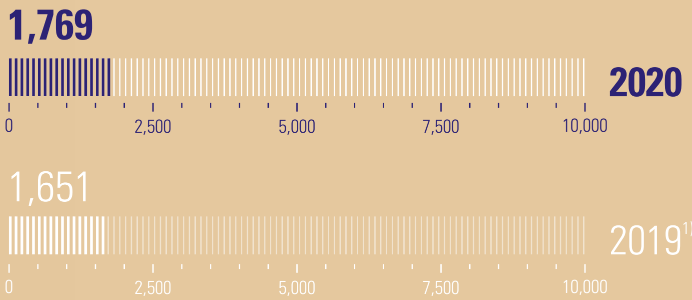
With customized solutions in the areas of machine and equipment rental, temporary infrastructure and construction logistics, the Rental SBU ensures the safe and efficient execution of projects in construction, industry, manual trades and events.

With a rental fleet of more than 75,000 machines and devices from the global market leader Caterpillar and other renowned manufacturers, maximum availability, quality and range are guaranteed. Temporary infrastructure provides needs-based concepts in site and traffic guidance, electrical construction site facilities and energy supply as well as customized modular room solutions: Planning, installation and ongoing support from a one-stop shop.

Through higher-level planning and coordination of all secondary processes on the construction site, construction logistics ensures the framework conditions for smooth processes as well as adherence to deadlines and budgets. Zeppelin Rental is represented in six countries with 154 rental stores and centers of excellence, making it one of the largest equipment rental organizations in Europe.

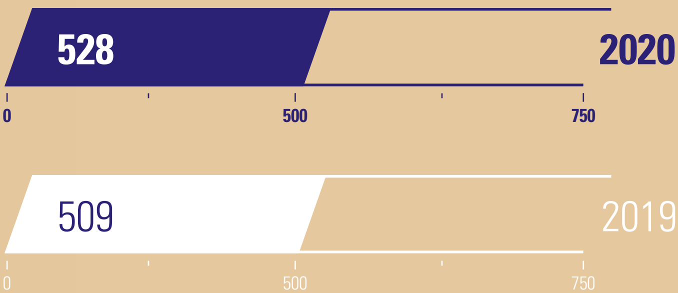
EMPLOYEES

as an average for the year, including trainees



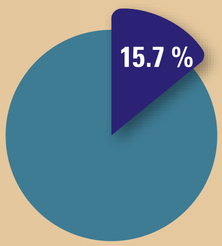
SALES

in EUR million / in acc. with IFRS



SHARE

of Group sales (2020) [2)]



"It fills me with great pride that our entire Rental team has always been a reliable partner to our customers, even under the unusual circumstances in which we find ourselves. More than ever, business success achieved this year is an expression of the passion and commitment of our employees. Thanks to their tireless efforts, solidarity and solutions-oriented approach, we have been able to quickly and flexibly align our business operations with the changed framework conditions and position ourselves as a strong and future-proof company even in this challenging time, thereby further intensifying our customer relationships. Grafen tip their hats!"

Arne Severin, Head of the Rental strategic business unit

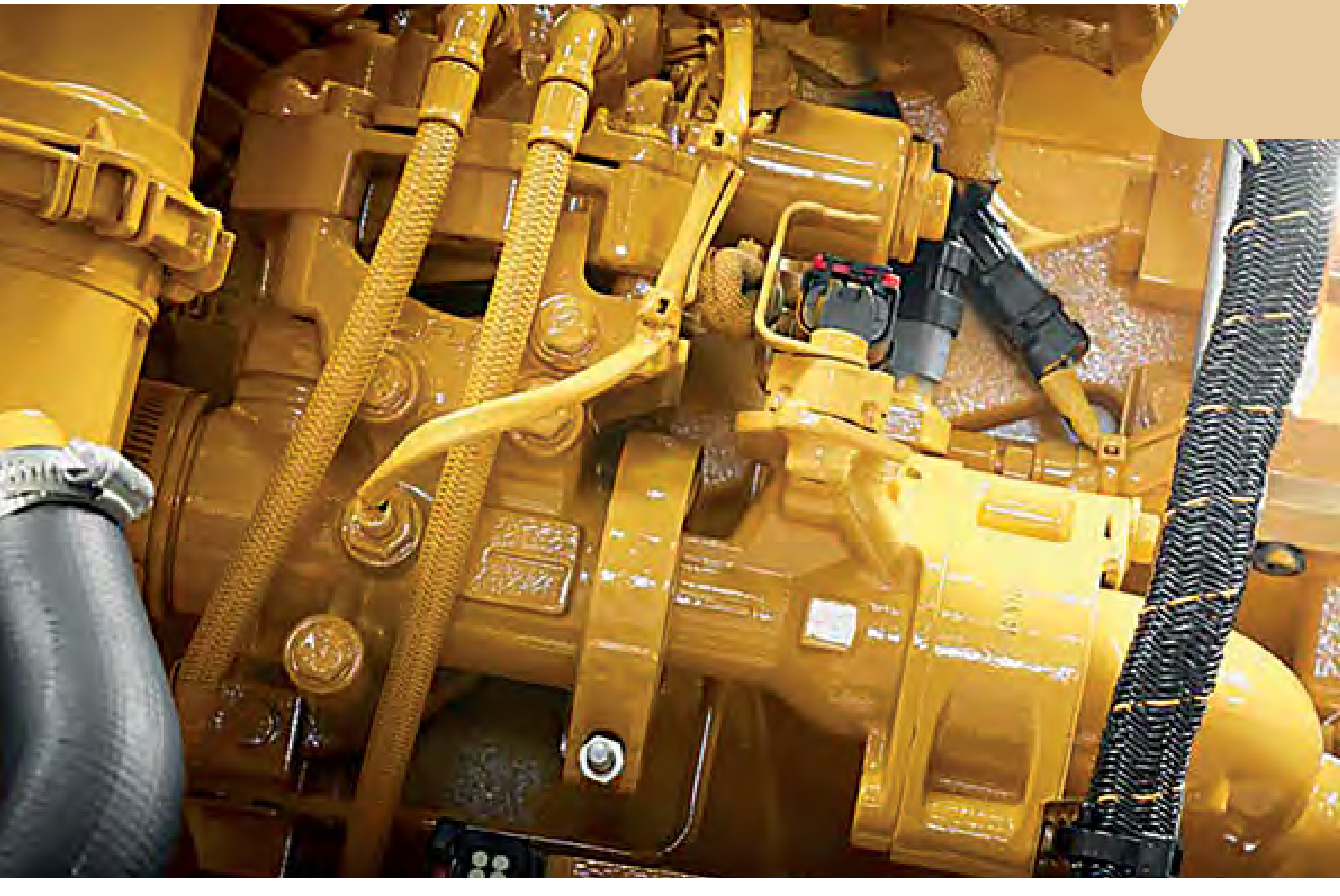
[1)] including employees who joined from acquisitions in Sweden and Denmark at December 31, 2019.

[2)] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

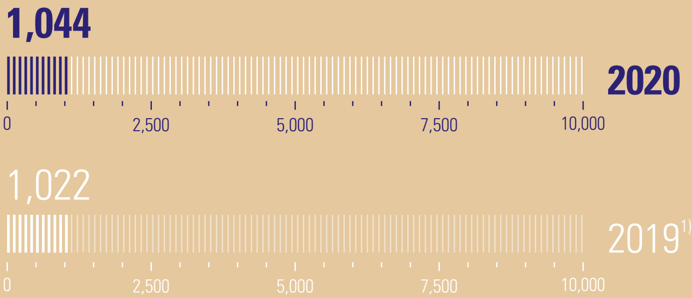
POWER SYSTEMS

DRIVE, PROPULSION, TRACTION AND ENERGY SYSTEMS

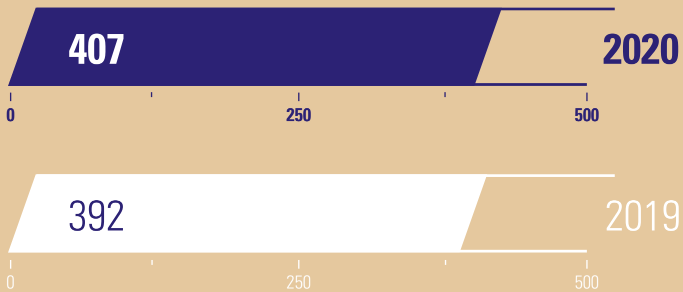
Zeppelin is a leading provider of drive, propulsion, traction, and energy solutions for industrial and marine applications, rail vehicles, the oil and gas industry, and power generation. The portfolio includes Caterpillar engines from the Cat and MaK brands, worldwide service and digital solutions. In addition to drive solutions based on diesel, gas and dual-fuel engines, Zeppelin also offers generator sets for power generation, combined heat and power plants, ship propellers, complete drive systems and complementary systems. These are used in industry, agriculture, seagoing and inland waterway vessels, in rail transport, and in petroleum and natural gas production. Digital products for all segments as well as system components and complete solutions for treating ballast water complete the portfolio.



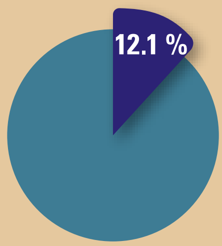
EMPLOYEES
as an average
for the year,
including trainees

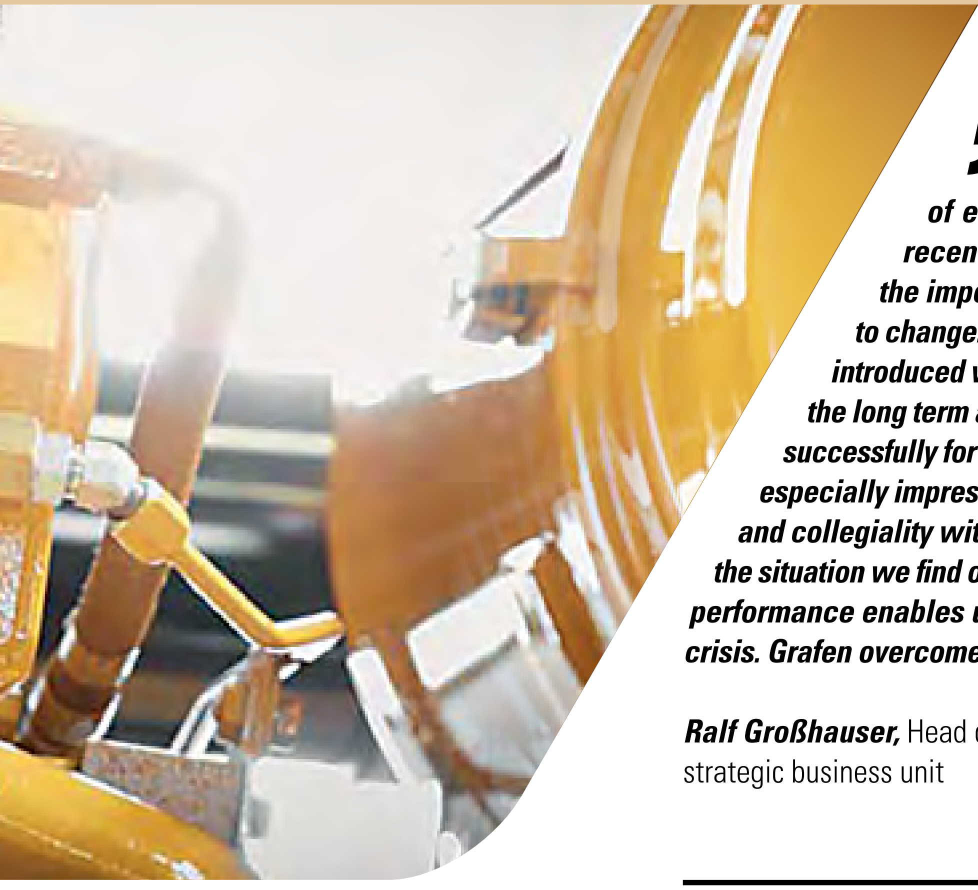


SALES
in EUR million /
in acc. with IFRS



SHARE
of Group sales (2020) [2)]





"The COVID-19 pandemic hit us fairly immediately in terms of economic impact. Developments in recent months have clearly demonstrated the importance of flexibility and willingness to change. In spring, we responded quickly and introduced various measures to safeguard jobs in the long term and continue to position the company successfully for the future. In this context, I have been especially impressed by the flexibility, professionalism and collegiality with which employees are dealing with the situation we find ourselves in. This type of positive team performance enables us to unlock the opportunities of the crisis. Grafen overcome boundaries."

Ralf Großhauser, Head of the Power Systems strategic business unit

[1)] including employees who joined from acquisitions in Sweden and Denmark at December 31, 2019.
[2)] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

PLANT ENGINEERING BUSINESS UNIT

ENGINEERING AND PLANT ENGINEERING

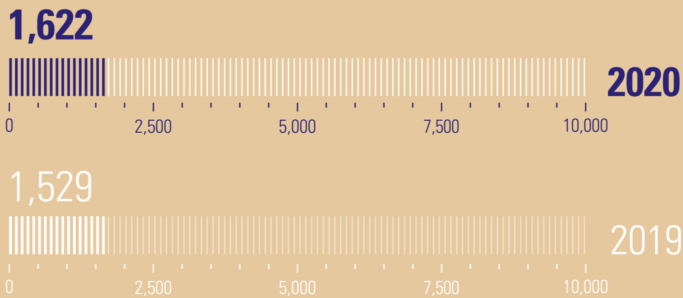
Zeppelin specializes in constructing systems for the handling of high-quality bulk materials. With over 70 years of experience in the individual process steps and extensive expertise in handling various raw materials, Zeppelin offers reliable complete solutions. From system planning to implementation, the company supports its customers worldwide at 22 locations, delivering all services from one source. Innovative process concepts are just as important as smart automation solutions and comprehensive service that covers the entire lifecycle of a system. Each Zeppelin system meets the individual requirements of its customers, who come from industries such as plastics, chemicals, rubber and tires, as well as food. With the world's largest Association of Technical Centers for Bulk Materials, Zeppelin allows its customers to review and optimize system design on an industrial scale.

Zeppelin also develops and manufactures its own components for plants' key functions, and these are used in third-party systems too.

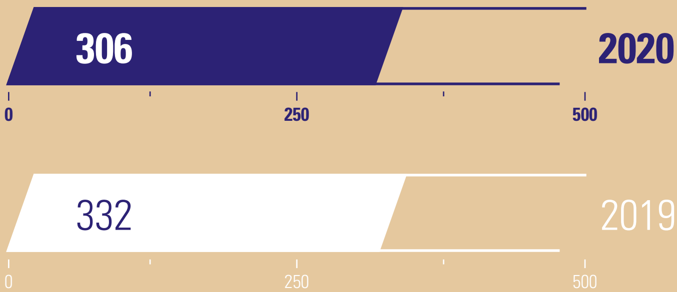
"The high order backlog for the previous year and good cost management led to a significant improvement in profitability despite the COVID-19 pandemic. Another pillar of our success is the Chinese market, where we were able to exceed expectations in all business areas. We were again able to compensate for the declining order situation in other regions in the second half of the year, and all our productions were at full capacity at the end of the year. We are starting the 2021 fiscal year with some major projects and expect the US market in particular to recover. Grafen stay on course!"

Alexander Wassermann, Head of the Plant Engineering strategic business unit

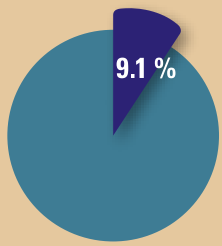
EMPLOYEES
as an average for the year, including trainees



SALES
in EUR million / in acc. with IFRS



SHARE
of Group sales (2020) [1]



[1] here: Total of SBU sales. For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

ZEPPELIN DIGIT

DIGITAL INNOVATIONS AND TRANSFORMATIONS

The Zeppelin Digit Strategic Management Center supports all strategic business units as a cross-area function, and it brings together expertise in the Zeppelin Group from the areas of IT, data, infrastructure, security and compliance, and digital product development. With Zeppelin Digit, the Group is putting in place a consistent IT landscape based on an infrastructure that is standardized across all disciplines. A user-centric approach is central to all of its commercial activity. Integrative and innovative tools and methods are harnessed to develop new products and services which address specific challenges that users face. It facilitates collaboration across all SBUs and departments on an interdisciplinary, transparent, and open basis, with the goal of enabling and fostering closer collaboration – and creating the best solutions for today's and tomorrow's customers.

Within the Zeppelin Digit Strategic Management Center, Zeppelin Lab GmbH acts as an open innovation and start-up center, bringing to market innovative solutions (ventures) that contribute to productive, sustainable and secure development in the areas of construction, logistics and infrastructure.

„With global projects such as the world-wide introduction of uniform HR software, we are not only overcoming country borders, but also promoting collaboration between our strategic business units. Across all SBUs, we are working together on a successful future for the Zeppelin Group in a variety of ways. Grafen receive support!"

Wolfgang Hahnenberg, Head of the Zeppelin Digit Strategic Management Center

ZEPPELIN WORLDWIDE

CONSTRUCTION EQUIPMENT

Austria
Armenia
Belarus
Czech Republic
Denmark
Faroe Islands
Germany
Greenland
Poland [1]
Russia (some areas)
Slovak Republic
Sweden
Tajikistan
Turkmenistan
Ukraine
Uzbekistan

POWER SYSTEMS

Austria / Armenia / Azerbaijan [2] / Belarus / Bulgaria [2] / Cyprus / Czech Republic / Denmark / Estonia [2] / Faroe Islands [2] / Finland [2] / Georgia [2] / Germany / Greenland / Hungary [2] / Iceland [2] / Kazakhstan [2] / Kyrgyzstan [2] / Latvia [2] / Lithuania [2] / Moldova [2] / Mongolia [2] / Poland [2] / Romania [2] / Russia [3] / Slovak Republic / Sweden / Switzerland [2] / Tajikistan / Turkmenistan / Ukraine / Uzbekistan

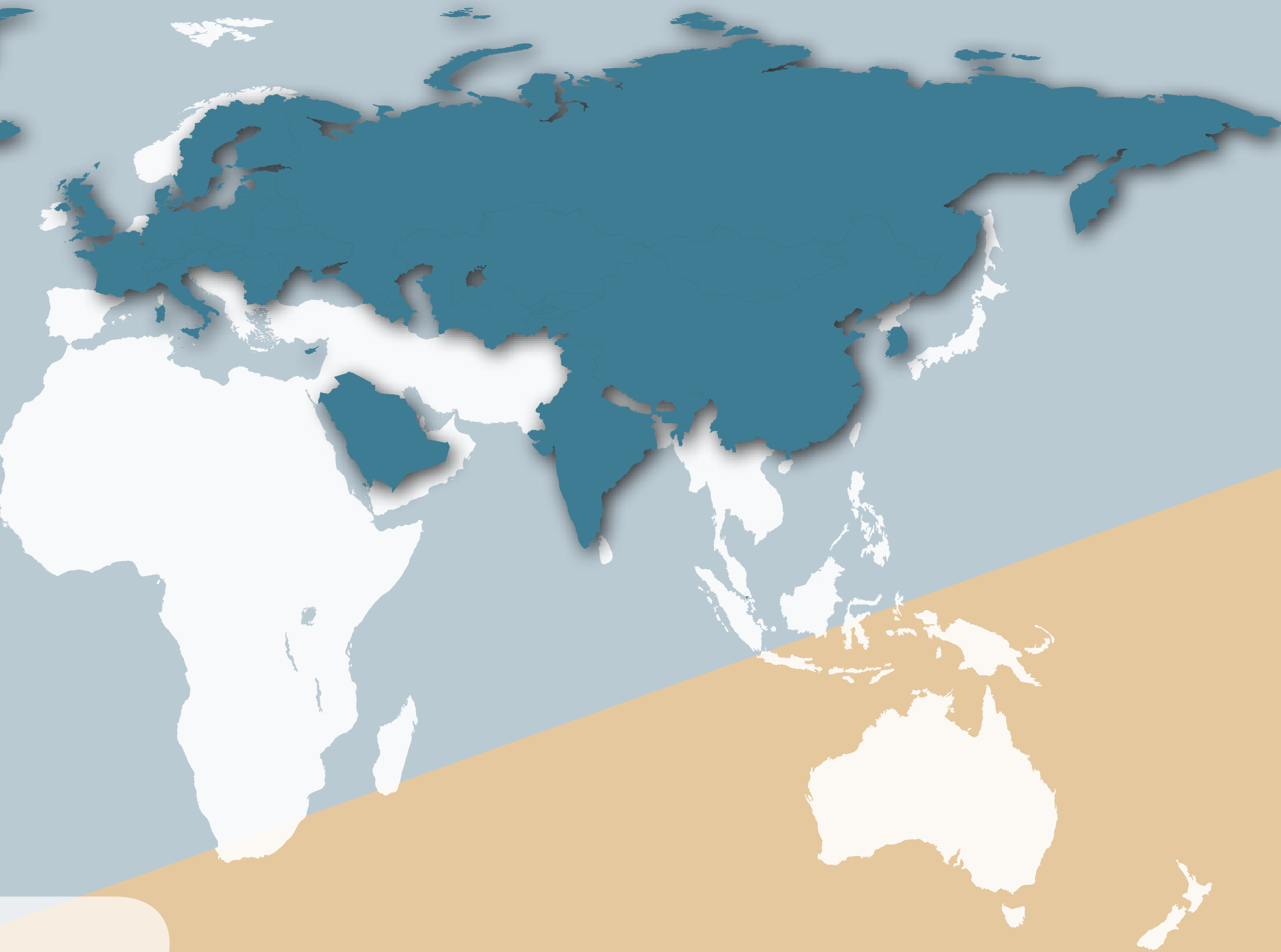
RENTAL

Austria
Czech Republic
Denmark
Germany
Slovak Republic
Sweden

PLANT ENGINEERING

Belgium / Brazil / China / France / Germany / India / Italy / Russia / Saudi Arabia / Singapore / South Korea / UK / USA

[1] Only Hyster forklifts / Manitou conveyor systems / Grove Automotive
[2] Distribution and service territories only for MaK engines
[3] Distribution and service territories for MaK engines; for Cat engines only in central, northwestern and southern Russia



Around 10,000 employees at more than 220 sites in 43 countries and regions support our customers' competitiveness with an extensive range of products and services.

A CRISIS-PROOF CORPORATE CULTURE: ZEPPELIN'S GRAFENSÄTZE (OUR PRINCIPLES)

2020 was a very challenging year, when not only every single one of us but also the whole of society and all companies were confronted with extraordinary circumstances. The Zeppelin Group was and continues to be affected by COVID-19. Nevertheless, the company closed the year well despite restrictions and sales losses in some business areas. Zeppelin owes this primarily to its employees, its long-term corporate strategy and its corporate culture based on integrity and excellence. These cornerstones are based on the work and values for which Graf Ferdinand von Zeppelin stood, and which still shape the Zeppelin Group today.

The ten Grafensätze form the core of our corporate culture; they form a link between the Group's current corporate culture and its unique company history, along with values actively embodied by Graf von Zeppelin – such as the ability to work in a team and willingness to learn. Our Grafensätze are the principles we follow in dealing responsibly with our colleagues, customers, service providers and partners, and they are a benchmark in the day-to-day activities of all Zeppelin employees. With fairness, appreciation and transparency, we act independently as reliable, dynamic partners for customers and create solutions using sound knowledge and outstanding products and services.

2020 was also the 70th anniversary year of the Zeppelin Group in its current form. This year has shown in a special way how Zeppelin employees put these values into practice, while also preserving the tradition represented by Graf von Zeppelin into the present, and carrying it forward into the future.

In recognition of this we have designed the 2020 Annual Report so it follows the logic and structure of our Grafensätze: Each Grafensatz is assigned one or more important topics and events for the Zeppelin Group.

More information about Zeppelin's corporate culture and a detailed description of the Grafensätze can be found on the Group website at
https://www.zeppelin.com/en/company/mission-statement.html

Grafen get others on board

Grafen move your heart

Grafen tip their hats

Grafen receive support

Grafen leave their footprint

Grafen overcome boundaries

Grafen stay on course

Grafen attract Grafen

Grafen make you think

Grafen fail successfully

GRAFEN OVERCOME BOUNDARIES

GRAFEN ÜBERWINDEN GRENZEN
GRAFEN OVERVINDER GRÆNSER
GRAFEN ÖVERBRYGGAR GRÄNSER
GRAFEN PREKONÁVAJÍ HRANICE
GRAFEN PODEJMUJE WYZWANIA
OS GRAFEN VÃO ALÉM FRONTEIRAS
ГРАФЫ РАСШИРЯЮТ ГРАНИЦЫ
ГРАФИ РОЗШИРЮЮТЬ КОРДОНИ
GRAFEN 迎难而上

WILLPOWER
GOAL-ORIENTATION
PIONEERING SPIRIT
COURAGE

A NEW NORMAL

At Zeppelin, "Grafen overcome boundaries" stands not just for cross-country and cross-departmental collaboration, but above all for flexibility, willingness to change, courage and strength of will. The Group reacted very quickly to the COVID-19 pandemic. Various crisis management teams were put in place to protect the health of customers and employees, ensure operational business and financial capacity to act, and adapt the IT infrastructure to the challenges of mobility. All employees very quickly accepted the new challenges and adapted their working methods accordingly. Due to the associated contact restrictions, solutions for mobile cooperation were quickly identified, with a need to facilitate internal organization on the one hand, and working with customers on the other. Zeppelin immediately enabled employees to work remotely wherever possible, depending on their area of activity, and also introduced additional shift models. The company's positive experience with remote working meant that the existing Group Works Agreement on Mobile Working was expanded (valid for Germany). On this basis work became largely flexible, and an efficient combination of office and mobile working was created and referred to as "hybrid work".

Zeppelin has also specifically developed training courses on virtual working and leadership for employees and managers. The modules cover communication during the crisis, virtual management skills, and dealing with conflicts and fears, among other aspects. Furthermore, an internal training and knowledge platform has been set up, including a comprehensive online learning program for various fields of activity such as processing standard rental business, and even digital product training and sales training.

The cancellation of customer events and trade fairs has also given Zeppelin another opportunity to break new ground: Guest contributions at conferences were made via live video streaming. Instead of participating in the traditional NordBau trade fair, the branches in northern Germany organized a successful online marketing campaign. New formats have also been established for the internal sharing of knowledge and ideas. Instead of regular site visits, the Managing Directors answered questions live, while employees submitted them using a real-time online tool in various web streams. New employees were also on-boarded entirely in digital format at the Z WELCOME events and other internal gatherings, both nationally and internationally.

WE CREATE SOLUTIONS – EVEN DURING COVID-19

Contact with our customers also remained personal and virtual during the pandemic. Virtual Reality (VR) glasses were used in assembly and commissioning processes, enabling the necessary work to be carried out without a technician being present on-site. The necessary protective measures were implemented very quickly at the sites, and business operations were maintained without interruption.

The Rental division provided temporary infrastructure for the construction of COVID-19 test centers. A backup clinic for the inpatient treatment of COVID-19 patients was set up on the Berlin exhibition grounds in a short timeframe. The three-story container facility, consisting of a total of 196 individual modular room systems, not only offers space for hospital beds, but also administration offices, a canteen, break areas, a conference room, staff, rest, retreat and stand-by facilities, changing rooms and sanitary facilities.

Under a banner of "When it matters", the Construction Equipment Central Europe division has offered a package which features interesting financing terms and an extended payment deadline, combined with the reliable and fair trade-in of used machines as well as service to the usual quality standard.

A Z IDEA idea management campaign dealt with the new ways of working and structures. Under the title, "The new normal – the crisis as an opportunity", employees were called upon to share ideas and best-practice examples on topics such as changed working methods, health promotion and customer loyalty (see page 71 of this report).


Corona-
Behandlungszentrum
Jafféstraße

GRAFEN STAY ON COURSE

GRAFEN HALTEN KURS
GRAFEN HOLDER KURSEN
GRAFEN HÅLLER KURSEN
GRAFEN SMERUJÍ K CÍLI
GRAFEN SKUPIA SIĘ NA CELU
OS GRAFEN NÃO SE DESVIAM DO CAMINHO
ГРАФЫ НЕ СБИВАЮТСЯ С КУРСА
ГРАФИ НЕ ЗБИВАЮТЬСЯ З КУРСУ
GRAFEN 锲而不舍

STAYING POWER, FOCUS ON RESULTS, PERSEVERANCE, SINGLE-MINDED DETERMINATION

UNDIMMED INNOVATIVE SPIRIT

Zeppelin is characterized by purposeful, solutions-oriented action. Within this, the Group has also reacted time and again to changes in the technical or economic environment and has completely reset and restarted in some cases, such as in the development of a new distribution network following German reunification, or in service and product expansion within the framework of advancing digitization. Zeppelin's employees are characterized by initiative and perseverance – if something does not go right the first time, they seek out suitable solutions. This attitude is the foundation for our many years of success, has kept the Group on track, and has also contributed to numerous technical innovations.

Zeppelin embarked on the path of digitization at an early stage and is working on innovations relating to the "digital construction site" of the future. In the form of Zeppelin Lab GmbH, Zeppelin is operating an open innovation and start-up center with the goal of actively shaping the future of construction, logistics and infrastructure through implementing ideas or through various collaborations. To this end, innovative solutions and products are developed to uniquely position these ventures on the market in the future. Several business models have already emerged from this approach to innovation, for example the online rental platform klickrent, through which users throughout Germany can rent construction equipment from various providers, and klickcheck which simplifies the documentation of rental machine handovers and the management of entire equipment fleets. Another venture is klickparts, a sales platform for spare parts for construction machinery, provided by renowned manufacturers. Meanwhile, zamics makes it easier to identify, locate and manage work equipment, and akii is an app-based digital solution for managing access to locked areas on construction sites.

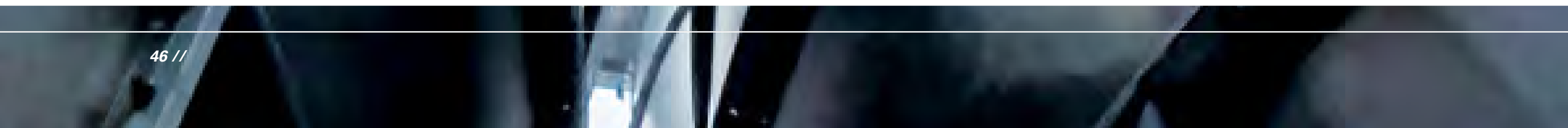
It was right back in 2018 that Rental moved into new territory as the first supplier to provide temporary-use products (such as containers) as 3D BIM models on the BIMobject platform for digital construction site and deployment planning. The BIM objects portfolio has been continuously expanded since then, and it now includes elevators, barriers, working platforms, lighting, distribution cabinets and much more. Zeppelin also used the REVIT BIM software to model a complete virtual construction site with its own 3D BIM models integrated into it, as an example to demonstrate in customer meetings. Digitized rental processing was rolled out in all rental stores in Germany in 2020. The entire process – from the creation of the rental order to the return of equipment – takes place on a system-supported basis, and transport can be commissioned directly from the tool.

The Power Systems business unit is also driving forward the expansion of services and products as part of digitization, and supporting its customers in optimizing operational processes. Through the linking of engines with systems, operating data is transmitted to Power Systems and data, trends and fault messages are monitored and analyzed in the Fleet Operations Center (FOC) there. Experts can coordinate service calls promptly and ideally prevent malfunctions and outages and thereby increase plant availability and save costs. In the marine sector, more than 300 engines and all combined heat and power plants built by Power Systems are now connected to the FOC.

PRODUCT INNOVATIONS

PLANTS FOR STARCH PRODUCTION

Zeppelin is responding to the expanded range of applications and increased demand in the starch market segment with new plants in the food manufacturing process for processing modified starch, derivatives and proteins. Starch is now regarded as the most important renewable raw material for the production of bioplastics. As a by-product of starch processing, vegetable proteins for vegetarian nutrition and meat substitution are also extracted – the complex manufacturing process requires high standards in terms of purity, traceability, processing speed and product diversity. Manufacturers of these products therefore have to pay close attention to separating allergen-free, gluten-free and genetically manipulated raw materials. With the new Mindocs (Minor Ingredients System) and Micdocs (Micro Ingredients System) systems, Zeppelin offers highly automated weighing and dosing processes for precise, contamination-free dosing. If required, the systems can be supplemented with the further improved continuous-operation CODOS NT 200 dough kneader (dough output of approx. 4-6 t/h) or the Dymomix, a wetting system for powdered meal.



akii - THE INTELLIGENT CLOSURE SYSTEM FOR CONSTRUCTION CONTAINERS AND CONSTRUCTION DOORS

In 2020, Zeppelin Lab GmbH developed akii, an intelligent, digital locking system for construction containers and construction doors which eliminates the need for conventional keys. With the help of a smartphone app, all access rights can be fully granted, managed, duplicated and, if necessary, revoked again in a simple and decentralized manner. This innovative digital key is specially designed for electronic door locks or padlocks with which the app interacts. The locks provided via akii are perfect for robust use in construction. The locks can also be activated without any internet connection whatsoever. Once in front of a locked door, a simple click on the smartphone will open the lock. Forgotten or lost keys are no longer an issue; administration costs are significantly reduced and construction sites become more secure.

INTELLIGENT CONSTRUCTION MACHINES: ELECTROHYDRAULIC FEEDFORWARD CONTROL

On Caterpillar construction machines, the increasingly common electrohydraulic feedforward control system has no need for low-pressure hydraulic lines to the control elements. It uses electrical control signals, eliminating the need to route hydraulic lines into the cabin to the control elements. This simplifies the hydraulic system, reduces the amount of oil in circulation, increases hydraulic efficiency and enables finely adjustable response characteristics combined with low operating forces. It also makes it easier to assign special or variable functions to the control elements. The fact that electrical control signals run via networked control units in the machines makes possible the use of intelligent assistance systems which increase efficiency. The new generation of Caterpillar tracked excavators with electrohydraulic feedforward control and numerous assistance systems has been expanded and is now available for an operating weight of 12 to 95 metric tons.

LIQUID DOSING SYSTEM FOR ADDITIVES

The introduction of liquid chemicals in mixing process is a major challenge in the rubber and tire industry, as precise dosing and timing for the special chemicals are decisive for the quality of the plastic (compound). To meet this specific requirement, Plant Engineering offers a solution that has already been established on the market: The Liquid Dosing System. The fully automatic and closed volumetric dosing system has a special injection valve which guarantees exact dosing of liquid additives and ensures consistent compound properties. Zeppelin has proved its value by means of numerous installed systems and tests in its own technology center. In collaboration with renowned specialist chemicals companies, Zeppelin not only certifies the actual plant technology, but also its products, such as the raw liquid rubber material polybutadiene.

ZEPPELIN ACTIVE EQUIPMENT CONNECT (AEC): FULL OVERVIEW OF MACHINERY AND PLANTS

Power Systems has developed integrated software and hardware solutions with which Zeppelin customers can keep a close eye on their machines and plants at all times. The interconnection of machines, fleets or plants enables operational processes to be optimized. All required information such as sites, and engine data such as power, consumption, temperature, operating hours, etc. are displayed on clear dashboards. Individual programming such as of water levels or schedules can also be set up on request. Detailed reports of all data the user would like to see can be generated by the customer as a PDF if required. The solutions are successfully in use by customers in the rail and inland waterway segments as well as in various industrial applications, such as CHPs or construction site vehicles.

GRAFEN LEAVE THEIR FOOTPRINT

GRAFEN HINTERLASSEN SPUREN
GRAFEN SÆTTER SIT AFTRYK
GRAFEN SÄTTER SIN PRÄGEL
GRAFEN MYSLÍ NA BUDOUCNOST
GRAFEN BUDUJE PARTNERSTWO NA PRZYSZŁOŚĆ
OS GRAFEN DEIXAM A SUA MARCA
ГРАФЫ ОСТАВЛЯЮТ СЛЕД В ИСТОРИИ
ГРАФИ ЗАЛИШАТЬ СЛІД В ІСТОРІЇ
GRAFEN 继往开来

***FUTURE ORIENTATION,
SOCIAL RESPONSIBILITY,
SUSTAINABILITY,
COMMITMENT***

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Sustainability and corporate responsibility are firmly anchored in Zeppelin's corporate strategy, and combine economic success with responsible action. In 2020, Zeppelin brought together its many years of activities in this area into a dedicated Management department for Corporate Social Responsibility (CSR), under the stewardship of CFO Christian Dummler. Zeppelin considers responsible corporate behavior as the basis and prerequisite for sustainability, employer attractiveness, and sustainable economic success. The company uses Corporate Social Responsibility to refer to economic, ecological and socio-cultural aspects as the three pillars of the sustainability strategy.

Zeppelin sets goals for continuous improvement in each of these areas, agrees measures for achieving goals and monitors implementation. In order to make progress measurable, non-financial metrics (key performance indicators, KPIs) have been recorded since 2016 in the areas defined as essential for the company. Among other aspects, these include occupational health and safety, compliance, data protection, energy and environmental management, donations and sponsorships, and employee satisfaction.

Zeppelin summarized the results for the first time in 2020 in an integrated report on sustainability under the title "Grafen leave their footprint", which at the same time outlined the progress made in the context of UN Global Compact membership in the areas of human rights, labor standards, environmental and climate protection, and combating corruption.

In order to further develop CSR in a targeted manner in the future, Zeppelin surveyed internal and external stakeholders in 2020 on their perception of strengths, weaknesses and preferred key areas. In direct response to the results of the survey (which achieved a very high response rate of 38% among external participants and 25% among employees), the Group is establishing sustainability organizations in each case at the level of the individual strategic business units, which define tailor-made targets and measures for the respective area.

Zeppelin's main goal is to become carbon-neutral in its own business operations by 2030. The company is gradually converting its energy supply to emissions-free sources. In 2020, further photovoltaic systems (in addition to the existing ones) were put into operation as essential components on the path to achieving this goal. In a collaboration agreement with Friedrichshafen Stadtwerk am See, Zeppelin has defined that it will obtain 100% of its electricity supply from renewable energy sources at the majority of its German sites by 2023. In 2021, a new fleet guideline will be implemented in Germany, focusing on the use of electric and hybrid vehicles.

Zeppelin also aims to gradually improve energy performance and exploit potential ways of saving energy. This goal is pursued by operating an energy management system in accordance with ISO 50001, the scope of which is continuously extended. As part of a monitoring audit by an external certification company in autumn 2020, the national companies in Poland and Slovak Republic were successfully certified in accordance with ISO 50001 for the first time.

In order to underline the importance to Zeppelin of implementing the defined environmental targets, the company has linked its syndicated loan agreement concluded in 2019 (term: 2020-2025) to the achievement of two ecological components: The reduction of electricity and heat consumption in relation to the number of employees and/or sales volume (applies to defined Group companies) and the successful certification of an energy management system in accordance with ISO 50001 at the Group companies in Germany, Austria, Czech Republic, Poland and Slovak Republic (certification was performed for the latter two countries in 2019 and 2020 respectively). Annual review and certification is conducted by the audit company, which also examines the Group Financial Statements of Zeppelin GmbH. The audit will take place for the first time on the reporting date of December 31, 2020. If the requirements are met, the credit costs for the Zeppelin Group will be reduced accordingly.

Detailed and further information on the subject of Corporate Social Responsibility at Zeppelin is available in the integrated report on sustainability / UN Global Compact progress report, and at **https://www.zeppelin.com/en.html**.


ZEPPELIN
MH22
epowered
by ZEPPELIN
WASTE HANDLER
CAT

GRAFEN MOVE YOUR HEART

GRAFEN TREFFEN INS HERZ
GRAFEN RAMMER LIGE I HJERTET
GRAFEN ENGAGERAR SIG
GRAFEN SE RÍDÍ SRDCEM
GRAFEN OKAZUJE ENTUZJAZM
OS GRAFEN MOVEM CORAÇÕES
ГРАФЫ ВООДУШЕВЛЯЮТ
ГРАФИ НАДИХАЮТЬ
GRAFEN 满腔热忱

CURIOSITY,
PERSUASIVENESS,
PASSION,
THIRST FOR NOWLEDGE

SOCIETAL AND SOCIAL COMMITMENT

As a foundation-owned company, entrepreneurship and social commitment go hand-in-hand for Zeppelin. A portion of its profits are transferred to the Zeppelin Foundation, which uses the money for charitable and benevolent purposes. In addition, the Group supports projects and initiatives in the areas of sport, science, education and culture, and supports charitable purposes through donations in cash or in kind. Zeppelin attaches particular importance to ensuring that its corporate values are also reflected in the use of the support provided to the projects. This is why the company promotes projects which open up prospects for young people and offer them a forward-looking perspective, for example. Below are some examples.

AID PROJECTS IN AFRICA

The Zeppelin Group is committed to various aid projects on the African continent. With a donation in kind in the form of an excavator loader, in 2020 the Group supported the Learning Lions aid organization, which was co-founded by Prince Ludwig of Bavaria. Among other tasks, the equipment is being used to expand the aid organization's campus in the Kenyan region of Turkana.

Zeppelin has been regularly supporting the Home from Home charity with donations for many years now; the organization is committed to a better future for orphans, HIV-infected children and abandoned children in the townships near Cape Town. Against the backdrop of the COVID-19 pandemic, in 2020 funds were made available for IT equipment that has enabled children and young people to be taught remotely during the lockdown, as well as for the necessary protective equipment and hygiene and medical items.

RESEARCH AND EDUCATION

Zeppelin supports Friedrichshafen Wissenswerkstatt, for example, which has made it its mission to interest and inspire young people in the subject of technical questions. This knowledge workshop enables them to work on technical projects in free courses. As the organization works closely with schools, universities, and chambers of commerce and industry, this also opens up professional prospects for young people. In 2020, both partners agreed on closer content-related collaboration in the development of special online educational formats for children, to which Zeppelin actively contributes its technical expertise.

COMMITTED TO SPORT

The Zeppelin Group is particularly connected to the Lake Constance region, where it has its roots, and is committed to various local sports initiatives there. For many years, the Group has supported volleyball, soccer, and badminton clubs at VfB Friedrichshafen, supplying stadium refurbishments and team kits, for example.

70 YEARS OF THE ZEPPELIN GROUP: WITH HISTORY WE BUILD THE FUTURE!

The Zeppelin Group has a long history; it was founded in its current form by the Zeppelin Foundation in 1950, under the name Metallwerk Friedrichshafen GmbH, as a successor to Luftschiffbau Zeppelin GmbH. That's certainly reason enough to celebrate its 70th birthday in 2020! Unfortunately, the COVID-19 pandemic prevented the full schedule of planned activities from taking place. However, to showcase its many facets and entertain readers, the company continuously added exciting new content to its blog, which had the tagline: "With history we build the future". In order to reach as many customers, employees and interested parties worldwide as possible, the posts, each divided into the categories "Yesterday – Today – Tomorrow", are all written in English. In addition to historical photos and advertising posters from all over the Zeppelin world, there are interviews with contemporary witnesses, and historical outlines as well as the presentation of current, forward-looking innovations and developments.

The journey through time spans from the founding of the Group, the takeover of Caterpillar distribution and service activities in what was then western Germany in 1954, and the beginning of internationalization in the 1990s to the digitization and integration of new Caterpillar distribution and service territories in 2020. There is also content about the diversification of the portfolio through the constantly renewed offering of products and services, as well as the geographical expansion and technical innovations that demonstrate Zeppelin's innovative and pioneering spirit. Important events and current topics from Group activities such as bauma in Munich (the world's leading trade fair for construction equipment), interviews for the Z NEXT trainee program, and the signing of the Diversity Charter are also available.

Zeppelin is characterized by technical expertise and an awareness of tradition, but also by the strength of its innovation and an ambition to create solutions to the challenges our customers face. Employees have been uniting all of these for 70 years and will continue to support these principles into the future.

The blog for the 70th company anniversary is still online and can be viewed at **https://zeppelin70years.com/**

GRAFEN RECEIVE SUPPORT

GRAFEN KRIEGEN UNTERSTÜTZUNG
GRAFEN MODTAGER STØTTE
GRAFEN TAR HJÄLP
GRAFEN SI POMÁHAJÍ
GRAFEN WSPIERA
OS GRAFEN RECEBEM APOIO
ГРАФЫ ДОБИВАЮТСЯ ПОДДЕРЖКИ
ГРАФИ ДОБИВАЮТЬСЯ ПІДТРИМКИ
GRAFEN 互帮互助

CUSTOMER FOCUS, SOLIDARITY, READINESS TO HELP, CONFIDENCE

DIGITAL SUPPORT AS THE BASIS FOR SUCCESS

Zeppelin employees network, work hand-in-hand, support each other and think beyond departmental and country boundaries. Together they create efficient solutions for customers, partners and employees.

During the lockdowns of the COVID-19 pandemic, the IT infrastructure that enabled mobile working was optimized within a very short time. The use and introduction of digital tools for purposes such as decentralized communication and collaboration have been significantly accelerated. Zeppelin is creating more and more solutions, particularly in the area of IT, to support employees in carrying out their tasks.

GROUP-WIDE SAP INTRODUCTION: Z ONE SAP

The standardization of IT systems promotes consolidation within the Group and, as well as contributing to digitization, makes a significant strategic contribution to optimization by means of a uniform process landscape. Zeppelin is introducing SAP software throughout the Group as part of the Z ONE SAP project in order to further facilitate collaboration between the countries and companies of the Zeppelin Group and to establish uniform principles, for example with regard to working methods, systems and processes. This makes it easier and quicker to implement Group-wide requirements. With Z ONE SAP, Zeppelin is laying the foundation to further strengthen its competitiveness, and in doing so is helping to secure the future of the company. Zeppelin Österreich GmbH already switched to SAP in 2019 as a pilot for the construction equipment divisions. Launch will begin in Germany at Zeppelin Baumaschinen GmbH in 2021; further national companies and business units will follow.

HIGH-TECH TOOLS FOR HR WORK

Zeppelin is also relying on automating and digitizing work processes in HR, in order to reduce manual handling and enable integration into processes, including on a mobile basis. Kick-off for the introduction of Workday took place in 2020. With this project, Zeppelin is introducing software which is standardized worldwide and will replace the various individual IT solutions currently in use in HR. All Workday applications will then run on a homogeneous platform, which means hiring, personal data and compensation as well as position and organization data are all integrated into one system. The aim is to harmonize and create efficient HR processes.

In order to standardize time recording for all employees in Germany, Zeppelin will in future be using the ATOSS software solution, which ensures time recording is easier, clearer and less location-dependent. The tool can also be used to manage flexible working and holidays. Its gradual introduction started in 2020 with a pilot phase in the German Rental units.

PeopleDoc also simplifies document management and generation within HR and will mean the gradual conversion of personnel file management to a digital version.

GRAFEN TIP THEIR HATS

GRAFEN ZIEHEN DEN HUT
GRAFEN LØFTER PÅ HATTEN
GRAFEN ERKÄNNER TALANG
GRAFEN RESPEKTUJÍ SEBE I OKOLÍ
GRAFEN SZANUJE I DOCENIA
OS GRAFEN TIRAM O CHAPÉU
ГРАФЫ ПРОЯВЛЯЮТ УВАЖЕНИЕ
ГРАФИ ПРОЯВЛЯЮТЬ ПОВАГУ
GRAFEN 谦恭有礼

APPRECIATION, RESPECT, FAIRNESS, OPENNESS

ORDERS SECURED

MACHINE FLEET OF 31 CAT MINI EXCAVATORS FOR ODENWÄLLER GARTEN- UND LANDSCHAFTSBAU GMBH

The Construction Equipment Central Europe business unit supplied Odenwäller Garten- und Landschaftsbau GmbH in Bruchköbel, East Hesse, with a complete fleet of Caterpillar machines consisting of 20 Cat 302 CR, eight Cat 306 CR, one Cat 309 CR and two Cat 310 CR. For the last of these, the company chose a leasing contract with an option to purchase later, for greater flexibility. A full service contract has also been concluded for all mini excavators.

AIRPORT EXPANSION WITH CATERPILLAR MACHINES IN GREENLAND

Danish construction company Munck Group expands two airports in Greenland. Construction Equipment Nordics supplied the company with a total of 29 new Caterpillar construction machines (various loaders, excavators, dumpers and bulldozers), which are equipped with machine monitoring systems as standard.

CATERPILLAR MINING MACHINES FOR GOLD MINES IN UZBEKISTAN

Construction Equipment Eurasia delivered 40 Caterpillar mining machines worth around USD 35 million to a large gold mine in Uzbekistan. The products supplied include mining trucks from the Cat 773 to Cat 789D series as well as a Cat 6040 mining excavator. A contract for the delivery of 10 Cat 793 (220 t class) trucks in 2021 was also successfully concluded.

FULLY AUTOMATIC INTERCHANGEABLE TRAFFIC MANAGEMENT CONSTRUCTION SITE AT SALZBACHTALBRÜCKE A 66

As part of the demolition and new construction of the Salzbachtalbrücke near Wiesbaden, Rental has provided complete traffic guidance and traffic engineering for the first fully automatic interchangeable lane guidance (without need for staff deployment). Thanks to automation with a barrier system, the interchangeable lane can be flexibly released by the traffic control center within 5-8 minutes, depending on the volume of traffic. This means, for example, that in just minutes it can react to a traffic jam due to an accident or increased traffic volume. It is also eliminates the need for personnel to enter the construction site to change the lane, resulting in significantly increased safety.

DESIGN OF AN INDIVIDUAL DRIVE SOLUTION FOR INVENTHOR TYPE 6 SHREDDERS FROM THE ENVIRONMENTAL TECHNOLOGY COMPANY DOPPSTADT

The Power Systems division has designed and implemented a custom drive solution for the environmental technology company Doppstadt for its latest shredder, the Inventhor type 6. Zeppelin has taken over the installation of a Caterpillar exhaust stage V engine, including piping and wiring work, as well as creating a circuit diagram for this high-performance Doppstadt machine, which efficiently shreds green cuttings, commercial waste and waste wood. After delivery of the pilot engine in 2020, around 80 engines will follow each year in future.

VARIOUS PROJECTS FOR PETROCHEMICAL CUSTOMERS IN SIBERIA

Plant Engineering secured various orders in Siberia in the petrochemical sector, demonstrating its entire portfolio of services in the process. For example, Zeppelin delivered a logistics silo complex with a total of 36 silos: The complete order included prefabrication of the silos in Friedrichshafen as well as on-site production, aspiration systems and other accessories. The order volume amounted to around EUR 9 million. Another project involved special production of the CFH high-pressure airlock for the dosed discharge of granules and powders; the airlocks were equipped with a casing on account of the special climatic conditions, and this means they can be heated to regulate the temperature differences between bulk solids and the airlock. Zeppelin also has an impressive record with respect to assembly and commissioning. In a third project, Virtual Reality (VR) glasses were used, enabling work to be carried out without a technician on-site.

SOLID TOP LIEFERANTEN 2020

AWARDS

AUSTRIAN SUPPLIER AWARD

When the Austrian trade magazine Solid came to choosing the best supplier, Zeppelin came first in two categories: Construction Logistics and Rental, and Construction Equipment. Product quality, service and adherence to delivery dates as well as price/performance were evaluated. Zeppelin Rental Austria and Zeppelin Österreich GmbH both came in first place, head and shoulders above the competition.

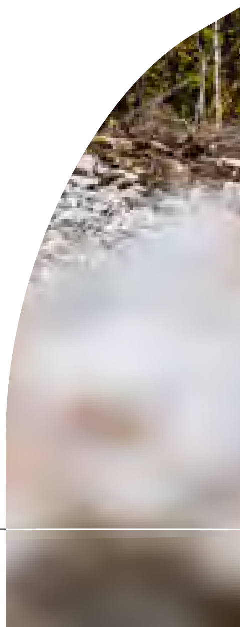
EXCELLENT RENTAL SERVICE

Caterpillar once again honored Zeppelin Rental 2020 for the continuous further development of its quality standards in machinery and equipment rental. The high level of customer focus, expertise and willingness to optimize processes as part of operational excellence were acknowledged. Particular emphasis was placed on consistent further development in the areas of customer service, fleet management, distribution, organization, culture, strategy and marketing.

GRAFEN GET OTHERS ON BOARD

GRAFEN HOLEN INS BOOT
GRAFEN FÅR ANDRE MED OM BORD
GRAFEN TAR OMBORD
GRAFEN PRACUJÍ SPOLECNE A OTEVRENE
GRAFEN INTEGRUJE I DOCENIA WYMIANĘ MYŚLI
OS GRAFEN TÊM ESPÍRITO DE INTEGRAÇÃO
ГРАФЫ УВЛЕКАЮТ ДРУГИХ
ГРАФИ ЗАОХОЧУЮТЬ ІНШИХ
GRAFEN 同舟共济

WILLINGNESS TO INTEGRATE, TEAMPLAYER POTENTIAL, CONSIDERATION, LOYALTY



INTEGRATION OF NEW DISTRIBUTION AND SERVICE TERRITORIES IN NORTHERN EUROPE

Effective December 31, 2019, the Zeppelin Group took over responsibility for the distribution and service of Caterpillar products in Denmark, Greenland, and Sweden. It also took over servicing and sales of MaK engines in Estonia, Latvia, Lithuania, Finland, Iceland, and the Faroe Islands. Zeppelin welcomed almost 700 new employees in the largest acquisition and expansion of its business activities in the Group's history. These new Group members are active in the newly established Construction Equipment Nordics strategic business unit or within the Rental or Power Systems SBUs, depending on their field of activity.

2020 was all about integration: This included not only rebranding all locations in Denmark and Sweden with the Zeppelin Caterpillar design, but also harmonizing internal processes and IT systems.

For the national companies in Denmark and Sweden, accounting was successfully converted to the IFRS international accounting standard that is applied within the Group, and the financial management systems were fully integrated into the Zeppelin Group.

Zeppelin is optimally adapting its product and service portfolio to customer requirements in the new distribution and service territories. In addition to the expansion and strengthening of the existing portfolio of machines, the focus is primarily on excellent service concepts to strengthen the particularly important spare parts and service business. Another focus is on expanding the marketing of used machines.

The establishment of the business for renting compact machines, construction equipment and conveyor technology as well as the expansion of the site network were consistently driven forward in 2020 despite difficult conditions. The first rental store opened in Brøndby, Denmark in December; another store, which will act as a combined rental and construction machine location, is being planned in the city of Rødby. The site's position at the ferry port of Rødbyhavn makes it particularly favorable for the Fehmarnbelt project, which involves the construction of a tunnel connection between Denmark and the German Baltic Sea island of Fehmarn (Fehmarnbelt tunnel). The range of services for construction machines and construction equipment is being further expanded in Sweden. There are two new sites planned, in Stockholm and Gothenburg.

NEW TEMPORARY ENERGY AND CLIMATE SOLUTIONS: ACQUISITION OF ENERGYST IN GERMANY AND SWEDEN

To respond even better to the needs of its customers, Zeppelin is strengthening its range of temporary energy and climate solutions in Germany and Sweden. Effective January 1, 2021, the Group acquired 100% of the shares in German company Energyst Rental Solutions GmbH & Co. KG and Swedish Energyst Rental Solutions AB from Energyst B.V. (ENG). Closing took place at the beginning of January 2021. With this acquisition, Zeppelin is bringing more than 40 new employees on board across six sites.

PORTFOLIO EXPANSION IN THE AREA OF MIXING TECHNOLOGIES THROUGH THE ACQUISITION OF MTI MISCHTECHNIK

Effective January 1, 2021, Zeppelin acquired a stake in Detmold-based MTI Mischtechnik, further expanding its market position in the mixing technology sector. The portfolio includes heating, cooling and universal mixers for PVC processing and other chemical applications. This is the ideal complement to the Plant Engineering product range, as MTI and Zeppelin mixer solutions are predominantly used in different industries and therefore there is only a slight portfolio overlap. The transaction was closed in January 2021.


CAT
374
CAT

GRAFEN MAKE YOU THINK

GRAFEN ECKEN AN
GRAFEN FÅR DIG TIL AT REFLEKTERE
GRAFEN STÅR UPP FÖR SIG
GRAFEN JEDNAJÍ ZODPOVEDNE A PRÍMO
GRAFEN PROMUJE KREATYWNOŚĆ
OS GRAFEN PROMOVEM O SEU PENSAMENTO
ГРАФЫ ОТСТАИВАЮТ СОБСТВЕННОЕ МНЕНИЕ
ГРАФИ ВІДСТОЮЮТЬ ВЛАСНУ ДУМКУ
GRAFEN 光明磊落

***STRENGTH
OF CHARACTER,
STRAIGHTFORWARDNESS,
SINCERITY,
SELF-BELIEF***

DIVERSITY AND APPRECIATION

In the 2020 financial year, the Group established the new Management department for Diversity, under the leadership of Labor Director Alexandra Mebus, and has already merged and expanded existing initiatives under this umbrella. This includes the Z NOW (Zeppelin Network of Women) initiative launched in 2016, which aims to promote female specialists and managers and to increase the proportion of women in the company. Zeppelin also became a partner of the Employers for Equality program in 2020; this is an initiative from PANDA – The Women Leadership Network.

The Inclusion, Equity & Diversity (IED) initiative was launched under the motto WE ARE COLORFUL, with the aim of recognizing, promoting and appreciating the diversity of the workforce as a success factor, and ensuring equal opportunities. Within the framework of a campaign week, employees were able to take part in various virtual presentations and workshops on the topic of diversity.

Zeppelin has signed the Diversity Charter, a German employer initiative for the promotion of diversity in companies. By signing the document, the company entered into a voluntary commitment to specifically promote the appreciation of diversity in the company. The Group is systematically working on a corporate culture that promotes tolerance and mutual respect, and counters all forms of discrimination. As part of the initiative, the company has developed numerous measures, events and training courses for employees.

WE ARE COLOURFUL

charta der vielfalt UNTERZEICHNET

For more information, visit
https://www.charta-der-vielfalt.de/en

GRAFEN ATTRACT GRAFEN

GRAFEN ZIEHEN GRAFEN AN
GRAFEN TILTRÆKKER GRAFEN
GRAFEN ATTRAHERAR GRAFEN
GRAFEN JDOU PRÍKLADEM
GRAFEN SŁUŻY PRZYKŁADEM
OS GRAFEN ATRAEM OUTROS GRAFEN
ГРАФЫ ЯВЛЯЮТСЯ ПРИМЕРОМ
ГРАФИ Є ПРИКЛАДОМ
GRAFEN 海纳百川

WILLINGNESS
TO MOTIVATE,
MANAGEMENT COMPETENCE,
EMPATHY,
CULTURAL UNDERSTANDING

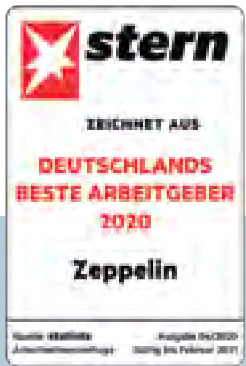
ZEPPELIN AS AN EMPLOYER

Zeppelin gives all employees the freedom to develop further. That is why the Group's employer promise is "Grow with Zeppelin". The focus is on the promotion and targeted development of employees. The different fields of activity and our international focus create diverse Group-wide career opportunities. Finding talented individuals, nurturing employees, and inspiring them to be part of Zeppelin for the long term – these are the cornerstones of our HR work.

In 2020, Zeppelin continued its proven programs and initiatives, such as Z Talent – a central platform for establishing internal succession planning – and the tailor-made Z Next trainee program targeting university graduates and young professionals, who spend 24 months being prepared for a challenging target position in the Group.

Improving work/life balance will also continue to be a key focus. A Group Works Agreement made mobile working in Germany possible across the board in 2020. Health programs (as part of the Z FIT initiative), childcare support during holidays, and consultancy services for employees in difficult personal situations complete the offering.

The Zeppelin Group is again one of the best employers in Germany in 2020 – as proven by independent rankings. The company came in 114th in the overall ranking and achieved an excellent 5th place in the Industry category among the 1000 top employers in Germany 2020, as determined by Focus Business magazine. In the Stern ranking, Zeppelin took its place at the head of the field with the best employers in Germany, in 160th place. The company came 9th in the rail, ship and aircraft construction segment, and 10th in the mechanical and plant engineering category.



GRAFEN FAIL SUCCESSFULLY

GRAFEN SCHEITERN ERFOLGREICH
GRAFEN FAIL SUCCESSFULLY
GRAFEN FEJLER MED SUCCES
GRAFEN LÄR AV SINA MISSTAG
GRAFEN SE UCÍ Z VLASTNÍCH CHYB
GRAFEN PRZEKUWA PORAŻKI W SUKCESY
OS GRAFEN FALHAM COM SUCESSO
ГРАФЫ УЧАТСЯ НА ОШИБКАХ
ГРАФИ ВЧАТЬСЯ НА ПОМИЛКАХ
GRAFEN 荣辱不惊

SELF-REFLECTION, WILLINGNESS TO LEARN, LEARNING FROM MISTAKES, RESILIENCE

Z IDEA

The Zeppelin Group encourages its employees to develop their own ideas and contribute them to the company. With Z IDEA idea management, the company has created a platform that enables the improvement of processes and the development of new ideas in a structured format. Rewards are given for each positively evaluated idea, and the Z IDEA Award is also presented annually for the best ideas worldwide.

Twice a year, special campaigns under specific themes are launched, enabling concentrated, joint work on problems. The theme announced in May 2020 was "The new normal – the crisis as an opportunity". Employees were called upon to submit ideas on topics such as changed working methods, health promotion, customer loyalty, process improvement and increased efficiency, in order to jointly shape the future – true to the motto "Grafen stay on course!" The second campaign in 2020, "Service makes the difference", was all about customer loyalty with a focus on plant engineering.

It is important to the Group to review every idea. Employees are explicitly encouraged to get involved even if an idea has not been picked up. A work environment where it is possible to learn from mistakes enables innovation and ultimately makes failure a factor for success.

TERMINATION OF BUSINESS ACTIVITIES: ZEPPELIN SEPARATES FROM MWB MARINE SERVICE GMBH

The generally challenging marine market environment has been further exacerbated by the effects of the COVID-19 crisis. The Zeppelin Group and its joint venture partner RVV Vermögensverwaltungsgesellschaft mbH have therefore decided to discontinue marine business with manufacturer-independent maintenance and repair services as well as spare parts for marine engines, which was offered by MWB Marine Service GmbH.

OUTLOOK

At Zeppelin, it has always been a matter of course for employees and management to look ahead, tackle new projects and find solutions to challenges. Looking ahead is deeply rooted in the company's understanding.

Construction Equipment Central Europe strategic business unit

The division is anticipating the future with cautious optimism and assumes market stability, supported by public investment and continued growth in housing construction. A slight decline could follow on account of commercial construction, as this will see a sharp downward turn due to the pandemic. Among other products, manufacturer partner Caterpillar will introduce a new generation of mobile excavators and material handlers. These offer many options and digital advancements that increase productivity, including in earthmoving and material handling, and open up new growth opportunities for Zeppelin. In addition, the sales of add-on devices and components will be expanded and the already-proven service offensive for compact devices will continue. There are also plans to strengthen online activities in distribution and service and to optimize and digitize business processes.

Construction Equipment Nordics strategic business unit

In Scandinavia, the market for new construction equipment is expected to grow slightly during 2021. This division will continue to focus on process improvements, maintenance contracts, digital products and proactive sales, with a focus on further expanding financing solutions for customers. The growth strategy pursued in the distribution and service of new and used construction machines will continue. In addition to opening new locations, the construction of a new central administration building in Sweden is also planned, with a branch, spare parts warehouse and rental store included. Additional business activities arising from the construction of the Fehmarnbelt connection (tunnel crossing from the German island of Fehmarn to Denmark) are expected from 2021.

Construction Equipment Eurasia strategic business unit

In the Eurasia region, demand for new and used machines is expected to rise slightly in 2021. The division is positive about this financial year and expects a market recovery. Growth will be driven mainly by the continuation of strategic construction projects in Russia and state infrastructure projects in Ukraine. Against the backdrop of stable demand for raw materials, the business unit also expects an upward trend in the sales of machinery and equipment for the mining sector. Given the good utilization of machinery, high demand in customer service and spare parts business can be assumed.

Rental strategic business unit
Rental is optimistic about the new fiscal year and expects business volumes comparable to 2020. The market influences of the construction industry, which have already been covered, will play a significant role in this. The previous strategic orientation, with five business areas in Germany and the expansion of the five foreign markets (Austria, Czech Republic, Slovak Republic, Sweden, and Denmark including Greenland) remains unchanged. The year will also be marked by the operational integration of the newly acquired companies Energyst Rental Solutions GmbH & Co. KG and Energyst Rental Solutions AB in Germany and Sweden at the turn of 2020/2021.

The focus continues to be on implementing process improvements and digitization initiatives; for example, the Zeppelin Insite 3.0 construction logistics tool is being expanded to include digital elevator management functionality. In addition to recording the elevator journeys, which will enable billing allocated to the originator, it will in future be possible for individual trades to book the construction elevators.

Power Systems strategic business unit
Power Systems is cautiously optimistic about the fiscal year ahead, but the earliest it expects to see a complete recovery of its order and sales results is 2022. Project activity in the marine business is expected to revive in the second and third quarters of 2021, and cruise operations are also expected to resume in many places. The sale of industrial engines for machine and generator set manufacturers is estimated to be stable, and the same applies for solutions for power generation and drive systems in the locomotive sector. This business unit will focus on positioning its products and services in the area of emergency power generator sets for data centers in the northern and eastern European markets.

Plant Engineering strategic business unit
An increasing project volume for Plant Engineering products and services was already evident at the end of the 2020 financial year. As such, the business unit is looking positively toward the 2021 financial year, due to the expected allocation of major projects arising from the high level of project activity. It also expects the core markets in North and South America and the Middle East to recover. Furthermore, the focus in the coming fiscal year will be on the operational integration of MTI Mischtechnik, which was acquired at the turn of the year.

Zeppelin Digit Strategic Management Center
Further development and expansion of the digital workplace at Zeppelin is an important task for 2021. The introduction of Group-wide mobile device management will enable employees to access all business information on their mobile devices securely and in compliance with data protection regulations at all times. The expansion of the global Information Security Management System (ISMS) is a response to the increasing threat of cyber crime. The SMC is also working on a global data infrastructure as a fundamental basis for the further development of digital business models. In the operational area, go-live of the new website for the German Group company Zeppelin Baumaschinen GmbH will be implemented, and support will be provided for the introduction of SAP, the uniform CRM Salesforce, and the Workday HR platform in the companies.

WORKFORCE FIGURES

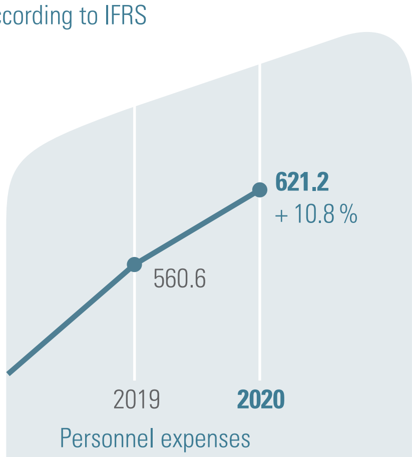
EMPLOYEES

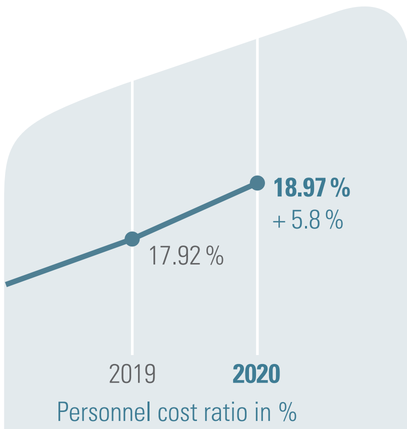
Average for the year, including trainees

Total for the Group [1) 2)]	**10,170 /** + 4.3 %
Construction Equipment Central Europe	**2,949 /** + 1.2 %
Construction Equipment Nordics	**603 /** + 2.6 %
Construction Equipment Eurasia	**1,906 /** + 1.8 %
Rental	**1,769 /** + 7.1 %
Power Systems	**1,044 /** + 2.1 %
Plant Engineering	**1,622 /** + 6.1 %

PERSONNEL EXPENSES

in EUR millions according to IFRS





1) including Zeppelin GmbH and SMC Zeppelin Digit/Zeppelin Lab GmbH; as at December 31, 2020. Percentage change compared to December 31, 2019
2) including employees who joined from acquisitions in Sweden and Denmark at December 31, 2019.

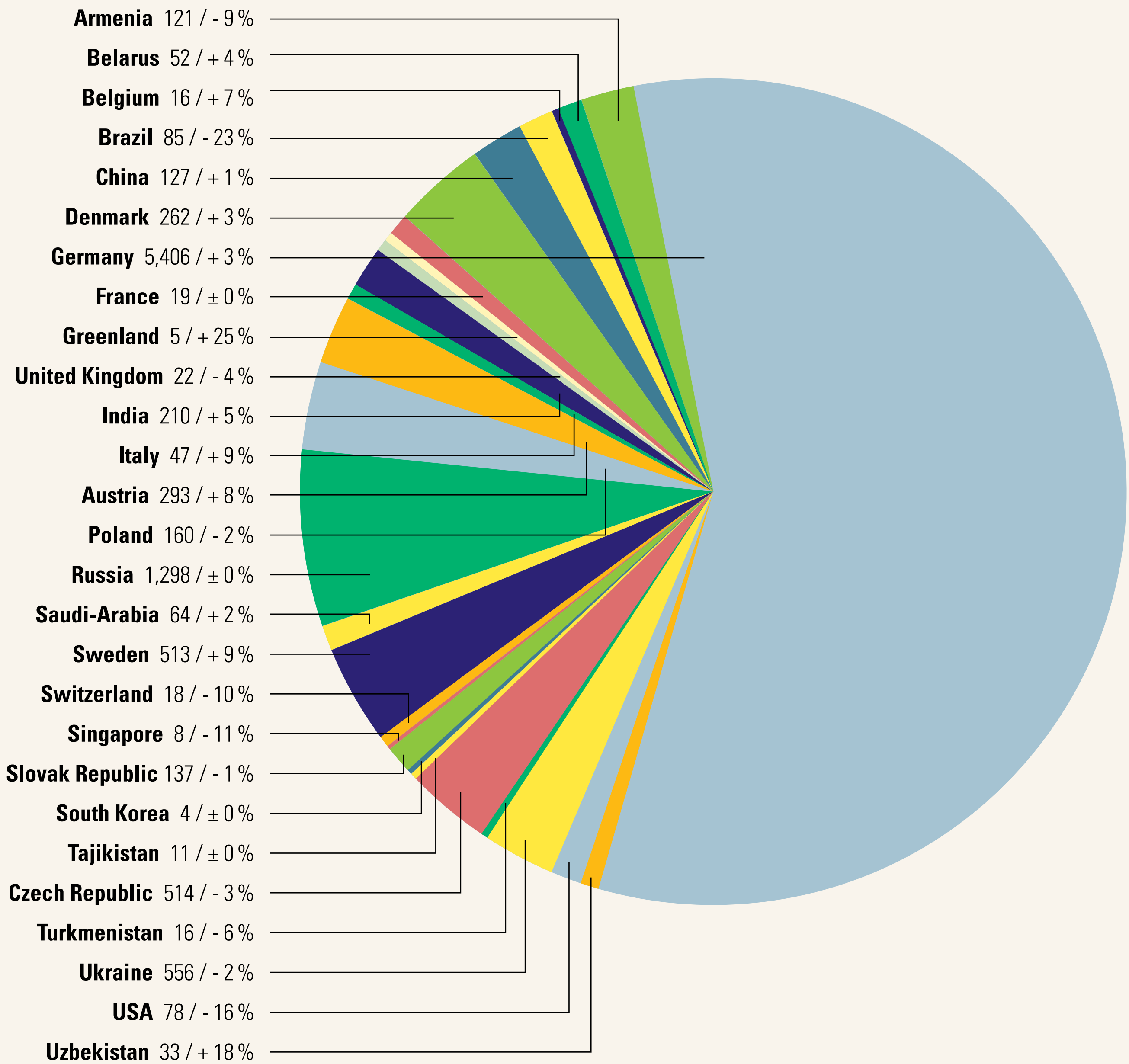
HEALTH RATE

as a percentage [2)]

Construction Equipment Central Europe	**95.6 %**
Construction Equipment Nordics	**96.2 %**
Construction Equipment Eurasia	**98.1 %**
Rental	**94.2 %**
Power Systems	**96.6 %**
Plant Engineering	**96.7 %**
Holding company	**97.9 %**
Group total	**96.2 %**

NUMBER OF EMPLOYEES

by country [2)]



[2)] by head; as at December 31, 2020. Percentage change compared to December 31, 2019December 31, 2019
For computational reasons, rounding differences of one unit (EUR, % etc.) may occur in the tables and graphics.

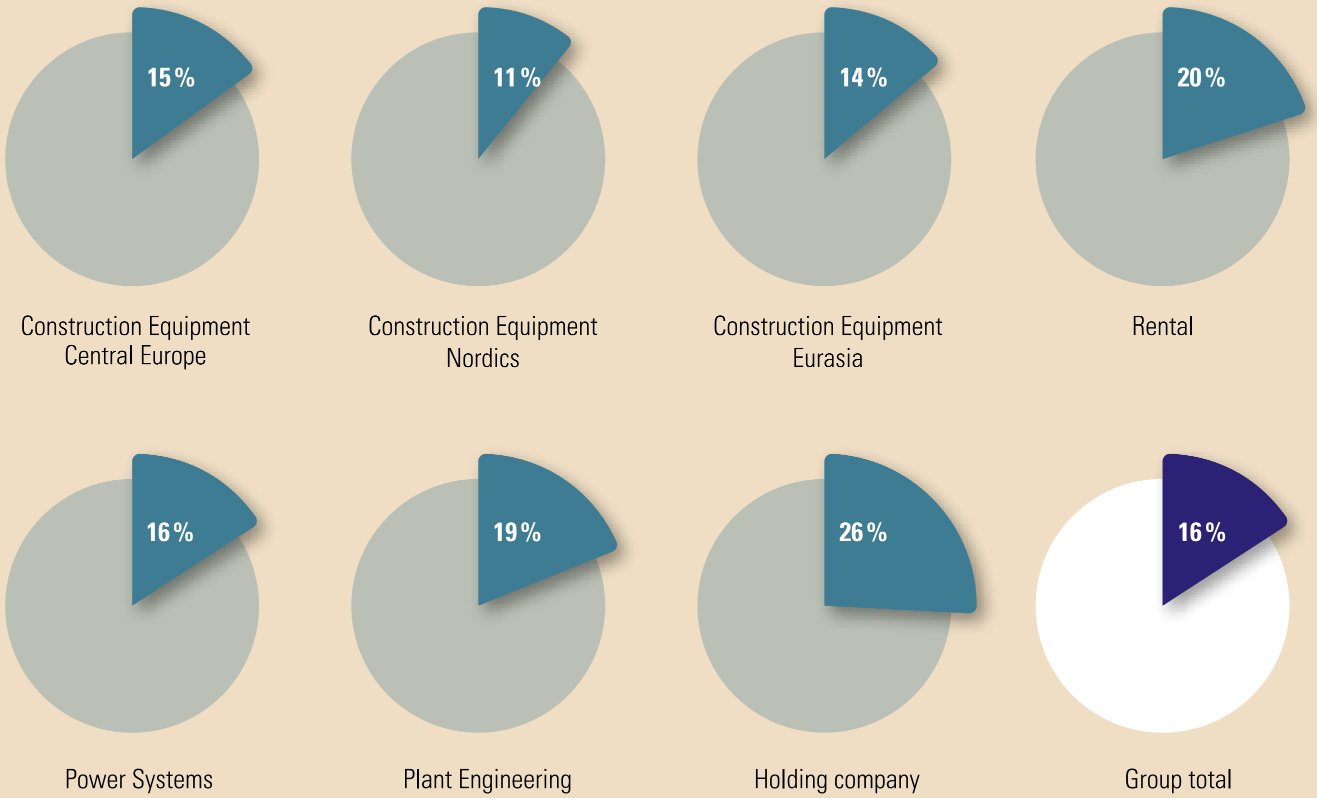
AVERAGE LENGTH OF SERVICE WITH THE COMPANY

in years

Construction Equipment Central Europe	12.3	+ 1 %
Construction Equipment Nordics	7.3	- 1 %
Construction Equipment Eurasia	6.1	+ 12 %
Rental	7.5	- 2 %
Power Systems	10.3	+ 6 %
Plant Engineering	12.4	+ 10 %
Holding company	6.0	- 29 %
Group total	9.6	+ 3 %

PROPORTION OF WOMEN EMPLOYEES

as a percentage



As at December 31, 2020. Percentage change compared to December 31, 2019

AGE DISTRIBUTION

as a percentage

	Group total	Holding company
<= 25 years	5 %	3 %
26-30 years	11 %	17 %
31-35 years	16 %	20 %
36-40 years	17 %	16 %
41-45 years	13 %	13 %
46-50 years	11 %	15 %
51-55 years	11 %	10 %
56-60 years	10 %	6 %
> 60 years	5 %	1 %

	Construction Equipment Central Europe	Construction Equipment Nordics	Construction Equipment Eurasia
<= 25 years	8 %	8 %	4 %
26-30 years	12 %	10 %	12 %
31-35 years	13 %	15 %	25 %
36-40 years	13 %	12 %	25 %
41-45 years	11 %	13 %	16 %
46-50 years	11 %	12 %	10 %
51-55 years	15 %	12 %	4 %
56-60 years	12 %	11 %	3 %
> 60 years	6 %	7 %	1 %

	Rental	Power Systems	Plant Engineering
<= 25 years	6 %	4 %	3 %
26-30 years	10 %	7 %	12 %
31-35 years	15 %	14 %	12 %
36-40 years	15 %	17 %	17 %
41-45 years	14 %	15 %	11 %
46-50 years	12 %	14 %	10 %
51-55 years	13 %	14 %	12 %
56-60 years	11 %	11 %	14 %
> 60 years	4 %	5 %	10 %


CAT

GROUP MANAGEMENT REPORT AND GROUP FINANCIAL STATEMENTS

CONSOLIDATED MANAGEMENT REPORT
OF ZEPPELIN GMBH AND THE GROUP FOR THE 2020 FISCAL YEAR

A BUSINESS ACTIVITIES OF ZEPPELIN GMBH AND THE GROUP

The following management report is the Consolidated Management Report and Group Management Report for Zeppelin GmbH. It presents the business performance of the Zeppelin Group ("Zeppelin" or "Group") and Zeppelin GmbH, including the results for the fiscal year from January 1 to December 31, 2020 as well as the situation of the Group and Zeppelin GmbH as of December 31, 2020.

The Group Management Report is based on the figures according to IFRS. The section of the report relating specifically to Zeppelin GmbH is based on figures according to the German Commercial Code (HGB).

BUSINESS PURPOSE OF ZEPPELIN GMBH

The purpose of the company is the acquisition, holding and sale of participations in companies which, in particular, focus on the manufacture, processing, sale, rental, servicing and financing of construction machines and site equipment, engines and generator sets of all kinds as well as complementary components and services and of containers and plants for the handling and processing of powdery, granular and liquid materials and related engineering services.

The purpose of the company is also the acquisition, sale, rental and leasing of land and buildings and related transactions.

The shareholding structure of Zeppelin GmbH remained unchanged in the fiscal year. Luftschiffbau Zeppelin GmbH holds 96.25% and Zeppelin Foundation in administration of the city of Friedrichshafen holds 3.75% of the subscribed capital of Zeppelin GmbH of EUR 100.0 million.

At the end of the year, Zeppelin GmbH had 226 employees (previous year: 98, stated in full-time equivalents). The Supervisory Board consists of 12 members, which is formed on a parity basis in accordance with Section 7 of the German Codetermination Act.

STRATEGIC BUSINESS UNITS OF THE ZEPPELIN GROUP

The Group is operationally and strategically managed in six strategic business units ("SBUs"). This organizational structure ensures its ability to focus on individual markets, customer groups, and product segments while managing activities across multiple countries and companies. The SBUs are divided into Construction Equipment Central Europe (“CE”), Construction Equipment Eurasia, Construction Equipment Nordics, Rental, Power Systems, and Plant Engineering.

The SBU structure of the Group was reorganized as of January 1, 2020 in the course of the acquisition of the distribution and service organization for Caterpillar products in Sweden, Denmark and Greenland, and for MaK engines in other countries. In the new distribution and service territories, construction and mining equipment were merged in a separate SBU under the name "Construction Equipment Nordics". The "Construction Equipment EU" and "Construction Equipment CIS" SBUs were renamed "Construction Equipment CE" and "Construction Equipment Eurasia" respectively. The former "Z-Lab" SBU was incorporated into the newly established "Zeppelin Digit" Strategic Management Center, which is responsible for cross-SBU matters in the area of IT, digitalization and innovation.

The business activities of the Construction Equipment CE, Eurasia and Nordics SBUs comprise the sale and servicing of Caterpillar construction machines, mining equipment, components as well as agricultural and forestry machinery of the brands AGCO/Fendt and Ponsse. In Germany and various countries of Central, Northern and Eastern Europe and Central Asia, Zeppelin is the sales partner of Caterpillar Inc., Peoria (Illinois/USA). The sales territories of the other manufacturer partners are distributed across Central and Eastern European countries.

The Power Systems SBU sells Caterpillar diesel and gas engines as well as MaK brand marine engines. It provides a wide range of engineering and other services for drive and power solutions. The Power Systems activities in Sweden, Denmark and Greenland, which were acquired on December 31, 2019, have been integrated into the SBU.

The Rental SBU rents out construction machines as well as a wide range of construction equipment, modular room systems, site and traffic guidance systems, work platforms, forklifts and lifts, and vehicles. It also offers an extensive range of services. The rental activities in Sweden and Denmark, which were acquired on December 31, 2019, have been integrated into the SBU. The same also applies to the acquired distribution and servicing activities of MaK engines in Estonia, Latvia, Lithuania, Finland, Iceland and the Faroe Islands.

The activities of the Plant Engineering business unit involve globally developing, producing, implementing, and selling systems for producing and processing high-quality bulk materials for plastics, rubber and tires, food, and fine chemicals.

RESEARCH AND DEVELOPMENT

The Group's research and development activities relate primarily to the digitalization of new and existing business models. Research and development costs in the reporting year amounted to EUR 3.3 million (previous year: EUR 5.1 million).

B BUSINESS REPORT

1 ECONOMIC CONDITIONS

MACROECONOMIC ENVIRONMENT

The economic environment in 2020 was dominated by the global COVID-19 pandemic. In spring, the global economy fell into recession, in part due to numerous lockdown measures initiated by various countries. Even though some sectors were able to benefit from the restrictions, the majority of the economy in Germany faced significant losses.[1] In most countries, however, a recovery began in the third quarter. In the eurozone (including Germany), for example, some of the economic downturn was offset. The industrial sector in particular was able to compensate for declines in the service sector (hospitality, entertainment, culture, sports, etc.) to a large degree.[2] This recovery was driven by the lifting of restrictions, as well as substantial state support and stimulus measures intended to stabilize the economy. In the EU, a joint COVID-19 recovery fund of approximately EUR 750 billion was agreed.[3] Unfortunately, in the fourth quarter the high number of new infections and the accompanying renewed lockdown measures once again dampened the economic recovery. In the meantime, great hopes are being placed on the development and use of vaccines. Since late 2020 or spring 2021, the pandemic has been combated with mass immunization measures. A hopefully subsequent return to public and social life could unleash new growth impulses.[4]

In the USA, the picture for 2020 was even clearer in some respects, with domestic and foreign policy issues having an additional effect. Besides the US presidential election, the year was also marked by trade disputes with the EU and China. The Zeppelin Group is affected to a small extent by the EU import duties on selected Caterpillar products imported into the EU from the USA. The US government reacted comparatively late to the COVID-19 pandemic, but then announced a comprehensive aid package worth around USD 900 billion (about EUR 737 billion), which the US Congress passed in December 2020.[5] China, on the other hand, is emerging relatively well from the COVID-19 crisis. Despite the historic slump at the beginning of the year, the gross domestic product of the People's Republic still grew by 0.7% overall in the first three quarters compared with the same period of the previous year. This can be attributed in particular to targeted stimulus measures, such as the reduction of social security contributions for companies, and investment in the infrastructure sector. The latter are set to be financed by a bond program worth 3.75 trillion yuan (about EUR 449 billion).[6] In addition to the pandemic, the UK continued to be affected by the uncertainties surrounding its withdrawal from the European Union in 2020. Fortunately, this uncertainty has now been resolved. After a transitional period, the United Kingdom ceased to be a part of the EU single market and customs union as of January 1, 2021.[7] A general agreement on a trade and cooperation agreement was reached at the last minute on December 24, 2020.[8] The ability to plan investment and projects in and from the United Kingdom in future has been restored to some extent.

Due to these developments, and in particular the COVID-19 pandemic, growth forecasts for global economic output in 2020 have been drastically reduced compared with the previous year. Although the global forecast has been lowered to -4.4% (previous year: 3.0%), the euro area has been hit harder with a reduction of -8.3% (previous year: 1.2%). Germany is also expecting a slump in economic output of -6.0% (previous year: 0.5%). Its neighboring countries paint a similar picture, with Austria at -6.7% (previous year: 1.6%) and the Czech Republic at -6.5% (previous year: 2.5%). Poland is also declining, but at least more positive than the average, with a forecast of -3.6% (previous year: 4.0%). In contrast, the Slovak Republic is expecting an even stronger decline of -7.1% (previous year: 2.6%). A similar decline is forecast for Ukraine's economic output at -7.2% (previous year: 3.0%). A decline of -4.7% (previous year: 1.3%) is expected in Sweden and of -4.5% (previous year: 2.4%) in Denmark. The forecasts for Russia at -4.1% (previous year: 1.1%) and the USA at -4.3% (previous year: 2.4%) are roughly on a par with global levels. Brazil is more severely affected by the negative trend at -5.8% (previous year: 0.9%). The

1 Federal Ministry for Economic Affairs and Energy; "Schlaglichter der Wirtschaftspolitik – Monatsbericht 12/2020" [*Highlights of economic policy – Monthly report*] dated November 24, 2020

2 KfW Business Cycle Compass; "Hoffnung auf kräftige Konjunkturerholung nach schwierigem Winter" [*Hope for a strong economic recovery after a difficult winter*] dated November 24, 2020

3 Bundesregierung.de; "750 Milliarden Euro Corona-Hilfen beschlossen" [*Coronavirus recovery fund worth 750 billion euros agreed on*] dated July 21, 2020

4 KfW Business Cycle Compass; "Hoffnung auf kräftige Konjunkturerholung nach schwierigem Winter" [*Hope for a strong economic recovery after a difficult winter*] dated November 24, 2020

5 Süddeutsche Zeitung; "Trump unterzeichnet neues Corona-Hilfspaket" [*Trump signs new coronavirus aid package*] dated December 28, 2020; Germany Trade & Invest: "COVID-19 hat die USA fest im Griff" [*COVID-19 has a firm grip on the USA*] dated January 11, 2021

6 Der Tagesspiegel; "Chinas Bauwut soll die ganze Konjunktur wieder ankurbeln" [*China's building frenzy to revive the whole economy*] dated August 11, 2020; Germany Trade & Invest: "Chinas Wirtschaft tritt gestärkt aus der Coronakrise hervor" [*China's economy emerges stronger from the coronavirus crisis*] dated November 12, 2020

7 Federal Foreign Office; "Brexit: Die Einigung zum zukünftigen Verhältnis ist da - Was bedeutet der erfolgreiche Abschluss der Verhandlungen?" [*Brexit: The agreement on the future relationship is here - What does the successful conclusion of negotiations mean?*] dated January 1, 2021

8 Press release of the European Commission; "Handels- und Kooperationsabkommen zwischen der EU und dem Vereinigten Königreich..." [*Trade and Cooperation Agreement between the EU and the United Kingdom...*] dated December 24, 2020

slump in India's national economy is extraordinary, with a decline of -10.3% (previous year: 6.1%) expected. Only China has a positive growth forecast at 1.9% (previous year: 6.1%), albeit at a comparatively low level.[9]

The European Central Bank (ECBis sticking to its interest rate policy in 2020, so the key interest rate, which is relevant for the euro area and has remained unchanged since March 2016 at 0% p.a. and the deposit rate at -0.5% p.a. In order to counter the economic fallout from the COVID-19 pandemic, the ECB decided to expand its bond purchase program for government bonds and corporate securities by a further EUR 500 billion, bringing it to EUR 1.85 trillion.[10] There is no reason to expect a change of this loose interest rate policy for now. The US Federal Reserve (Fed) again adjusted its interest rate policy downwards in 2020 and it is now within a target corridor of 0.0 to 0.25% (previous year: 1.5 to 1.75%).[11]

The main foreign currencies for the Group are the US dollar (USD), the Russian ruble (RUB), the Ukrainian hryvnia (UAH), and the Swedish krona (SEK). The US dollar started 2020 at an exchange rate of 1.12 USD/EUR and ended at 1.23 USD/EUR. At the beginning of 2020, the ruble was still quoted at 69.96 RUB/EUR and had depreciated to 91.47 RUB/EUR by the end of 2020. The Ukrainian hryvnia appreciated from 26.42 UAH/EUR to 34.74 UAH/EUR during the year. The Swedish krona appreciated from 10.45 SEK/EUR to 10.03 SEK/EUR in the same period.

MARKET DEVELOPMENT

The development of the key markets for the **Construction Equipment CE SBU** during the reporting year was as follows: The ifo Business Climate Index for trade and industry in Germany rises from 90.9 points in November 2020 to 92.1 points in December. In the construction industry, the business climate indicator is unchanged compared to the previous month at -0.5 points (December 2019: 17.1 points). Although the current situation is assessed more positively, pessimism with regard to the next six months is on the rise.

The utilization rate of machines rises to 78.5% in December. It is therefore at a relatively high level, although slightly below the previous year's figure of 79.7%. The order backlog in the construction industry was 4.2 months (December 2019: 4.1 months), with the average for the building divisions significantly higher (4.5 months) than the average for the civil engineering divisions (3.6 months). As in previous months, expectations regarding future pricing freedom are cautious.

The assessment of the situation by Austrian construction companies improved significantly towards the end of the year, rising from 8.6 points in the previous month to 17.7 points in December (December 2019: 27.7 points).

Construction output in the Czech Republic, which was hit hard by the COVID-19 pandemic, falls by 8.4% in real terms in November 2020 compared with the same month last year. Compared with the previous month of October, this is a slight increase of 0.9%. Production in building construction falls by 11.6% year on year in November, while civil engineering contracts by a moderate 1.3%.

In the Slovak Republic, the decline in the construction sector is slowing: Although construction output in November 2020 is 9% lower year on year, it is 7% higher than in the previous month of October on a seasonally adjusted basis. In building construction, output falls by 15.9% compared with the previous year. In the civil engineering and road construction segment, production volume is at a similar level (+0.1%) compared with the same month last year. In the entire period from January to November 2020, construction output falls by 12.6% compared with the previous year period.

As of the end of December 2020, the German construction machinery market is 8.8% below the record year of 2019 (sales to end users "Retail": -7,5%, Initial deliveries to rental companies "Rental": -12.3%). The total market for new earthmoving machines in 2020 was around 35,700 units (previous year: about 39,100), which corresponds to a market volume of roughly EUR 2.8 billion. Sales of compact machines fell quite moderately, at -4.5%. In the standard/large machinery segment and in the road construction machinery segment, the fall is, however, steeper (-18.5% and -32.5% respectively). The retail/rental split is 74/26, roughly the same as the previous year.

In the Austrian construction machinery segment, the total market (excluding telehandlers) falls by 19.0% year on year from January to November 2020 to 1,915 units (previous-year period: 2,363 units).

In the Czech Republic, the total market (excluding telehandlers) also falls by 9.1% to 2,119 units from January to November 2020, compared to 2,330 units in the same period of the previous year.

In the Slovak Republic, the downturn in the construction industry had a knock-on effect on the construction machine market. The total market (excluding telehandlers) contracts by 20.8% from January to November 2020 and stands at 515 units (Jan-Nov 2019: 650 units).

In the 2020 fiscal year, the **Construction Equipment Eurasia SBU** was exposed to a particularly challenging market environment, which, besides the impact of the COVID-19 pandemic, was dominated by the military conflict in Armenia/Nagorno-Karabakh, political unrest following the presidential elections in Belarus, the continuing conflict between Russia and Ukraine, the continuation of Western sanctions against Russia, and the volatility of oil and commodity prices, and currencies.

9 IMF World Economic Outlook Database, October 2020

10 Finanzen.net; "EZB-Entscheid: Pandemiekaufprogramm für Anleihen wird erhöht" [*ECB decision: Pandemic bond-buying program to be increased*] dated December 10, 2020

11 Tagesschau.de; "Fed senkt Leitzins auf fast null Prozent" [Fed cuts key interest rate to almost zero percent] dated March 16, 2020

Russia's gross domestic product declined by a projected 3.4% to 4.0% in real terms in 2020. The Ukrainian economy contracted by 4.9% in 2020. In the other countries in which the Construction Equipment Eurasia SBU operates, gross domestic product in 2020 declined by up to -6.3%.

The local currencies in the Construction Equipment Eurasia SBU's largest markets – Russia and Ukraine – each depreciated by approximately 20% against the US dollar in 2020. The currencies in Belarus and Armenia followed the same trend. In 2020, construction output fell by around 4.3% in Russia in total and by 8.9% in Ukraine. The Russian mining industry declined by 7.0% in 2020.

In line with the general economic situation in these countries, the markets for new construction machines mostly declined. In Russia, the market volume fell by 5% year on year, from 10,935 units to 10,355 units. In contrast, Ukraine recorded an increase of +19%, from 2,136 units in the previous year to 2,544 units in the reporting year.

The Danish economy, which along with Sweden is important for the **Construction Equipment Nordics SBU**, continues to be strongly affected by the COVID-19 pandemic. However, Denmark's gross national product recorded growth of 5.2% in the third quarter of 2020 compared with the previous quarter. Nevertheless, a drop of 3.5% in economic output is expected for 2020. The Danish construction industry recorded a comparatively moderate decline of -10% compared with the record year of 2019.

Following the sharp downturn in the first half of the year, the Swedish economy recovered better than expected in the third quarter. However, the second wave of infections meant that the economic recovery did not continue in the fourth quarter. A fall of 3.4% in economic output is expected for 2020. The general weakness of the economy was also reflected in the confidence indicator for the construction industry. The indicator in December 2020 was 95.6 (previous year: 102.5). The market for new earthmoving equipment in Sweden was around 4,000 units in 2020, which is a decrease of 18% compared to the previous year. In Denmark, a total of around 4,300 new earthmoving machines were sold, which corresponds to a drop of around 2% compared with the previous year.

According to an economic report by the bbi (Federal Association of Construction Machinery, Construction Equipment and Industrial Machinery Firms), the COVID-19 crisis has not left dealers and rental companies of construction machinery and construction equipment unscathed in Germany, which includes the business segment of the **Rental SBU**. However, two thirds of dealers and rental companies of construction machines and equipment expect sales at the end of 2020 to be at or slightly above the level of the same quarter of the previous year. The rental market in Austria fell by 7.9% in 2020. The rental market in the Czech Republic experienced a 7.1% decline in sales in 2020. The rental markets were also down in Denmark (-5.5%) and Sweden (-4.2%). For the development of the construction industry in the markets relevant to the Rental SBU, please refer to the comments on the Construction Equipment CE and Construction Equipment Nordics SBUs.

The **Power Systems SBU** operated in a challenging market environment in 2020. The generally challenging environment of the marine market was further exacerbated by the effects of the COVID-19 pandemic. In Germany, demand for new marine engines remained low, while the ballast water treatment segment performed positively. In Service, the marine segment continued to be affected by the shutdown of cruise ship activities. The EP gas, oil and gas, industry and pre-owned equipment/PPO segments recorded stable performance. The gas-fired power plant segment has offered good growth opportunities again since the fourth quarter. At the end of the year, the EP invest, industrial engines, and locomotive segments posted consistently positive trends and growth opportunities.

The main market indicator for the **Plant Engineering SBU** is the German Mechanical Engineering Industry Association (VDMA), which painted a mixed picture for the past year. According to this, companies will close 2020 with significant minuses. Orders fell by 11% in real terms for the year as a whole. Although domestic orders were 6% below the previous year's level, foreign orders were 13% lower. The recovery that started in fall continued, confirmed by a 4% increase in orders in the fourth quarter. Production forecasts in October expect a decline of 14% for the full year.

The German Chemical Industry Association (VCI) described a difficult year in the struggle against the COVID-19 crisis, which is reflected in all key business figures. Although production fell by 3% year on year, the decline in sales was more pronounced at 6%.

Up to November 2020, order entry for the food processing and packaging machinery sector was down 10% compared with the same period of the previous year.

2 Development of the Group's Business

Key Performance Figures for the Group

EUR million	2020	2019
Sales	3,271.7	3,118.5
Gross margin[12]	14.8%	15.1%
EBT	124.6	133.7
Return on Sales[13]	3.8%	4.3%
Return on Capital Employed, YE[14]	6.5%	6.6%

Sales Development and Orders

In light of the prevailing conditions, the 2020 fiscal year was satisfactory for Zeppelin overall. Group sales increased by 4.9% to EUR 3,271.7 million (previous year: EUR 3,118.5 million), with sales from the previous year's acquisitions in Sweden and Denmark, and the Luther Group contributing EUR 343.9 million.

The SBUs that rent, sell, and service construction machines and engines saw their sales increase in the 2020 fiscal year by EUR 190.3 million, or 6.6%. In addition to the Construction Equipment Nordics SBU, which made a contribution to sales for the first time, the Rental and Power Systems SBUs also benefited from the previous year's acquisitions, with sales growth of 3.6% and 3.9% respectively. The Sales of the Construction Equipment CE and Construction Equipment Eurasia SBUs are moderately or slightly behind the extremely successful previous year. In the Plant Engineering SBU, sales fell by EUR 25.9 million, or 7.8%.

Sales by SBU

EUR million	2020	2019	Change %
Construction Equipment CE	1,373.3	1,469.5	-6.5%
Construction Equipment Nordics	258.2	0.0	n/a
Construction Equipment Eurasia	494.3	499.7	-1.1%
Rental	527.8	509.3	3.6%
Power Systems	407.5	392.2	3.9%
Plant Engineering	306.1	332.1	-7.8%
Group sales[15]	**3,271.7**	**3,118.5**	**4.9%**

In the 2020 fiscal year, a total of 17,425 machines, forklifts and engines were sold, corresponding to a slight decrease of -1.8% year on year. Although sales of new construction equipment and forklifts fell by 117 units (-1.4%) and 141 units (-77.5%) respectively, sales of used machines rose by 668 units (15.1%). Sales of new engines were almost constant with an increase of 13 units (0.5%). At 1,072 units, the machines and forklifts brought to market for the first time for rental purposes were below the previous year's level (1,551 units[16]).

Order entry for all Group companies fell slightly to EUR 3,147.3 million (previous year: EUR 3,307.2 million). At EUR 955.9 million at year-end, order backlog is slightly below the previous year (EUR 1,080.4 million). The Plant Engineering SBU accounts for EUR 232.3 million (previous year: EUR 312.0 million).

Employees and Employee Development

Changes to the number of employees in the Group as of the reporting date, broken down by SBU, are presented below:[17]

	12/31/2020	12/31/2019	Change %
Construction Equipment CE	2,740	2,722	0.7%
Construction Equipment Nordics	615	582	5.6%
Construction Equipment Eurasia	1,886	1,895	-0.5%
Rental	1,710	1,701	0.5%
Power Systems	1,007	1,015	-0.7%
Plant Engineering	1,570	1,575	-0.3%
Trainees in the Group	362	369	-1.9%
Group[17]	**10,178**	**10,048**	**1.3%**

At the end of 2020, the foreign companies of the Group had 4,631 (FTE) employees (previous year: 4,648), corresponding to 45.5% of the overall workforce (previous year: 46.3%).

Information about the Proportion of Women

In accordance with the "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act", Zeppelin GmbH has set targets for increasing the proportion of women on the Supervisory Board, on the Management Board and at the senior management level. Because of its holding function, there is only one management level below the Management Board at Zeppelin GmbH. As of the reporting date of December 31, 2020, 25% of the Supervisory Board was comprised of

[12] Gross margin = gross profit on sales / sales
[13] Return on sales = profit before tax / sales
[14] ROCE = EBIT / capital employed;
capital employed = fixed assets + working capital
[15] Incl. Zeppelin GmbH and consolidation effects

[16] Adjustment of previous year's figure due to missing statistical values: formerly 243 units.

[17] Incl. Zeppelin GmbH and Zeppelin Lab GmbH.

women (target: 8.3%), while the Management Board had 25% (target: 0%) and 45% of department managers were women (target: 25%). The proportion of women and the deadline for achieving the target proportion for the Supervisory Board and Management Board were adopted at the Supervisory Board meeting of March 22, 2018. No changes were made to the target quotas for the 2020 fiscal year. In view of the proportions of women achieved, especially in the Supervisory Board and the Management Board of 25% each, and in view of the changes that are politically envisaged by the Equal Participation of Women in Leadership Positions in the Private and Public Sector Act (Second Leadership Positions Act – FüPoG II), the Management Board aims to have the Supervisory Board adjust the target figures accordingly in the course of 2021.

3 Important Activities During the Year Under Review

"New Normal" Project

The "New Normal": As the pandemic continues, new ways of working are becoming more and more established. The measures implemented are becoming an increasingly routine part of how matters are organized. In addition to remote working, the use of digital formats has been another major trend. The increased use of these formats is here to stay, whether through Welcome Days, smaller or larger meetings, or conferences and training sessions, even with more than a hundred participants.

In 2020, there were 20 virtual visits by the Group Management Board to Zeppelin sites worldwide, making it possible to maintain personal and interactions despite the lockdown. In addition, it is evident that new formats allow for much greater degree of participation by those taking part, which is evidenced by a much higher number of questions and comments. Even after the pandemic, this hybrid cooperation, with a mix of physical presence combined with digital options, is set to continue.

"Z-Digit" Restructuring

Zeppelin GmbH is a management holding company and – in addition to performing its original functions as a holding company – provides a number of management and shared services typical of the Group. As of January 1, 2020, Zeppelin GmbH expanded its management services to include the "Z-Digit" division (Strategic Management Center IT, Digitalization & Innovation). Services including IT infrastructure, IT security and compliance, data management, IT architecture and governance, as well as projects and measures within the scope of the digital transformation were pooled together and coordinated across the Group. In light of this restructuring, the corresponding resources of the subsidiaries Zeppelin Baumaschinen GmbH and Zeppelin Lab GmbH were utilized. The corresponding services have been provided centrally since January 1, 2020 and charged to the relevant Group companies.

SAP Project of the Construction Equipment CE SBU

In 2019, the SAP solution was implemented at Zeppelin Österreich GmbH as part of the Group-wide Z ONE SAP project. In 2020, the focus was on stabilizing the system and building SAP expertise in the Austrian subsidiary. Essential system-related organizational adjustments were also implemented.

Project "Freya"

As of December 31, 2019, Zeppelin took over the distribution and service for Caterpillar machines and components for Sweden, Denmark and Greenland and, for the MaK engine brand, also the distribution and service in the Baltic States (Estonia, Latvia, and Lithuania) as well as Finland, Iceland, and the Faroe Islands.

The integration process was successfully advanced in the 2020 fiscal year. The acquisition was viewed very positively by both customers and employees alike. Employee surveys were conducted in May and November, which showed significant increases in satisfaction levels since the acquisition by Zeppelin.

Corporate Social Responsibility (CSR)

In order to reinforce the focus on CSR within the Group and drive it forward, a separate CSR department was created in the Group Management Board as of January 1, 2020. With the communication of the Group strategy call at the beginning of 2020, all SBUs were obliged to further anchor CSR management in the respective organization and, with regard to Zeppelin's goal of being a carbon neutral company in its day-to-day business operations by 2030, were asked to develop specific targets and measures to reduce existing CO2 emissions. To this end, departmental responsibility for CSR was defined at Management Board level in each SBU, and responsible CSR managers were appointed at working level to implement this operationally. Together with the central CSR department, the CSR managers developed appropriate targets and measures to ensure carbon neutrality by 2030. The targets and measures that had been defined for each SBU were communicated internally to all employees via a CSR newsletter launched in 2020. They will be continuously developed, deepened and supplemented with additional environmentally specific focal points in 2021. Measures to reduce CO2 emissions were also implemented in 2020, for example through the decision to gradually switch to green electricity at the German sites, or the commissioning of a photovoltaic system at the Friedrichshafen site.

In 2020, the Zeppelin Group also published a Sustainability Report for the first time. This report also documents the progress made as part of the UN Global Compact membership. The report complies with the internationally applicable standard of the Global Reporting Initiative (GRI) and underlines Zeppelin's commitment to CSR. It includes an overview of Zeppelin's sustainability organization, the action areas defined as essential (e.g. energy and environmental management, occupational health and safety, and a sustainable human resources policy), and shows the performance of the defined non-financial indicators, as well as the objective for continuous improvements per area. The report (in German) can be downloaded from Zeppelin's website.

To determine the requirements and expectations of CSR management at Zeppelin, and to identify strengths and weaknesses, the Group conducted an extensive stakeholder survey on the topic of "Sustainability at Zeppelin" in 2020. The survey also aimed to strengthen the sustainable focus and anchor the key results in the corporate and sustainability strategy. In addition to various external stakeholders (customers, suppliers, and the Group's Supervisory Board and shareholder representatives), all Zeppelin employees across the globe were called upon to give their assessment. Overall, the participants rated Zeppelin's sustainability management as good. Crisis management at Zeppelin during COVID-19 was also rated good; this issue was a focal point of the survey. The next step is to define appropriate targets and measures for continuous improvement at SBU level and at Group level based on the action areas identified.

The Zeppelin Group also takes social engagement seriously, and supported various social projects in 2020, including the non-profit organization "Learning Lions" with the donation of a backhoe loader, to be used in remote regions of Kenya for various construction projects, such as the construction of an IT school or a kindergarten. In addition, the Zeppelin Group continues to support Wissenswerkstatt Friedrichshafen e.V. as a sponsor, and in 2020 also agreed to work more closely to develop special online educational formats for children. For many years, the Zeppelin Group has regularly supported Zeppelin University in Friedrichshafen, founded in 2003. Since fair play and sportsmanship are firmly anchored in Zeppelin's corporate culture, the promotion of sports, and team sports in particular, is a special cause for the Group, which is why Zeppelin has been sponsoring VfB Friedrichshafen in volleyball, football, and badminton for many years.

Creation of the Diversity Department

The Diversity department was established at Group Management Board level as of January 1, 2020. To underline the increasing importance of this topic, the Z COLOURFUL initiative was launched, which deals with the inclusion of diversity and equal opportunities, and as such not only represents an adaptation to a changed working world, but also highlights diversity as a critical factor for success: diverse teams help to reflect better, act more creatively, and make decisions more astutely. An important milestone here was the announcement that Group Management Board signed the Diversity Charter in October 2020 as part of the virtual WE ARE COLOURFUL action week, through which Zeppelin declared its commitment to specifically promoting diversity. As part of the action week, employees had the opportunity to participate virtually in the announcement and also attend and exchange ideas at various presentations and workshops on the topic of diversity. In addition, Zeppelin is a founding partner of Employers for Equality, a program of PANDA GmbH for Gender, Equality & Diversity in companies that promotes equality and actively advances progress in business and society. These memberships promote Zeppelin's visibility among professionals and experts and also increase its attractiveness as an employer.

Other Important Events for the SBUs

For the **Construction Equipment CE SBU**, there was a large number of trade fairs and events that were either postponed or canceled outright, due in large part to the social distancing restrictions imposed in connection with the COVID-19 pandemic. As an example, participation in the Nordbau construction trade fair in Neumünster was not feasible. In order nevertheless to provide customers with comprehensive and expert advice, as well as one-to-one discussions, a digital event was offered for the duration of the trade fair. Customers could get in touch with the employees of Zeppelin Baumaschinen GmbH in a one-to-one conversation, for example via video conference, and receive customized offers. Many customers took advantage of the sales talks and numerous sales were concluded, comparable to physical participation in a trade fair.

In order to further raise awareness of occupational safety in workshops and during field work, Zeppelin Baumaschinen GmbH has revised the rules for the use of personal protective equipment for service technicians and other employees working in such situations. With numerous training and awareness-raising measures and an accompanying poster campaign, employees were continuously encouraged to pay attention to both their own personal safety and the safety of colleagues in their everyday work.

The first models of a new Cat mobile excavator series, which were launched on the German market in 2020, continued the great success of the new-generation Cat tracked excavators with their similar technical specifications. Key features include fuel-efficient stage V engines, a premium cab with even better all-round visibility, an LED lighting system, a 'bird view' camera system, enhanced attachment hydraulics, and reduced maintenance costs.

A solution for the digital processing of workshop orders, based on the digital dispatch tool for field service technicians, and adapted for the German market was developed at Zeppelin Baumaschinen GmbH and rolled out nationwide in the fourth quarter of 2020. This will serve as a template for implementation in the other countries in which the Construction Equipment CE SBU operates. For example, the field service solution was implemented at Zeppelin Österreich GmbH in 2020, and the workshop solution will follow in 2021. A roll-out to other Group companies outside the Construction Equipment CE SBU is also planned.

On January 2, 2020, the newly established branch in Austria was opened for customers in St. Florian (Linz). The new site, which also offers services from Zeppelin Rental and Zeppelin Power Systems, provides 22,000 m² of space and state-of-the-art technology in all functional areas. The attractive branch building is friendly, bright, and has direct lines of sight into the workshop area. The branch, which was designed to be very energy-efficient and low in CO2 emissions, is clearly visible from the West Autobahn and therefore offers easy access for Austrian customers and international contacts alike, for example in the used machines business.

Following the acquisition in 2019, the **Construction Equipment Nordics SBU** continued to drive forward the integration process, further expanded organizational structures, and optimized processes. Furthermore, the AWA trainee program was introduced to counter the shortage of skilled workers in Service. The project to build a new head office in Gothenburg (Sweden), where the activities of the Power Systems and Rental SBUs will also be located, was successfully launched. The growth strategy in Sweden and Denmark was accompanied by the offer of additional financing solutions to customers, which resulted in additional sales of new machines, especially in Sweden.

In the 2020 fiscal year, the **Construction Equipment Eurasia SBU** received an operating license for the newly built sales and service branch in Saint Petersburg (Russia) and was able to complete the move and commissioning in July. The site is also used by the Power Systems SBU.

The project to build the head office in Kiev (Ukraine) on the land acquired in the previous year, which also includes the partial refurbishment of existing buildings, was restarted.

In the **Rental SBU**, Zeppelin Rental GmbH was once again awarded Gold status by Caterpillar in the "*Caterpillar Rental Services Excellence Program*".

On December 1, 2020, the first rental store was ceremoniously opened in Brondby (Denmark), marking the company's entry into the rental market; more rental stores are coming soon.

In November 2020, Zeppelin Rental Verwaltungs-GmbH (ZRV) was merged into Zeppelin Rental GmbH with retroactive effect from January 1, 2020. The merged company was the former general partner of the partnership and was not operational.

The generally challenging market environment in the marine market was further exacerbated for the **Power Systems SBU** by the effects of the COVID-19 pandemic. After weighing up all the factors, Zeppelin Power Systems GmbH & Co. KG and the joint venture partner saw no medium or long-term prospects for the business of MWB Marine Services GmbH and therefore sold the business operations.

In 2020, the Power Systems SBU continued to work hard on growth projects and defined must win battles (MWBs) via "leadership table" initiatives together with Caterpillar. These are focused on the development topic of "hybrid solutions", modern framework agreement concepts in service and digitalization (in particular "Technology Enabled Solutions").

One focus is on creating data connections between new and existing engines in the portfolio. In addition to the Caterpillar portfolio, Power Systems has developed its own integrated software and hardware solutions (AEC, Active Engine Connect), which is already being used successfully in the market by various customers from different industries. A Field Operations Center (FOC) is located in Hamburg for the evaluation of the data. It was brought into regular operation in the third quarter of 2020 after extensive trials.

Innovation circles were set up in 2020 for further technical advancement and the strategic development of possibilities for expanding the portfolio. At the same time, initial successes were achieved in the strategic projects of internationalization, design-to-cost, and central logistics, such as the establishment of an international distribution channel, an organizational restructuring in the EPD growth segment, and optimized use of space at the Achim site. The service business for marine engines in Ukraine was spun off into the newly founded company Zeppelin Service Marine Ukraine to ensure even more focused market development.

On January 1, 2020 the **Plant Engineering SBU** took over the Zeppelin Aviation & Industrial Service GmbH (formerly BIS Inspection Service GmbH), which had been managed under the Rental SBU until the end of 2019. The services of Zeppelin Aviation & Industrial Service (formerly under Zeppelin Systems GmbH) were incorporated into the acquired business operations and jointly managed under the renamed subsidiary Zeppelin Aviation & Industrial Service with sites in Friedrichshafen, Hamburg and St. Augustin, Cologne. Employees and the necessary equipment were transferred to this renamed company during the course of the year. The company offers quality and material testing services to various industries, including the aviation and shipping industries. The Management Board expects this merger to lead to cost and efficiency optimizations as well as a regional expansion of the range of services.

In mid-2020, the decision was made to discontinue the low-margin NDT (non-destructive testing) business of Zeppelin Systems Gulf Co. Ltd, Saudi Arabia, which is subject to various risks. The preferred sale to potential local interested parties is currently in a structured process.

With effect from January 1, 2021, Zeppelin Systems GmbH acquired the main assets of MTI Mischtechnik International GmbH (MTI), which is in insolvency. The acquisition strengthens the market position of Zeppelin Systems technologically and regionally in the area of heating, cooling, and universal mixers for plastics processing and applications in the chemical industry. A total of 17 of its employees were also taken on. MTI will continue as an independent brand under the umbrella of Zeppelin Systems, but is organizationally affiliated with the Kassel site.

4 Results of Operations, Financial Position, and Net Assets of the Group

Results of Operations

The condensed consolidated statement of profit and loss as of the reporting date is as follows:

EUR million	2020	2019	Change	Change %
Sales	3,271.7	3,118.5	153.3	4.9%
Cost of sales	-2,786.2	-2,647.1	-139.1	5.3%
Gross profit on sales	485.5	471.4	14.1	3.0%
Selling expenses and general administrative expenses[18]	-352.0	-345.1	-6.9	2.0%
Other income and expenses[19]	8.7	25.5	-16.8	-66.1%
Profit before net financial result	142.2	151.9	-9.6	-6.3%
Net financial result	-17.6	-18.2	0.6	-3.2%
Net profit before tax	124.6	133.7	-9.0	-6.8%
Income taxes	-33.1	-41.3	8.2	-19.9%
Net profit after tax[20]	91.5	92.4	-0.9	-0.9%

Business performance was positive overall in view of the challenging general conditions. 2020 was dominated by constraints imposed as a result of the COVID-19 pandemic, existing trade restrictions, and political unrest in some countries. Nevertheless, Group sales increased by 4.9% year on year (EUR 3,271.7 million; previous year: EUR 3,118.5 million). Adjusted for the sales from the new acquisitions made in 2019, there would have been a slight decline in sales.

EUR million	2020	2019	Change %
Cost of materials	-2,240.2	-2,157.3	-3.8%
Personnel expenses	-380.1	-341.0	-11.5%
Depreciation	-58.9	-48.7	-21.0%
Other expenses	-107.0	-100.2	-6.8%
Group cost of sales	**-2,786.2**	**-2,647.1**	**-5.3%**

In the same period, cost of sales increased by 5.3% to EUR 2,786.2 million. The increase is due in particular to the volume-related increase in the cost of materials. Gross profit on sales rose by 3.0% to EUR 485.5 million. The gross margin of 14.8% was slightly below the previous year (15.1%).

Selling expenses and general administrative expenses were EUR 6.9 million higher than the previous year at EUR 352.0 million. However, adjusted for the previous year's acquisitions, there were significant cost savings. This was due to stringent crisis management.

At EUR 8.7 million, the balance of other income and expenses was below the previous year's level (EUR 25.5 million). On the income side, this was due to lower gains from asset disposals compared to the previous year. However, expenses increased due to higher currency losses, especially due to exchange rate movements of the Russian ruble, the Ukrainian hryvnia, the Czech koruna and the US dollar.

The net financial result of EUR -17.6 million is almost unchanged on the previous year (EUR -18.2 million). The interest result is EUR -15.2 million, an improvement of EUR 1.2 million on the previous year's EUR -16.4 million. This is mainly due to lower interest expenses from bank

[18] including research and development expenses

[19] including impairments on financial instruments and contract assets (net) as well as the result from companies accounted for using the equity method

[20] including non-controlling interests

loans. The other financial result deteriorats by EUR 0.6 million to EUR -2.4 million (previous year: EUR -1.8 million), which is attributable to falls in prices.

Changes to profit or loss before tax for the fiscal year, broken down into SBUs, are presented below:

EUR million	2020	2019	Change %
Construction Equipment CE	64.0	63.3	1.0%
Construction Equipment Nordics	-2.0	-1.5	-32.3%
Construction Equipment Eurasia	28.7	29.2	-1.8%
Rental	46.7	50.6	-7.8%
Power Systems	14.5	22.6	-36.0%
Plant Engineering	5.8	-1.9	>-100%
Consolidated net profit before tax[21]	**124.6**	**133.7**	**-6.8%**

Consolidated net profit before tax fell by EUR 9.1 million to EUR 124.6 million (previous year: EUR 133.7 million). The return on sales fell from 4.3% in the previous year to 3.8% in the fiscal year. The return on equity[22] before tax was 14.4%; the comparable total return on capital[23] was 5.1%. The return on capital employed (ROCE) was 6.5% compared with 6.6% in the previous year.

Income tax expense was EUR 33.1 million (previous year: EUR 41.3 million), which is due in particular to lower current income taxes and the reversal of tax provisions. The tax rate for the year is 26.6% (previous year: 30.9%). Consolidated net profit after tax is EUR 91.5 million. This is less than the previous year's result by EUR 0.9 million.

21 Including Zeppelin GmbH at EUR 25.1 million and consolidation effects.
22 Return on equity = profit before tax / [(equity in previous year + equity in year under review) / 2]
23 Total return on capital = profit before interest and tax / [(balance sheet total of previous year + balance sheet total of reporting year) / 2]

Financial Position

Capital Structure

Changes to the Group's **capital structure** are presented below:

LIABILITIES Proportion in % of balance sheet total	**2020** IFRS	**2019** IFRS
Balance sheet total in EUR million	**2,773**	**2,790**
Current liabilities		
Financial liabilities, trade payables, other financial liabilities	12.8%	14.4%
Contract liabilities	5.6%	5.7%
Employee benefits	3.8%	3.5%
Miscellaneous	6.2%	5.5%
Non-current liabilities		
Financial liabilities, trade payables, other financial liabilities	27.9%	28.6%
Contract liabilities	0.6%	0.6%
Employee benefits	6.4%	6.2%
Miscellaneous	4.6%	5.1%
Equity	32.1%	30.3%

Current liabilities as of December 31, 2020 are EUR 787.3 million and decreased by EUR 27.6 million. They consist primarily of financial liabilities (EUR 105.3 million; previous year: EUR 142.0 million), trade payables (EUR 130.9 million; previous year: EUR 133.3 million), other financial liabilities (EUR 119.4 million; previous year: EUR 126.3 million), and contract liabilities (EUR 154.9 million; previous year: EUR 160.3 million).

Non-current liabilities as of December 31, 2020 are EUR 1,095.7 million and decreased by EUR 34.3 million. They consist primarily of financial liabilities (EUR 609.7 million; previous year: EUR 633.2 million), other financial liabilities (EUR 164.6 million; previous year: EUR 165.5 million), and employee benefits (EUR 177.5 million; previous year: EUR 171.7 million).

The reduction in financial liabilities is due in particular to good working capital management, restraint in investments, and the comparatively stable earnings situation. In addition, a portion of the bonded loan of EUR 12.5 million is no longer reported under non-current liabilities but under current liabilities due to its shorter maturity.

Equity increased by EUR 44.5 million to EUR 890.0 million in the financial year (taking into account negative currency translation differences of EUR 20.5 million; previous year: EUR 1.0 million). The currency translation differences mainly resulted from exchange rate developments for the Russian ruble, Ukrainian hryvnia, Czech koruna, and US dollar. With total assets falling by 0.6% to EUR 2,772.9 million, the equity ratio[24] improved to 32.1% (previous year: 30.3%). The

[24] Equity ratio = ratio of equity to total capital

total non-current financial resources of EUR 1,985.6 million (previous year: EUR 1,975.4 million) exceed non-current assets by EUR 397.5 million (previous year: EUR 376.2 million), which corresponds to an asset coverage[25] of 125.0% (previous year: 123.5%). They therefore also cover 74.6% (previous year: 62.6%) of the inventories.

Significant Financing Instruments

At the end of 2020, a syndicated credit facility that was originally taken out in 2011 and extended prematurely and increased in 2019 was available to the Group as a significant financing instrument. The term of the syndicated credit facility is five years (ends on December 10, 2024) and includes a prolongation option of one year on two occasions. The credit is available for cash drawdowns (EUR 500 million) and for providing guarantees (EUR 200 million). As of the end of 2020, a total of EUR 209.2 million (including EUR 93.2 million for guarantees), or 29.1% (previous year: 36.7%) had been utilized. In addition, at the end of 2020 the Group had additional bank credit lines of around EUR 129 million, of which it had utilized EUR 8 million. At the end of 2020, Zeppelin GmbH also had USD bank loans equivalent to EUR 1.8 million to finance its operating business.

Due to the COVID-19 pandemic, additional credit lines of EUR 150 million were taken out bilaterally with the Group's five core banks in summer 2020 as a highly precautionary measure. The facilities have a term of one year with a one-time extension option for a further six months. These credit lines were undrawn as of the end of 2020.

Furthermore, the Group finances itself over the long term through the issuance of bonded loans. At year-end, the total volume of outstanding bonded loans was unchanged from the previous year at EUR 242.5 million. The Group again adhered to the financial covenants that were agreed and determined on the basis of its financial data in connection with the syndicated credit facility and bonded loans in 2020. In October 2020, Creditreform Rating AG reassessed the Group's rating at "A" and adjusted the outlook from 'watch' to 'negative', which was due to the general macroeconomic disruptions caused by the COVID-19 pandemic. The rating agency's stable assessment is based on solid financial ratios, sufficient cash flows from operating activities, good capital market capabilities, prudent financial management, and Zeppelin's leading market position.

The companies of the Construction Equipment CE, Construction Equipment Nordics, Construction Equipment Eurasia, and Power Systems SBUs continued to have access to extensive credit facilities at Caterpillar Financial Services and other sales financing and leasing companies in order to finance sales in Germany and abroad. In addition, asset leasing is used to finance vehicles as well as IT hardware and software. The extensive investments in the rental fleets in fiscal year 2020 were funded from current cash flow, debt recognized in the balance sheet and SLB/SLP transactions.

Liquidity

The development of cash and cash equivalents at the end of the fiscal year is shown in the following condensed consolidated cash flow statement:

EUR million	2020	2019
Cash flow from operating activities	259.6	75.4
+ Cash flow from investing activities	-43.6	-147.5
+ Cash flow from financing activities	-124.2	72.7
= Changes in cash and cash equivalents	**91.7**	**0.6**
+ Cash and cash equivalents at the beginning of the period	**68.9**	**67.2**
+ Foreign exchange rate differences in cash and cash equivalents	-3.3	1.1
= Cash and cash equivalents at the end of the period	**157.3**	**68.9**

In contrast to the previous year, payments for investments in the rental fleet and the proceeds from the sales of the rental fleet were reclassified from cash flow from investing activities to cash flow from operating activities, where they are reported together under the change in assets held for rental (SLB and own financing). The aim of this change is to provide a more economically accurate presentation as these are machines and equipment that Zeppelin acquires for the purpose of commercial rental, holds for varying periods of time, and subsequently resells on a regular basis and in the ordinary course of business. In accordance with IAS 7, these are cash flows from operating activities. The previous-year amount (EUR 160.1 million) was adjusted accordingly to improve comparability.

Cash and cash equivalents increased by EUR 88.4 million compared with the previous year, due to the good business performance and the measures implemented as part of the COVID-19 crisis management.

Cash flow from investing activities improved from EUR -147.5 million in the previous year to

[25] Asset coverage = non-current financial resources / non-current assets

EUR -43.6 million. This was due to the acquisitions of the previous year, as well as investment restraint in the current financial year in the context of COVID-19 crisis management.

Cash flow from financing activities fell by EUR 197.0 million to EUR -124.2 million. This was mainly due to the repayment or, in the previous year, the assumption of current and non-current financial liabilities (EUR -56.3 million; previous year: EUR +83.0 million) and to higher payments for SLB/SLP liabilities and finance lease liabilities (EUR -97.2 million; previous year: EUR -49.3 million). The latter resulted in particular from the scheduled repayment of lease liabilities. In the previous year, an acquisition-related expansion of the bonded loan in particular led to a positive figure.

Cash flow from operating activities was positive, increasing by EUR 184.2 million to EUR 259.6 million. The main reason for this was the decrease in inventories (EUR +57.2 million; previous year: EUR -103.5 million) and trade receivables (EUR +45.1 million; previous year: EUR 48.9 million). There were also changes in assets held for rental (EUR -161.4 million; previous year: EUR -237.4 million), which led to lower payments made.

INVESTMENTS

EUR million	2020	2019	Change %
Intangible assets	10.3	52.7	-80.5%
Land and buildings	11.4	30.3	-62.3%
Operating and business equipment including technical equipment	33.6	63.3	-47.0%
Investments in financial assets	1.2	29.1	-96.0%
Total investments excluding rental fleet	**56.4**	**175.4**	**-67.8%**
Investments in the rental fleet	146.8	193.8	-24.2%
Total investments including rental fleet	**203.3**	**369.2**	**-44.9%**

Investments in property, plant, and equipment, financial assets, and intangible assets amounting to EUR 203.3 million (including EUR 146.8 million in the rental fleet) were offset in the fiscal year by scheduled depreciation of EUR 158.6 million, which thus covered 78.0% of investments (previous year: 39.1%). The decline in investments was due to acquisitions in the previous year and investment restraint in the reporting year.

Net Assets

Structurally, the Group's assets are broken down as follows:

ASSETS Proportion in % of balance sheet total	2020 IFRS	2019 IFRS
Balance sheet total in EUR million	**2,773**	**2,790**
Current assets		
Cash and cash equivalents	5.7%	2.5%
Financial assets, trade receivables	14.6%	15.8%
Contract assets	1.4%	1.0%
Inventories	19.2%	21.5%
Miscellaneous	1.8%	1.9%
Non-current assets		
Financial assets, trade receivables	1.4%	1.5%
Intangible assets; property, plant, and equipment	50.5%	50.1%
Miscellaneous	5.4%	5.7%

The balance sheet total of the Group decreased by EUR 17.4 million to EUR 2,772.9 million. This was due in particular to lower inventories (EUR -68.0 million) and trade receivables (EUR -44.7 million). In contrast to this trend, cash and cash equivalents increased by EUR 88.4 million to EUR 157.3 million.

At 1.2 p.a., capital turnover[26] was the same as the previous year (1.2 p.a.). At the end of 2020, the days of sales outstanding improved as of the reporting date to 43 days (previous year: 51 days). The decline in the calculated days outstanding was due to lower receivables in relation to slightly higher sales.

The rights of use to leased assets are also reported under property, plant, and equipment.

Comparison of Current Situation with Forecast

The financial performance indicators used to manage the Group are sales revenue, profit or loss before tax, and ROCE.

EUR million	2020	2019	2019 Forecast
Sales	3,271.7	3,118.5	moderate growth
Net profit before tax	124.6	133.7	significant decline
ROCE	6.5%	6.6%	on par with previous year

Although sales and profit before tax posted weak growth and a moderate decline, respectively, compared with the forecast, ROCE remained roughly on a par with the previous year, as predicted. The deviations from the forecast for sales were mainly due to the consequences of

[26] Capital turnover = sales / (previous-year balance sheet total + reporting year balance sheet total) / 2

the COVID-19 pandemic. A significant part of this effect was compensated for in the net profit before tax by the COVID-19 measures introduced.

5 Results of Operations, Financial Position, Net Assets of Zeppelin GmbH

Results of Operations

Zeppelin GmbH's sales increased by EUR 12.9 million to EUR 44.4 million in 2020 (previous year: EUR 31.5 million). The increase was mainly due to the integration of Group-wide IT services into the strategic management center "Zeppelin Digit", which falls within Zeppelin GmbH. In this context, sales from the onward charging of IT services and licenses rose from EUR 5.7 million to EUR 19.1 million. Other significant sales of EUR 18.3 million related to the rental of land and buildings (previous year: EUR 18.8 million).

Other income increased by EUR 1.9 million to EUR 5.6 million (previous year: EUR 3.7 million). The increase over the previous year was largely due to a settlement payment (EUR 0.8 million) and a project bonus (EUR 0.4 million). In addition, the item primarily includes reversals of provisions amounting to EUR 1.5 million (previous year: EUR 1.9 million) and income from onward charges to affiliated companies amounting to EUR 1.8 million (previous year: EUR 1.5 million).

The income from participations was EUR 48.6 million (previous year: EUR 42.3 million) and increased by EUR 6.3 million, in particular due to higher dividend distributions from Zeppelin International AG, Switzerland. On the basis of profit and loss transfer agreements, a total of EUR 97.7 million (previous year: EUR 89.5 million) was received in the fiscal year 2020 as income from profit transfer and the recharging of taxes passed on to the tax group. This was offset by expenses from loss absorption amounting to EUR 9.4 million (previous year: EUR 21.4 million).

Personnel expenses rose by EUR 11.8 million year-on-year to EUR 29.7 million (previous year: EUR 17.9 million). This was due in particular to a significant increase in the number of employees as a result of the integration of "Z-Digit" into Zeppelin GmbH. Amortization of intangible assets and depreciation of property, plant and equipment increased by EUR 2.5 million compared with the previous year (EUR 8.8 million; previous year: EUR 6.3 million).

Other operating expenses rose to EUR 20.8 million (previous year: EUR 19.6 million), also due in particular to IT costs such as IT maintenance and cloud computing.

The interest result – excluding income from loans classified as fixed financial assets – amounted to EUR -0.9 million in the fiscal year, virtually unchanged on the previous year (EUR -0.8 million).

Net profit before tax rose sharply year on year to EUR 117.3 million (previous year: EUR 95.7 million), due mainly to higher income from participations and from profit pooling agreements, and lower expenses from loss absorption.

Net profit after tax for the year was EUR 98.3 million (previous year: EUR 67.8 million). Income taxes amount to EUR 19.0 million (previous year: EUR 27.9 million). The previous year's income tax expense was affected by additional risk provisions for the tax audit.

Financial Position

The financial strategy is derived from the business purpose of Zeppelin GmbH (the holding of participations, rental of land, buildings and technical equipment owned by the company to affiliated companies and the financing of the Group). The long-term commitment of funds to property, plant, and equipment and financial assets (65.1% of assets) should correlate as far as possible with matching financing on the liabilities side of the balance sheet. Here, the creation of equity from retained profits is an important source of funding.

Zeppelin GmbH's absolute equity rose to EUR 693.6 million (previous year: EUR 611.4 million) as a result of the strong increase in the disposable profit in the reporting year, and amounts to 61.9% of the balance sheet total (previous year: 55.2%). The long-term funds come to EUR 323.4 million (28.9% of the balance sheet total) and consist of pension provisions (EUR 33.4 million) and liabilities to banks (EUR 290.0 million)[27]. Current funds include provisions (EUR 28.9 million), liabilities to banks (EUR 15.6 million), trade payables (EUR 2.5 million), liabilities to affiliates (EUR 39.4 million, mainly from investing affiliates' funds and cash-pooling), as well as other liabilities (EUR 17.0 million).

The fiscal year 2020 saw EUR 68.1 million (previous year: EUR 59.0 million) invested. Of this amount, EUR 50.6 million relates to capital increases for shares in affiliates, and EUR 2.9 million to advance payments made and assets under construction.

Net Assets

Zeppelin GmbH's assets consists primarily of investments of EUR 505.6 million (previous year: EUR 454.9 million), loans to affiliated companies of EUR 80.3 million (previous year: EUR 80.2 million), and land, buildings and assets under construction of EUR 110.5 million (previous year: EUR 112.8 million). These assets thus corresponds to 62.1% (previous year: 58.5%) of the balance sheet total, which rose to EUR 1,120.6 million (previous year: EUR 1,107.1 million). Receivables from affiliates fell by EUR 128.5 million to EUR 312.9 million (previous year: EUR 441.5 million). In the same period, credit balances at

[27] This figure included EUR 230.0 million in bonded loans.

banks increased by EUR 78.1 million to EUR 86.8 million. Non-current assets of EUR 711.7 million (previous year: EUR 652.6 million) were offset by non-current liabilities of EUR 1,017.0 million (previous year: EUR 947.3 million) as of December 31, 2020. The latter mainly consists of equity, pension provisions, and non-current liabilities. Non-current asset coverage[28] reduced slightly from 145.2% to 142.9%. This was due to the fact that the increase in non-current assets exceeded the increase in non-current liabilities. This was due in particular to the high additions to intangible assets and to financial assets.

Investments in property, plant, and equipment amounted to EUR 5.8 million (previous year: EUR 5.7 million). Of this amount, EUR 3.2 million (previous year: EUR 5.4 million) related to land, buildings, equipment, and assets under construction, which are rented to associates. This mainly involves investments in properties and buildings that are leased to Zeppelin Rental GmbH and Zeppelin Baumaschinen GmbH.

Comparison of Current Situation with Forecast

The main financial performance indicator for Zeppelin GmbH is the net profit or loss.

In the previous year, a significant decline in the net profit was forecasted under IFRS. This decline did not materialize, with net profit under IFRS of EUR 95.7 million (forecast: EUR 80.6 million), due in particular to better results from profit transfer agreements and lower administrative expenses.

C Opportunity and Risk Report

1 Risk Report

General Aspects

As an internationally active corporate group, Zeppelin is exposed to various risks. In particular, macroeconomic and industry-specific risks, performance-related, personnel-related and financial risks must be taken into account. The risks presented below apply equally to Zeppelin GmbH and the Group.

Macroeconomic and Industry-Specific Risks

Because of the broad range of countries, industries and business models in which the Group is active, the macroeconomic and industry-specific risks are broadly distributed.

Zeppelin is one of the largest worldwide dealers selling Caterpillar construction and mining equipment as well as engines. Although the dealership agreement between Caterpillar and Zeppelin can be terminated at relatively short notice, no substantial risk is seen here because of the extremely successful partnership between the two companies for more than 65 years. Zeppelin is also the market leader in leasing a broad array of construction machines and equipment, including complementary products and services in the relevant markets. In its target industries, including construction, energy, and shipping, there is some risk of defaults on receivables, which is countered by effective receivables and credit management. Appropriate account is taken of existing currency risks through currency hedging activities and proactive currency management.

The markets served by the Plant Engineering business unit are very diversified and include companies in the international rubber and tire industry, plastics producers and processors, and the food industry around the world. In order to reduce its risks from defaults on receivables, the Group concludes agreements regarding down payments and interim payments as well as collateral. In order to protect itself against economic and political risks, the Group takes advantage of German government-backed trade export credit guarantees.

Risks Related to the COVID-19 Pandemic

The 2020 fiscal year was dominated by worldwide restrictions on public and private life due to the COVID-19 pandemic. These restrictions had a significant impact on the general economy and will continue to have a negative impact for the moment. Zeppelin responded to the COVID-19 pandemic at an early stage and established four crisis teams under the overall leadership of the Group CEO. These were the Operations, Finance, HR, and IT crisis teams, which began their work back in March 2020. The Operations crisis team concentrated on safeguarding operational performance and capacity utilization, distribution and procurement management, and communication with customers and suppliers, while the HR crisis team focused on health, hygiene and safety measures for employees, organizing work structures, and drafting and communicating the necessary agreements with employee representatives. The IT crisis team is responsible for the provision of an IT infrastructure that is compliant with data protection regulations, including for mobile working, as well as the protection of live production systems. The Finance crisis team focused on securing the Group's financial capacity to act at all times, the working capital management, the implementation of a daily or weekly reporting system for prompt management, as well as proactive financial market communication and foreign currency management. This crisis management was accompanied by regular communication to all employees and other stakeholders of the Zeppelin Group.

Even though the Zeppelin Group has come through the crisis comparatively well, the future continues to be high uncertain in the context of the COVID-19 pandemic, increasing tensions between Russia and the rest of the world, and the various trade conflicts. Currently, the risks in terms of operational performance, financing and

[28] (Equity + non-current outside capital) / non-current assets

liquidity, and procurement are deemed well manageable.

However, the impact and risks of the COVID-19 pandemic are expected on the sales side. Experience in 2020 has shown that entire industries can come to a standstill in the short term due to lockdown measures, which has a direct negative impact on the sales side. Such lockdown measures still cannot be ruled out and in some places are currently still in effect. In addition, the general credit risk has increased to quite a large extent. Since the crisis is having an impact across sectors and worldwide, there are concerns that insolvencies will rise, which increases the risk of bad debts.

Overall, the risk situation for the Zeppelin Group does not represent a going concern risk.

Performance-Related Risks

Caterpillar's delivery capacity and ability to deliver on time is the main risk to performance. Zeppelin and Caterpillar work together to continuously increase availability, for example, by making logistical improvements, maintaining inventories in Caterpillar's interim storage facilities, and preconfiguring machines. In order to ensure delivery, it also maintains sufficient inventories to balance out delivery bottlenecks and delays. During the crisis Caterpillar has impressively demonstrated its ability to deliver both new machines and spare parts, with very few exceptions. The UK's withdrawal from the EU was also dealt with proactively and successfully through stockpiling.

The risks are further minimized through international collaboration and management by the SBUs and ongoing inventory optimization. The new sales areas in Sweden, Denmark, and Greenland have already been largely integrated into the Group's disposition and logistics systems.

Against the backdrop of illegal subsidies for the US aircraft manufacturer Boeing and, on the European side, for Airbus, the EU has also imposed punitive tariffs of 25% on a number of products manufactured in the USA and imported into the EU in response to the punitive tariffs imposed by the USA since November 10, 2020. The Zeppelin Group is affected by this to a small extent, but has reacted promptly and appropriately together with Caterpillar.

It is currently not possible to predict how long the EU punitive tariffs will last. It is reported that the EU will withdraw its tariffs as soon as the USA withdraws its ones. Due to the US elections in November 2020 and the resulting change of government, this scenario is not entirely unlikely.

Personnel-Related Risks

The emergence of the COVID-19 pandemic has brought new issues into focus in the context of human resources. In addition to concerns about their own health, many people feared the COVID-19 pandemic would negatively affect their job security. In this context, measures such as short-time work, the reduction of time credits from flexible working hours, and a hiring freeze helped to keep existing jobs secure. Zeppelin Rental GmbH and Zeppelin Baumaschinen GmbH ended short-time work in the third quarter of 2020, while rolling adjustments were made in the other business units, resulting in a reduction in short-time working.

The COVID-19 pandemic also had a significant impact on (collaborative) work due to social distancing and hygiene rules: Meetings in the conference room and exchanges among colleagues in the shared office have been replaced by virtual video conferences and telephone calls. Where possible, remote working has replaced on-site working. One important milestone in this regard was the adoption of the new Group Works Agreement on Remote Working, which has been in force since October 1, 2020. By closely coordinating with their managers, employees are now free to work from wherever they wish and as flexibly as they wish. Taking into account the activity and operational requirements, the new rules allow maximum flexibility. Around 500 managers were prepared for this new leadership task to ensure successful cooperation in virtual teams by means of online events and training sessions that provided insights into topics such as virtual leadership and remote working. The measures of the Z FIT initiative support employees in dealing with challenges posed by the new situation within the framework of online 'health weeks'. The counseling services of the family service famPLUS in the areas of care, childcare, and psychosocial counseling were also available to employees online.

Besides the COVID-19 pandemic, other social and economic trends are also changing the world of work. These include demographic change, globalization and digitalization, changing values and lifestyles, and the shortage of skilled workers. The ability to innovate and to ensure the long-term success of the company depend to a large extent on how these changes are dealt with in order to continue to develop the full performance potential.

Helping employees get the right work-life balance is an important goal for Zeppelin. Active support benefits both employees and Zeppelin itself. Balanced employees are more productive and also make a significant contribution to the company's success. Since 2018, Zeppelin has held the "audit berufundfamilie" certification in Germany for its family and life-phase-conscious HR policy. This certification regularly looks at the corporate culture and existing measures in place to systematically develop the work-life balance. In 2020, a re-audit was conducted and led to diverse measures to achieve further flexibility in the working environment and to further promote the culture necessary for this.

Demographic changes, which will lead to the retirement of larger groups of employees within the next five to ten years, and the competitive situation with other companies require additional measures to attract and retain employees. At the same time, ever increasing numbers of employees of generations Y and Z are leading to new demands on a modern company, especially with regard to digitalization. One indicator of employee satisfaction is the rate of voluntary resignations. There was a pleasing development in the 2020 fiscal year and, at 4.2%, this rate is below the previous year's figure of 4.4%. In this context, the long average length of service of 9.6 years underlines the unchanged high level of employee loyalty toward Zeppelin. Opportunities for professional development within the company also play an important role: In order to recognize and promote talented employees and employees with high potential from within the company's own ranks, Zeppelin has had a development center since 2019, called Z COMPASS, which supports employees without management experience in their further career planning at Zeppelin and enables them to qualify for participation in the management development program Ready to Rise. In 2020, all planned Z COMPASS events were successfully realized in a digital format. MEP participants did not have to miss out on their training either as a large part of the modules could be completed in a virtual setting.

Zeppelin was also named a top employer in 2020 by the magazines "Stern" and "Focus Business". This makes the Group one of the best employers in Germany. In the recruitment and selection process, the program for internal recommendation of our employees, Z MATCH, helped to recruit 29 new employees in 2020. The Z NEXT trainee program for career entrants also entered its second round with 12 trainees in various divisions in 2020. This way, Zeppelin ensures targeted, cross-company promotion of young talent. Since it was not possible to invite new employees to the headquarters in Garching for an onboarding day in 2020, Zeppelin newcomers were welcomed to the company at the virtual onboarding event Z WELCOME.

The year 2020 has shown that virtual working and collaboration is not only convenient, but also necessary. The launch of the Workday project in October 2020, with the aim of implementing a uniform human capital management software solution, represents an important step in the harmonization and digitalization of processes in Zeppelin's HR. The introduction of the project is aligned with Zeppelin's overall digital strategy and will accompany the Group for the next years.

Financial Risks

The Group's financial ability to act at any time is primarily ensured by the syndicated credit facility that was set up in 2011 and then extended prematurely and increased in 2019. This credit facility has a term until 2024 and a prolongation option of one year on two occasions. In addition to the syndicated credit facility, additional short-term bilateral credit lines were agreed with Zeppelin's core banks in 2020. In addition, in order to diversify its outside capital structure, the Group issues bonded loans, maintains bilateral credit lines with third-party banks, and makes use of sales financing via several specialized institutions. Extensive credit facilities are also available for SLB/SLP transactions, especially for financing the rental fleet.

In accordance with the Group's financial strategy of hedging around two thirds of its average financial liabilities against interest rate risks, the Group makes use of interest rate swaps. These hedging transactions secure Zeppelin GmbH against an increase in interest expenses in the event of drawdowns under the syndicated credit facility as well as for bonded loans. Hedging transactions have been concluded that expire in 2022, 2023, 2024, and 2025. In addition, bonded loans with fixed interest rates were also issued. These transactions provide the Group with long-term protection against the risk that rates will rise. The Group's business activities in emerging markets and developing countries expose it to currency risks. To limit these risks, cash flows in other currencies from individual transactions or projects are hedged with currency forwards and futures. In addition, the Group limits currency risks by financing its subsidiaries in emerging economies and developing countries in local currencies and by employing sophisticated asset management techniques. To monitor currency risks, the Group operates a value-at-risk limit system that is integrated in the Group-wide treasury management system and continuously monitored with action areas being highlighted. Despite sometimes volatile currency markets, consistent risk management led to a low overall foreign currency loss in 2020, although it was higher than in the previous year. Additional information regarding interest rate changes and currency risks can be found in the Notes to the Consolidated Financial Statements.

To protect itself against the financial consequences of large liability risks and substantial damages when it bears limited inherent risks, the Group takes out insurance policies. Special attention is paid to claims management and the related prevention of claims through precautionary measures. Coverage is continually monitored and adjusted as required within the scope of an international insurance management system. In addition, insurance coverage is centrally coordinated and managed for the entire Group. The real estate investments in St. Petersburg were insured against political risks by obtaining German government-backed guarantees for direct investments in other countries.

Risk Management System

General Aspects

As a global company, the Group is exposed to a number of risks. The Group counters these risks and meets the applicable operational, market-related, and legal requirements with a comprehensive risk management system. Risk management is part of the Group's business and decision-making processes and aims to identify, quantify, and report risks at an early stage. The focus here is to counter the risks that have been identified and to avoid risks that jeopardize the survival of the Group.

Dedicated planning and reporting is a key aspect of risk management. The goal here is to ensure comprehensive recording of risks. All managers are involved in the identification, analysis, and evaluation of risks. Countermeasures to avoid or reduce risks are initiated as needed.

The quarterly risk reporting system comprises the assessment of the identified risks according to their magnitude and probability of occurrence based on twelve risk categories and documents the countermeasures taken and their effectiveness over time.

In addition, the ad-hoc risk reporting process ensures that adequate measures are initiated in a timely manner if material risks occur. The Group's established Risk Panel is responsible for monitoring all risks and tracking the measures that have been initiated.

At Zeppelin, country-specific risks are evaluated on the basis of established country risk reports. The management team and risk managers have access to a report with information about economic, political, and business area-specific risks for every country, in which Zeppelin is active. This information also serves as the basis for controlling and the initiation of adequate measures to avoid risks.

In 2020, the Group auditing department conducted several standard audits. These were primarily conducted on the operating Group companies Zeppelin Systems GmbH, Zeppelin Baumaschinen GmbH (two audits), Zeppelin International AG, and Zeppelin Rental GmbH as well as Zeppelin GmbH (three audits). There was also a special audit in the area of Fraud and Compliance. In addition, a total of four follow-up audits were carried out at the Group companies Zeppelin Baumaschinen GmbH, Zeppelin Power Systems Russia, and Zeppelin Rental GmbH (two follow-up audits).

Assessment of Risk Categories

The above-mentioned risk types are contained in the following four risk categories:

- Asset risks (inventories/stocks, receivables, risks in the rental fleet, risks from agreements with financing companies (Rental Purchase Options/RPOs, reported in the contract risk category until 2017))
- Currency risks (transaction/translation currency risks)
- Contract risks (contract risks, warranty risks)
- Financial risks (order backlog risks, sales risks, fiscal risks, market-related earning risks, other risks)

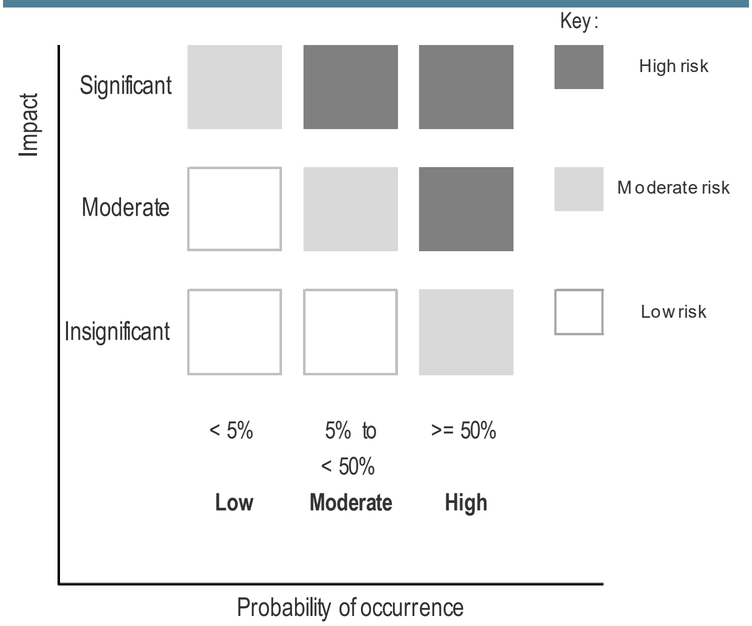
An evaluation matrix is used to assess risks in terms of their probability of occurrence and their potential impacts on financial performance. The definitions used are explained below.

Definitions

Degree of impact	Definition of impact
Insignificant	Only insignificant, limited negative impacts on the financial performance (net losses < EUR 10 million[29])
Moderate	Some negative impacts on the financial performance (net losses >= EUR 10 million and < EUR 20 million[29])
Significant	Considerable negative impacts on the financial performance (net losses >= EUR 20 million[29])

Probability of occurrence	Description
< 5%	Low
5% to < 50%	Moderate
>= 50%	High

Evaluation matrix



Classification of Risk Categories

Risk category	Risk of occurrence	Impact on profit situation[29]	Risk assessment
Asset risks	Moderate	Insignificant	Low
Currency risks	n/a	Insignificant	Low/moderate
Contract risks	Low	Insignificant	Low
Financial risks	Moderate	Insignificant	Low

[29] Per risk category

Overall Assessment of the Risk Situation

The implemented risk management system is highly regarded within the Group and is an integral component of the business processes. It ensures that control mechanisms and measures to avoid and reduce risk are effective.

The Group's controlling department and risk panel continuously monitor the risk reporting system and take steps to keep improving the quality of risk management. The risk early warning system is checked and assessed by the auditor each year to ensure that it is being properly and effectively practiced.

No risks that could endanger the going concern of Zeppelin GmbH or its subsidiaries existed during the reporting year, nor are any such risks presently discernible for the future. With regard to the risks associated with the global spread of the COVID-19 virus, we refer to the comments under Risks Related to the COVID-19 Pandemic.

2 Opportunities

Actively searching for and taking advantage of opportunities while simultaneously weighing the associated risks is a key task of entrepreneurial activity and thus also of the management of Zeppelin GmbH and all its subsidiaries. The goal is to strengthen and further expand Zeppelin's position as a leading and successful provider of forward-looking solutions in the areas of construction equipment, rentals, construction logistics, drives and energy, plant engineering and new digital business models across Zeppelin's competencies.

At the end of 2019, Zeppelin took over the distribution and service of construction machines and special equipment for surface and underground mining from Caterpillar in Sweden, Denmark, and Greenland, including rental services a the distribution and service activities of the MaK brand, here additionally for Estonia, Latvia, Lithuania, Finland, Iceland, and the Faroe Islands. The construction machines and mining activities acquired were brought into the newly established Construction Equipment Nordics SBU. Power Systems, and rental activities were integrated into the Power Systems and Rental SBUs.

The Zeppelin Group sees great potential in the new regions and is pursuing a long-term growth strategy in Scandinavia.

3 Compliance

Compliance at Zeppelin is based on the conviction that social responsibility, observance of the law, and ethical conduct are essential for long-term business success. Complying with legal requirements, official regulations, and internal corporate guidelines is a key part of Zeppelin's management and corporate culture. Membership of the UN Global Compact underscores the Zeppelin Group's clear commitment to human rights and sustainable corporate management.

The Zeppelin Group's Code of Conduct forms the basis of the compliance program against the backdrop of a compliance culture that has been evolving for years. It is supported by compliance risk management, a policy organization, and regular communication. The expansion within the business units has further strengthened compliance management.

Compliance trainings are supplemented by a multilingual compliance e-learning program. As in previous years, individual compliance workshops were again conducted in 2020 for an expanded group of managers and junior managers in collaboration with the Konstanz Institute of Corporate Governance (KICG) at the University of Konstanz.

Employees can contact the internal compliance organization via the Zeppelin Intranet, a special email address, and of course in person. Alternatively, external lawyers also act as contacts in the sales territories. In addition, an online whistleblower system, the Zeppelin Trust Line, has been set up for employees and third parties to report suspected compliance cases, including the option of reporting anonymously.

The compliance officers and employees responsible for implementing the compliance program receive special training on an ongoing basis to train and qualify them for their roles. The compliance officers responsible for the Group's strategic business units have been certified for this position.

D FORECAST

The economic development in 2021 is marked by fundamental uncertainties and negative factors with regard to trade barriers, political unrest in certain countries and the further course of the COVID-19 pandemic, even if the construction industry, which is important for the Zeppelin Group, has shown itself to be comparatively robust.

The International Monetary Fund is forecasting GDP growth of 5.2% for the global economy in 2021. In line with this, growth of 5.2% is also forecasted for the eurozone, with Germany slightly below this with a growth forecast of 4.2%. An improvement to 4.6% is expected for Austria and 5.1% for the Czech Republic. The forecast for the Slovak Republic is above average with an increase in growth to 6.9%. For Poland an increase of 4.6% is expected. The growth forecasts for the Russian economy (2.8%) and for Ukraine (3.0%) are comparatively low. Forecasts for Sweden (3.5%) and Denmark (3.5%) are at a similar level. The forecasts for Brazil (2.8%) and the USA (3.1%) are also low. Significantly higher figures are forecasted for China (8.2%) and India (8.8%).[30]

With regard to the core market of the **Construction Equipment CE SBU**, the Hauptverband der Deutschen Bauindustrie (Confederation of the German Construction Industry) and the Zentralverband des Deutschen Baugewerbes (Central Association of the German Construction Industry) predict that construction industry sales will stagnate in nominal terms at 2020 levels and fall by 2.0% in price-adjusted terms in 2021. Residential construction is expected to achieve nominal sales growth of 3.0% and to remain the most important construction sector in 2021. Construction for commercial investors will suffer most from the consequences of the COVID-19 pandemic. In terms of sales trends in public construction, the associations are expecting nominal stagnation. Building construction should come through the crisis better than civil engineering. Construction investments in 2021 should remain unchanged overall compared with 2020 (building construction +0.2%, civil engineering -1.6%, public construction -3.7%, and commercial construction -3.2%).[31]

For the markets of the **Construction Equipment Nordics SBU**, residential construction in Denmark and Sweden is expected to grow by +5.0% respectively to decline by -2.5%. Non-residential construction is expected to decline in both Denmark (-3.2%) and Sweden (-3.1%). In terms of construction volumes, transport infrastructure is expected to grow by 2.0% in Denmark and by 5.4% in Sweden.[32]

In the sales territories of the **Construction Equipment Eurasia SBU**, the construction industries in Russia and Ukraine are forecasted to grow by 1.5% and 3.5%, respectively, in 2021. Russian and Ukrainian mining industry volumes are expected to increase by 1.9% and 9.4%, respectively, in 2021.

According to the European Rental Association, the German rental market, which is particularly important for the **Rental SBU**, is expected to grow by 5.7% in 2021. Rental market growth in Austria is expected at 3.7% and in the Czech Republic at 2.1%. Sweden is expected to grow by 1.5% and Denmark by 2.8%.

The **Power Systems SBU** is expecting project activity in the marine business to revive in the second and third quarters of 2021, and cruise operations are also expected to resume in many places. The sale of industrial engines for machine and generator set manufacturers is estimated to be stable, and the same applies for solutions for power generation and drive systems in the locomotive sector. Expected growth opportunities in the highly regulated market for combined heat and power plants will not be so bright from 2021 onward due to a legislative amendment regarding the German Combined Heat and Power Act and Renewable Energies Act. For drive technology, the VDMA is expecting sales growth of 5% in 2021.

In view of the development of order entry in German industry, which in October was above the previous year's level for the first time since February 2020, the **Plant Engineering SBU** is expecting the end of the recession that has lasted for more than two years. According to the mechanical engineering barometer of the auditing an consulting firm PricewaterhouseCoopers, overall sales growth of 1.3% is expected for mechanical and plant engineering.[33] An increase in sales of 8.0% is expected for the specialist sector of food processing and packaging machinery in 2021.

For the 2021 fiscal year the Group is expecting a moderate decline in sales and a significant decline in net profit before tax due to the ongoing COVID-19 pandemic, the other burdening factors already mentioned, and the associated uncertainties. Return on capital employed (ROCE) is expected to decline moderately. Zeppelin GmbH is anticipating a strong decline in the net profit according to IFRS for 2021, due in particular to lower income from participations and profit transfers. There are no major differences with respect to the net profit in the stand alone financial statements for Zeppelin GmbH between IFRS and the German Commercial Code.

E PROPOSED ALLOCATION OF PROFITS

Based on the disposable profit of EUR 492,308 thousand, the Management Board proposes distributing a regular dividend of 18% of the consolidated net profit attributable to the shareholders of Zeppelin GmbH (EUR 87,284 thousand), thus EUR 15,711 thousand for fiscal year 2020 and carrying EUR 476,597 thousand forward to new account.

[30] IMF World Economic Outlook Database, October 2020.
[31] Reasoning according to a joint press conference by HDB and ZDB on December 17, 2020
[32] EUROCONSTRUCT, November 2020.
[33] Press portal "Deutscher Maschinenbau ist und bleibt auch 2020 im Krisenmodus" (German mechanical engineering is and will remain in crisis mode even in 2020) from January 6, 2020

Friedrichshafen, March 5, 2021

The Management Board of Zeppelin GmbH

Peter Gerstmann | Michael Heidemann | Christian Dummler | Alexandra Mebus

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

OF ZEPPELIN GMBH FOR THE PERIOD DATING JANUARY 1 TO DECEMBER 31, 2020

in kEUR	No.	2020	2019
Sales	1	3,271,749	3,118,488
Cost of sales	2	-2,786,210	-2,647,079
Gross profit on sales		**485,539**	**471,408**
Research and development costs		-3,292	-5,083
Selling expenses		-200,428	-199,014
General administrative expenses		-148,256	-140,960
Other income	3	55,190	61,094
Other expenses	4	-41,754	-31,219
Impairment of financial instruments and contract assets (net)		-6,377	-5,802
Share in the result of companies accounted for using the equity method		1,601	1,437
Profit before net financial result		**142,224**	**151,862**
Interest result	6	-15,231	-16,353
thereof, interest expenses	6	-19,523	-21,395
thereof, interest income	6	4,292	5,041
Other financial result	6	-2,350	-1,818
thereof, other financial expenses	6	-11,451	-5,471
thereof, other financial income	6	9,101	3,653
Net financial result		**-17,581**	**-18,171**
Net profit before tax		**124,643**	**133,691**
Income taxes	7	-33,096	-41,294
Net profit after tax		**91,546**	**92,397**
thereof, attributable to non-controlling interests		4,262	2,938
thereof, attributable to the shareholders of Zeppelin GmbH		87,284	89,459

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF ZEPPELIN GMBH FOR THE PERIOD DATING JANUARY 1 TO DECEMBER 31, 2020

in kEUR	2020	2019
Net profit after tax	**91,546**	**92,397**
Pension plan remeasurements	-11,646	-12,801
Income taxes	3,276	3,318
Items that will not be reclassified to profit or loss	**-8,370**	**-9,483**
Exchange differences on the translation of foreign operations	-19,925	7,688
Hedging gains or losses including transfer to profit or loss	-696	-432
Income taxes	117	148
Items that may be reclassified to profit or loss	**-20,504**	**7,404**
Other comprehensive income after tax	**-28,874**	**-2,079**
Total comprehensive income	**62,672**	**90,318**
thereof, attributable to non-controlling interests	3,842	2,908
thereof, attributable to the shareholders of Zeppelin GmbH	58,830	87,410

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

OF ZEPPELIN GMBH AS OF DECEMBER 31, 2020

in kEUR	No.	31.12.2020	31.12.2019
Assets			
Current assets			
Cash and cash equivalents	9	157,332	68,884
Financial assets	10	25,685	16,482
Trade receivables	10	380,374	425,027
Contract assets	11	39,010	27,947
Other assets	12	47,363	47,091
Income tax receivables		1,909	4,614
Inventories	13	533,068	601,048
		1,184,741	**1,191,094**
Non-current assets			
Financial assets	14	30,075	34,508
Trade receivables	14	8,455	8,500
Contract assets	11	82	0
Other assets	12	52,782	57,570
Income tax receivables		455	292
Investments accounted for using the equity method	15	17,848	17,020
Intangible assets	16	110,782	115,929
Property, plant, and equipment	17	1,289,747	1,282,547
Deferred taxes	7	77,948	82,898
		1,588,175	**1,599,265**
		2,772,916	**2,790,358**

in kEUR	No.	12/31/2020	12/31/2019
Equity and liabilities			
Current liabilities			
Financial liabilities	18	105,320	142,015
Trade payables	18	130,941	133,340
Other financial liabilities	18	119,370	126,290
Contract liabilities	11	154,883	160,270
Other liabilities	19	124,044	110,135
Income tax liabilities		12,495	8,065
Employee benefits	21	104,356	98,620
Other provisions	22	35,869	36,176
		787,278	**814,912**
Non-current liabilities			
Financial liabilities	20	609,706	633,242
Other financial liabilities	20	164,637	165,512
Contract liabilities	11	16,514	17,019
Other liabilities	19	74,907	72,073
Income tax liabilities		9,026	20,462
Employee benefits	21	177,479	171,708
Other provisions	22	7,775	9,181
Deferred taxes	7	35,638	40,820
		1,095,682	**1,130,015**
Equity			
Share capital	23	100,000	100,000
Capital reserves	23	60,000	60,000
Retained earnings	23	759,549	688,340
Accumulated other comprehensive income	23	-41,270	-12,816
Equity attributable to the shareholders of Zeppelin GmbH		**878,279**	**835,524**
Non-controlling interests	23	11,678	9,907
		889,957	**845,431**
		2,772,916	**2,790,358**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF ZEPPELIN GMBH FOR THE PERIOD DATING JANUARY 1 TO DECEMBER 31, 2020

in kEUR	Share capital	Capital reserves	Retained earnings	Accumulated other comprehensive income: Pension plan remeasurements	Accumulated other comprehensive income: Exchange differences on the translation of foreign operations	Accumulated other comprehensive income: Hedging gains or losses	Equity attributable to the shareholders of Zeppelin GmbH	Non-controlling interests	Equity
01/01/2019	**100,000**	**60,000**	**614,817**	**-1,592**	**-8,697**	**-477**	**764,051**	**7,334**	**771,385**
Net profit after tax			89,459				**89,459**	2,938	**92,397**
Other comprehensive income				-9,483	7,718	-284	**-2,049**	-29	**-2,079**
Total comprehensive income			**89,459**	**-9,483**	**7,718**	**-284**	**87,410**	**2,908**	**90,318**
Dividends			-15,923				**-15,923**	-1,954	**-17,877**
Changes in the consolidation group								1,615	**1,615**
Other changes			-13				**-13**	3	**-10**
31.12.2019	**100,000**	**60,000**	**688,340**	**-11,075**	**-979**	**-761**	**835,524**	**9,907**	**845,431**
Net profit after tax			87,284				**87,284**	4,262	**91,546**
Other comprehensive income				-8,370	-19,504	-580	**-28,454**	-420	**-28,874**
Total comprehensive income			**87,284**	**-8,370**	**-19,504**	**-580**	**58,830**	**3,842**	**62,672**
Dividends			-16,103				**-16,103**	-2,068	**-18,171**
Other changes			28				**28**	-3	**25**
31.12.2020	**100,000**	**60,000**	**759,549**	**-19,445**	**-20,484**	**-1,341**	**878,279**	**11,678**	**889,957**

Consolidated Statement of Cash Flows

of Zeppelin GmbH for the Period Dating January 1 to December 31, 2020

in kEUR	2020	2019
Net profit after tax	**91,546**	**92,397**
Income taxes	33,096	41,294
Net profit before tax	**124,643**	**133,691**
Depreciation, amortization, impairments and reversals of impairment losses	253,934	225,631
thereof, intangible assets	16,413	9,641
thereof, property, plant, and equipment excluding rental fleet	68,648	59,257
thereof, rental fleet	167,534	156,719
thereof, financial assets	1,339	13
Share in the result of companies accounted for using the equity method	-1,601	-1,437
Change in post-employment benefit obligations	-5,285	18,817
Change in long-term provisions	-1,074	4,281
Unrealized foreign exchange rate gains/losses	2,616	-532
Interest income and expenses	15,231	16,353
Income from other participations	-745	-868
Other non-cash income/expenses	-25,267	18,512
Income from asset disposals	5,096	816
Change in inventories	57,210	-103,473
Change in assets held for rental	-104,663	-160,582
Change in RPO assets held for rental	-56,717	-76,826
Change in trade receivables	45,085	-48,860
Change in other receivables and assets	-6,954	-12,880
Change in trade payables	14,516	-19,444
Change in other payables and other liabilities	-31,773	114,369
Income taxes received	3,631	1,196
Income taxes paid	-28,289	-33,362
Cash flow from operating activities	**259,593**	**75,402**

in kEUR	2020	2019
Cash flow from operating activities	**259,593**	**75,402**
Payments for investments in		
Intangible assets	-11,973	-62,481
Property, plant, and equipment excluding rental fleet	-33,522	-64,860
Financial assets	-1,156	-1,546
Proceeds from the sales of		
Intangible assets	961	9
Property, plant, and equipment excluding rental fleet	-1,029	1,207
Financial assets	600	614
Net cash flow from business combinations	0	-23,420
Interest received	1,738	2,115
Dividends received	745	868
Cash flow from investing activities	**-43,636**	**-147,495**
Proceeds from non-current financial liabilities	0	80,000
Repayment of non-current financial liabilities	-18,910	-32,332
Net proceeds and repayments of current financial liabilities	-37,376	35,372
Proceeds from the conclusion of SLB transactions	60,549	75,106
Payments for SLB liabilities	-63,314	-25,996
Payments for lease liabilities	-33,897	-23,272
Interest paid	-13,112	-18,274
Dividends paid to shareholders of Zeppelin GmbH	-16,103	-15,923
Distributions made to non-controlling interests	-2,068	-1,954
Cash flow from financing activities	**-124,230**	**72,727**
Changes in cash and cash equivalents	**91,727**	**634**
Cash and cash equivalents at the beginning of the period	**68,884**	**67,178**
Changes in cash and cash equivalents	91,727	634
Consolidation group-related changes in cash and cash equivalents	91	0
Foreign exchange rate differences in cash and cash equivalents	-3,371	1,072
Cash and cash equivalents at end of the period	**157,332**	**68,884**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

OF ZEPPELIN GMBH FOR THE PERIOD DATING JANUARY 1 TO DECEMBER 31, 2020

A COMPANY

The Zeppelin Group (hereinafter "Zeppelin" or "Group") provides solutions for the following areas: construction and agricultural equipment, rental equipment, construction logistics, drives and energy, engineering, and plant engineering. The Group is legally domiciled in Friedrichshafen, with its headquarters located in Garching near Munich. The consolidated financial statements comprise Zeppelin GmbH and its subsidiaries.

Group-wide collaboration at Zeppelin revolves around a management holding company and six strategic business units (hereinafter "SBU"): Construction Equipment Central Europe (hereinafter "Construction Equipment CE"), Construction Equipment Eurasia, Construction Equipment Nordics, Rental, Power Systems and Plant Engineering. The structure supports the bundling of operations and the targeted orientation of the business models towards various markets and customers.

The SBUs were reorganized as of January 1, 2020 in the course of the acquisition of the distribution and service organization for Caterpillar products in Sweden, Denmark and Greenland, and for MaK engines in other countries. In the new distribution and service territories, construction machines and mining equipment were merged into a separate SBU under the name "Construction Equipment Nordics". The "Construction Equipment EU" and "Construction Equipment CIS" SBUs were renamed "Construction Equipment Central Europe" (CE) and "Construction Equipment Eurasia" respectively. The former "Z-Lab" SBU was incorporated into the newly established "Zeppelin Digit" Strategic Management Center, which is responsible for cross-SBU matters in the area of IT, digitalization and innovation.

Zeppelin GmbH is a Kapitalgesellschaft (corporation) whose voting rights are held 96.25% by Luftschiffbau Zeppelin GmbH, Friedrichshafen, and 3.75% by the Zeppelin Foundation. The Zeppelin Foundation is administered by the City of Friedrichshafen. The Zeppelin Foundation holds 90.0% of the shares in Luftschiffbau Zeppelin GmbH; the remaining 10.0% are held by Zeppelin GmbH. Based on an agreement concluded between Zeppelin GmbH and Luftschiffbau Zeppelin GmbH on November 7, 2011, control is passed through to the Zeppelin Foundation, which therefore is the ultimate parent company of Zeppelin GmbH. The Zeppelin Foundation does not have legal personality and does not prepare consolidated financial statements. That is why Zeppelin GmbH is obliged to prepare consolidated financial statements in accordance with Section 290 (1) sentence 1 HGB (German Commercial Code).

B BASIS OF PREPARATION

As a non-publicly traded company, Zeppelin GmbH makes use of the option under Section 315e (3) HGB to prepare its consolidated financial statements in accordance with IFRS.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS and IAS) and Interpretations (IFRIC and SIC) adopted into European law by the European Commission as at the reporting date. The International Accounting Standards are drawn up by the International Accounting Standards Board (IASB) while the interpretations are designed by the International Financial Reporting Standards Interpretations Committee (IFRSIC). These bodies are supported by a private foundation based in London (GB), the International Accounting Standards Foundation.

The fiscal year corresponds to the calendar year. All figures are presented in euros, the functional currency of the Group, and have been rounded up or down to the nearest thousand euros (kEUR). Rounding may result in rounding differences.

The consolidated financial statements are prepared in accordance with the historical cost convention with exceptions made e.g. for derivatives and participations, which are measured at fair value.

The consolidated financial statements have been authorized for submission to the shareholders and to the Supervisory Board of Zeppelin GmbH on March 5, 2021 by the Management Board. The shareholders may request changes or amendments to the consolidated financial statements in the course of approval.

ACCOUNTING STANDARDS APPLIED

Standards Applied for the First Time

The following standards, interpretations, or amendments to standards were mandatory for the first time in fiscal year 2020:

IAS 1 and IAS 8 – Definition of "materiality"

Clarification and harmonization of the definition of "materiality" in IAS 1 and IAS 8 as well as the conceptual framework. The new definition clarifies that the materiality of information always depends on the type of information and/or the extent of the impact of the underlying facts. In addition, the offense of "obscuring" is introduced. It is clarified that obscuring always occurs if the resulting effects are comparable to the omission or misstatement of this information. This is the case, for example, if facts that do not show any similarity are aggregated in an inappropriate manner. In addition, the general audience has been focused on the primary users of financial statements. The harmonization and clarification did not result in any effects for the Zeppelin Group as the term "materiality" had already been interpreted in accordance with the revised wording.

IFRS 9, IAS 39 and IFRS 7 – Phase 1 of IBOR[1] Reform

The amendments to the first phase of the IASB's project to reform interest rate benchmarks (IBOR reform) provide a temporary exemption from the application of specific hedge accounting requirements for hedging relationships that are directly affected by IBOR reform. As a result, hedging relationships that would otherwise have had to be terminated due to uncertainty about when and how benchmark rates will be replaced under IBOR reform must be continued. Since Zeppelin only has interest rate hedging relationships in euros, there is no uncertainty regarding the continued existence of the hedging relationships. Therefore, no effects on current accounting practices are assumed.

IFRS 3 - Definition of a business

According to the amendments to IFRS 3, the existence of a business requires, in addition to economic resources (inputs), at least one substantive process that, together with the resources, creates the possibility of generating output. The changes have no impact on Zeppelin's current accounting practices as the definition of business was already applied in the past.

Changes to references in the conceptual framework in IFRSs

With these changes, references in individual IFRS were adjusted to the new revised IFRS conceptual framework, which must also be applied from January 1, 2020. The changes in references within the individual IFRSs have no effect on the accounting, measurement, presentation, or disclosures in the Zeppelin Group.

IFRS 16 – COVID-19 related rent concessions

The amendment to IFRS 16 provides lessees with an optional exemption from assessing whether a COVID-19-related rent concession (e.g. deferral or waiver) is a modification. Under this exemption, a lessee may elect to waive the assessment of whether a rent concession directly related to the COVID-19 pandemic is a lease modification with respect to lease payments and instead account for it as if it were not a lease modification. The exemption can only be applied to rent concessions directly related to the COVID-19 pandemic that reduce lease payments due until June 30, 2021. The changes may be applied no later than June 1, 2020 for fiscal years beginning on or after January 1, 2020. The overall impact on the Zeppelin Group is not material.

[1] "Interest Rate Benchmark Reform"

Standards not yet Adopted

By the date of preparation of the consolidated financial statements, the IASB and IFRIC had published new and amended existing accounting standards, the first-time application of which is only mandatory or permitted after the reporting date. The regulations and expected effects of their application on the consolidated financial statements are presented below:

IFRS 9, IAS 39, IFRS 7	"Financial instruments", "Financial instruments: Recognition and measurement" and "Financial instruments: Disclosures"	01/01/2021	Changes in phase 2 of the IASB project on the reform of benchmark interest rates provide exemptions in connection with the presentation of changes to contractual cash flows and hedging relationships that have become necessary in connection with the IBOR reform, as well as related disclosures. In detail, significant changes are as follows: • Presentation of changes in cash flows from financial instruments by updating the effective interest rate and not by adjusting the carrying amount of the financial instruments concerned; • Presentation of changes in future lease payments through remeasurement in accordance with IFRS 16.42; • Changes to the designation and documentation of a hedging relationship required due to the IBOR reform do not lead to termination of the hedging relationship. Possible effects on the Zeppelin Group are classified as low with regard to the changes relating to IFRS 16 as Zeppelin essentially does not have leases with variable lease payments that are linked to a benchmark interest rate. Furthermore, there could be a phase 2 change in cash flows from financial instruments, especially in loan agreements with credit institutions. This is the case, for example, if a contract is amended to replace the benchmark interest rate with an alternative one. Zeppelin is in ongoing discussions with the banks on this issue. To date, however, there has been no need to adjust any loan agreements. If benchmark interest rates have to be replaced in the future, this will not be disadvantageous according to our and the market's assessment. Therefore, no negative effects are expected.
IAS 37	"Provisions, contingent liabilities and contingent assets"	01/01/2022	IAS 37 defines what costs an entity should include when assessing whether a contract will be loss-making. The amendments clarify what exactly is meant by the settlement costs of a contract. These are all costs of fulfilling the contract that are directly attributable to the contract. The costs directly attributable to the contract are not only the incremental costs incurred by an entity as a result of the contract, such as direct labor and material costs, but also other costs directly attributable to the performance of the contract (for example, pro rata depreciation of an item of property, plant, or equipment used to perform the contract). No changes to Zeppelin's accounting are expected.
IAS 16	"Property, plant, and equipment"	01/01/2022	IAS 16 requires that the acquisition costs of a property, plant, and equipment includes all directly attributable costs incurred in bringing an asset to its location and a condition ready for use. This includes, for example, costs for trial runs. The question is whether any income in excess of the test costs from the sale of items produced during the period in which an item of property, plant, and equipment is brought to its location and working condition reduces the cost of the item of property, plant, and equipment, or should be recognized in profit or loss. The amendment to IAS 16 clarifies that in future no deduction of such income from the cost of the item of property, plant, and equipment will be

			permitted. No material impact on the Zeppelin Group is expected.
IFRS 3	"Business combinations"	01/01/2022	The amendment to IFRS 3 updates a reference in IFRS 3 to the revised IFRS Conceptual Framework (2018). Furthermore, IFRS 3 is supplemented by the requirement that an acquirer must apply the rules of IAS 37 or IFRIC 21 instead of the conceptual framework when identifying acquired obligations that fall within the scope of IAS 37 or IFRIC 21. Exceptions to this are contingent liabilities, for which the exemption under IFRS 3.23 remains valid. Furthermore, IFRS 3 is supplemented by an explicit prohibition on the recognition of acquired contingent assets. No material impact on the Zeppelin Group is expected.
IFRS 17	"Insurance contracts"	01/01/2023	IFRS 17 "Insurance contracts" will replace IFRS 4 "Insurance contracts" in the future. Rules on accounting for insurance contracts are not relevant to Zeppelin.
IAS 1	"Presentation of financial statements"	01/01/2023	The amendment to IAS 1 clarifies that the classification of liabilities as current or non-current is based on the rights the entity has at the reporting date. According to the amendment, liabilities are classified as non-current if the entity has a substantial right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting date. Whether or not the entity or the management intends to exercise its right is not to be taken into account. Zeppelin does not expect any reclassification arising from this.

CONSOLIDATION GROUP

Subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Name	Registered office		Equity share in %	
	Country	Town/City	12/31/2020	12/31/2019
Zeppelin GmbH	Germany	Friedrichshafen	-	-
AT Baumaschinentechnik Beteiligungs GmbH	Germany	Munich	100.0	100.0
Luther HL GmbH & Co. KG	Germany	Hoppstädten-Weiersbach	100.0	100.0
METON GmbH	Germany	Hoppstädten-Weiersbach	100.0	100.0
Zeppelin Aviation & Industrial Service GmbH	Germany	Friedrichshafen (formerly: Hamburg)	100.0	100.0
Zeppelin Baumaschinen GmbH	Germany	Munich	100.0	100.0
Zeppelin Lab GmbH	Germany	Berlin	100.0	100.0
Zeppelin Power Systems GmbH (established in 2020)	Germany	Friedrichshafen	100.0	-
Zeppelin Power Systems GmbH & Co. KG	Germany	Hamburg	100.0	100.0
Zeppelin Power Systems Verwaltungs GmbH	Germany	Hamburg	100.0	100.0
Zeppelin Rental GmbH	Germany	Garching bei München	100.0	100.0
Zeppelin Rental Verwaltungs GmbH (merged into Zeppelin Rental GmbH in 2020)	Germany	Garching bei München	-	100.0
Zeppelin Struktur GmbH	Germany	Garching bei München	100.0	100.0
Zeppelin Systems GmbH	Germany	Friedrichshafen	100.0	100.0
Zeppelin Armenien OOO	Armenia	Abovyan	100.0	100.0
Zeppelin Systems Benelux N.V.	Belgium	Genk	100.0	100.0
Zeppelin Systems Latin America Equipamentos Industriais Ltda.	Brazil	São Paulo	100.0	100.0
Zeppelin Systems China (Beijing) Co. Ltd.	China	Beijing	100.0	100.0
Zeppelin Systems China (Shanghai) Co. Ltd.	China	Shanghai	60.0	60.0
Zeppelin Danmark A/S	Denmark	Brondby	100.0	100.0
Zeppelin Systems UK Limited	England	Nottingham	100.0	100.0
Zeppelin Systems France S.A.R.L.	France	Vénissieux Cedex	100.0	100.0
Smart Controls India Ltd.	India	Madhya, Prades	60.0	60.0
Zeppelin Systems India Pvt. Ltd.	India	Vadodara	100.0	100.0
Nuova Ciba S.p.A.	Italy	Reggio Emilia	100.0	100.0
Zeppelin Systems Italy S.r.l.	Italy	Milan	90.0	90.0
Zeppelin Österreich GmbH	Austria	Fischamend, near Vienna	100.0	100.0
Zeppelin Rental Österreich GmbH & Co. KG	Austria	Fischamend, near Vienna	100.0	100.0
Zeppelin Rental Österreich Verwaltungs GmbH	Austria	Fischamend, near Vienna	100.0	100.0
Zeppelin Polska Sp. z.o.o.	Poland	Warsaw	100.0	100.0
Zeppelin Immobilien Russland OOO	Russia	Moscow	100.0	100.0
Zeppelin Power Systems Russland OOO	Russia	Moscow	100.0	100.0
Zeppelin Russland OOO	Russia	Moscow	100.0	100.0
Zeppelin Systems Gulf Co. Ltd.	Saudi Arabia	Al Jubail	100.0	100.0
Zeppelin Sverige AB	Sweden	Mölndal	100.0	100.0

Name	Registered office		Equity share in %	
	Country	Town/City	12/31/2020	12/31/2019
Zeppelin International AG	Switzerland	Steinhausen	100.0	100.0
Zeppelin Systems Singapore Pte. Ltd.	Singapore	Singapore	100.0	100.0
DIMA service for plant engineering s.r.o.	Slovak Republic	Bratislava	100.0	100.0
Zeppelin SK s.r.o.	Slovak Republic	Banska Bystrica	100.0	100.0
Zeppelin Systems Korea Corporation	South Korea	Gyeonggi Province	100.0	100.0
Zeppelin Tadschikistan OOO	Tajikistan	Dushanbe	100.0	100.0
Zeppelin CZ s.r.o.	Czech Republic	Modletice near Prague	100.0	100.0
Zeppelin Turkmenistan JV	Turkmenistan	Ashgabat	100.0	100.0
Zeppelin Marine Service Ukraine LLC (established in 2020)	Ukraine	Kiev	100.0	-
Zeppelin Ukraine TOV	Ukraine	Kiev	100.0	100.0
Zeppelin Central Asia Machinery OOO	Uzbekistan	Tashkent	100.0	100.0
Zeppelin Systems USA Inc.	United States of America	Odessa, Florida	100.0	100.0
Zeppelin Weißrussland OOO	Belarus	Minsk	100.0	100.0

The following subsidiaries are not included in the consolidated financial statements because their non-inclusion has no material impact on the presentation of the net assets, financial position and results of operations. Zeppelin measures the shares in these companies at fair value through profit or loss. The fair values largely correspond to the historical acquisition costs.

Name	Registered office		Equity share in %	
	Country	Town/City	12/31/2020	12/31/2019
Luther Verwaltungs GmbH	Germany	Hoppstädten-Weiersbach	100.0	100.0
MWB Marine Services GmbH (sold in 2020)	Germany	Bremerhaven	-	60.0
Fehmarnbelt Solution Services A/S (acquisition of the remaining shares in 2020)	Denmark	Greve	100.0	50.0
Baltic Marine Contractors OÜ	Estonia	Tallinn	100.0	100.0
Levotec s.r.o.	Slovak Republic	Levoča	100.0	100.0
Meton s.r.o.	Czech Republic	Tuchoměřice	100.0	100.0
PJSC "Ukrcukorteploi-zolyaciya" (UCTI)	Ukraine	Vyshneve	100.0	100.0

The remaining shares in the joint venture Fehmarnbelt Solutions A/S, Greve, Denmark, established between Ramirent A/S and Zeppelin Rental GmbH in 2015, were acquired by Zeppelin Rental GmbH in 2020. The company will be liquidated in the fiscal year 2021 and is not consolidated for reasons of materiality.

Associates

The following associate is included in the consolidated financial statements using the equity method:

Name	Registered office		Equity share in %	
	Country	Town/City	12/31/2020	12/31/2019
CZ Loko a.s.	Czech Republic	Česká Třebová	49.0	49.0

CZ Loko, a.s., whose registered office is in Česká Třebová (Czech Republic), is an associate accounted for using the equity method and is a strategic sales partner of Zeppelin. The company mainly manufactures, repairs, and sells railway traction vehicles, metal structures, and machinery. Zeppelin CZ s.r.o. holds 49.0% of the shares and thus participates in the decision-making process. In addition, the Management Board and commercial management of Zeppelin CZ s.r.o. are members of the Supervisory Board of CZ Loko.

Joint operations

Zeppelin Power Systems GmbH & Co. KG has established a legally independent economic entity in the form of a civil-law partnership together with a consortium partner. The consortium bears the name "Konsortium BHKW Oberhausen" and its purpose is the joint delivery, construction, and commissioning of a turnkey combined heat and power plant. The consortium is classified as a joint operation as the consortium has rights to the assets and obligations for the liabilities of the joint arrangement under the consortium agreement. Zeppelin has recognized the related assets and liabilities as well as expenses and income in the amount of the schedule of participation of 67.1%.

Subsidiaries with significant non-controlling interests

The consolidated financial statements include the following subsidiaries with significant non-controlling interests:

Name	Registered office		Equity share in %	
	Country	Town/City	12/31/2020	12/31/2019
Smart Controls India Ltd.	India	Madhya Pradesh	40.0	40.0
Zeppelin Systems China (Shanghai) Co. Ltd.	China	Shanghai	40.0	40.0
Zeppelin Systems Italy S.r.l.	Italy	Milan	10.0	10.0

The following tables present financial information on Smart Controls India Ltd. before intragroup eliminations:

in kEUR	Smart Controls India Ltd. 12/31/2020	Smart Controls India Ltd. 12/31/2019
Share in net assets		
Current assets	2,853	3,492
Non-current assets	457	585
Current liabilities	-801	-1,800
Non-current liabilities	-140	-148
	2,369	**2,129**
Share in %	40.0	40.0
	948	**852**

in kEUR	Smart Controls India Ltd. 2020	Smart Controls India Ltd. 2019
Share in net profit or loss after tax		
Sales	3,979	5,533
Net profit	611	776
Share in %	40.0	40.0
	244	**310**

in kEUR	Smart Controls India Ltd. 2020	Smart Controls India Ltd. 2019
Share in cash flow from operating activities		
Cash flow from operating activities	344	868
Share in %	40.0	40.0
	137	**347**
Share in cash flow from investing activities		
Cash flow from investing activities	26	-49
Share in %	40.0	40.0
	10	**-20**
Share in cash flow from financing activities		
Cash flow from financing activities	-322	-512
Share in %	40.0	40.0
	-129	**-205**
Dividends	**46**	**68**

The following tables present the financial information on Zeppelin Systems China (Shanghai) Co. Ltd. before intragroup eliminations:

in kEUR	Zeppelin Systems China (Shanghai) Co. Ltd. 12/31/2020	12/31/2019
Share in net assets		
Current assets	58,613	54,846
Non-current assets	711	783
Current liabilities	-34,139	-35,381
Non-current liabilities	-299	0
	24,887	**20,248**
Share in %	40.0	40.0
	9,955	**8,099**

in kEUR	Zeppelin Systems China (Shanghai) Co. Ltd. 2020	2019
Share in net profit or loss after tax		
Sales	76,688	63,296
Net profit	10,304	7,236
Share in %	40.0	40.0
	4,122	**2,894**

in kEUR	Zeppelin Systems China (Shanghai) Co. Ltd. 2020	2019
Share in cash flow from operating activities		
Cash flow from operative activities	-1,328	2,795
Share in %	40.0	40.0
	-531	**1,118**
Share in cash flow from investing activities		
Cash flow from investing activities	-346	12
Share in %	40.0	40.0
	-139	**5**
Share in cash flow from financing activities		
Cash flow from financing activities	-5,028	-4,625
Share in %	40.0	40.0
	-2,011	**-1,850**
Dividends	**2,011**	**1,850**

The following tables present financial information on Zeppelin Systems Italy S.r.l. before intragroup eliminations:

in kEUR	Zeppelin Systems Italy S.r.l. 12/31/2020	12/31/2019
Share in net assets		
Current assets	5,795	7,463
Non-current assets	813	761
Current liabilities	-2,455	-4,169
Non-current liabilities	-1,231	-1,268
	2,921	**2,787**
Share in %	10.0	10.0
	292	**279**

in kEUR	Zeppelin Systems Italy S.r.l. 2020	2019
Share in net profit or loss after tax		
Sales	4,433	6,661
Net profit	239	184
Share in %	10.0	10.0
	24	**18**

in kEUR	Zeppelin Systems Italy S.r.l. 2020	2019
Share in cash flow from operating activities		
Cash flow from operating activities	-25	496
Share in %	10.0	10.0
	-3	**50**
Share in cash flow from investing activities		
Cash flow from investing activities	-1	-11
Share in %	10.0	10.0
	0	**-1**
Share in cash flow from financing activities		
Cash flow from financing activities	-198	-391
Share in %	10.0	10.0
	-20	**-39**
Dividends	**11**	**36**

Business Combinations

Foundation of Zeppelin Marine Service Ukraine LLC

Zeppelin Power Systems GmbH & Co. KG founded Zeppelin Marine Service Ukraine LLC, Kiev, Ukraine, with entry in the Register of Companies from July 29, 2020. The company had a share capital of UAH 200,000 at the time of its foundation and initial consolidation.

The company had no material impact on the Group's net assets, financial position, and results of operations in the fiscal year.

The company was founded in anticipation of increased demand for services in the maritime sector of the Power Systems SBU in Ukraine.

Foundation of Zeppelin Power Systems GmbH

Zeppelin Power Systems GmbH & Co. KG founded Zeppelin Power Systems GmbH, Friedrichshafen, with entry in the Register of Companies from October 7, 2020. The company had a share capital of EUR 25,000 at the time of its foundation and initial consolidation.

The company had no material impact on the Group's net assets, financial position, and results of operations in the fiscal year.

The company was founded strategically in light of plans to restructure under corporate law Zeppelin Power Systems GmbH & Co. KG into a corporation.

C Accounting Policies

Zeppelin has consistently applied the following accounting policies in all periods presented.

Consolidation and Investments

The consolidated financial statements comprise Zeppelin GmbH and its subsidiaries. A subsidiary is a company which is directly or indirectly controlled by Zeppelin GmbH. Control exists when Zeppelin has the power over the investee, has a risk exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. If facts and circumstances indicate that one or more of the three elements of control have changed, Zeppelin reassess whether it controls an investee. In the case of structured companies, control may arise from contractual arrangements.

Zeppelin assigns the consolidated net profit after tax and each component of the other comprehensive income to the shareholders of Zeppelin GmbH and those of the non-controlling interests. The total comprehensive income is allocated to the shareholders of Zeppelin GmbH and the non-controlling interests even if this results in a negative balance for the interests of non-controlling interests.

An entity is included in the consolidated financial statements from the date on which Zeppelin obtains control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the reporting period are recognized in the consolidated financial statements from the date on which Zeppelin obtains control of the subsidiary until the date on which control ceases.

All intragroup assets and liabilities, equity, income and expenses and cash flows from transactions between Group companies are eliminated on consolidation.

Uniform accounting and valuation principles are used for preparing the annual statements of those companies included in the consolidated financial statements.

A list of the subsidiaries of Zeppelin GmbH is included in the "Consolidation Group" section.

When the shareholding of non-controlling interests in equity changes, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative ownership interests in the subsidiary. Zeppelin recognizes any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received directly in equity and allocates it to Zeppelin GmbH shareholders.

Consolidation ends when Zeppelin relinquishes control of the subsidiary. In this case, the associated assets (including goodwill), liabilities, non-controlling interests, and other components of equity are derecognized. Any resulting gain or loss is recognized in the statement of profit or loss. Any retained investment is accounted for either at fair value or, in the case of investments in associates and joint ventures, using the equity method.

Business combinations are accounted for using the acquisition method. The acquisition costs arising from the company acquisition are measured as the sum of the consideration transferred, which is measured at the fair value on the acquisition date, and the value of the non-controlling interests in the acquired company. For each business combination, Zeppelin determines whether non-controlling interests are measured at fair value or at the proportionate share of the acquired entity's identified net assets. The costs arising from the business combination are recognized as administrative expenses. Goodwill arising from a business combination is initially measured at cost, being the difference between the sum of the consideration transferred, the amount of non-controlling interests and the previously held interests over the identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the total consideration transferred, the difference is recognized in the statement of profit or loss. Goodwill is tested for impairment annually and written down to the lower recoverable amount if necessary.

Joint arrangements in which two or more parties have joint control over an activity are classified as either joint operations or joint ventures.

A joint operation exists when the parties involved in joint control (joint operators) have rights to the assets or obligations for the liabilities attributable to the arrangement. A joint operator recognizes its attributable assets, liabilities, incomes, and expenses and its share of the joint assets, liabilities, incomes and expenses.

In a joint venture, however, the parties sharing in the joint control (venturers) have rights to the net assets of the entity. Associates are entities over which Zeppelin exercises significant influence and which are neither subsidiaries nor joint ventures.

Investments in associates and joint ventures are accounted for using the equity method. The investment is initially recognized at cost but subsequently adjusted for any changes in Zeppelin's share of the net assets of the associated company or joint venture.

Zeppelin's share of the net profit after tax of the associate or joint venture is reported in the consolidated statement of profit or loss, its share of other income in other comprehensive income.

Where necessary, adjustments are made to the uniform Group accounting policies and valuation methods.

Zeppelin determines annually at the reporting date whether there is any objective evidence that the investment in an associate or joint venture may be impaired.

Intragroup balances and transactions as well as income and expenses from intragroup transactions are eliminated when preparing the consolidated financial statements.

Gains and losses on transactions with companies accounted for using the equity method are eliminated against Zeppelin's interest in the associated company to the amount of Zeppelin's interest. However, losses are only eliminated to the extent that there is no indication of impairment. When the associate sells the products resulting from intragroup deliveries, these corrections are reversed in the statement of profit or loss or in subsequent years by adjusting the Group retained earnings.

Foreign Currency Valuation

Each company translates foreign currency transactions into the functional currency of that company at the transaction date. In subsequent periods, companies measure monetary assets and liabilities at the closing rate. Non-monetary items denominated in foreign currencies continue to be measured at the historical exchange rate at the transaction date. Exchange differences arising from measurement in the functional currency of the respective company are recognized in the statement of profit or loss.

Assets and liabilities of companies not belonging to the eurozone are translated into the reporting currency of the Group (euro) at the closing rate, income and expenses at the average rate of their respective functional currency. Differences arising from translation using the reporting currency are recognized in other comprehensive income.

	12/31/2020	12/31/2019
Closing rate		
EUR/CZK	26.24	25.41
EUR/DKK	7.44	7.47
EUR/GBP	0.90	0.85
EUR/PLN	4.56	4.26
EUR/RUB	91.47	69.96
EUR/SEK	10.03	10.45
EUR/USD	1.23	1.12
EUR/UAH	34.74	26.42

	2020	2019
Average rate		
EUR/CZK	26.46	25.67
EUR/DKK	7.45	7.47
EUR/GBP	0.89	0.88
EUR/PLN	4.44	4.30
EUR/RUB	82.72	72.46
EUR/SEK	10.48	10.59
EUR/USD	1.14	1.12
EUR/UAH	30.79	28.95

Impairment Tests

At each reporting date, Zeppelin determines whether there is any indication that an asset may be impaired. If such an indication exists, Zeppelin performs an impairment test.

In order to carry out impairment tests, the assets concerned must generate cash inflows that are largely independent of those attributable to other assets. This applies to individual assets only in a few cases. Generally, individual assets must be combined into larger cash-generating units (CGUs) for the impairment test.

For the impairment test, the carrying amount of the CGU or the individual asset is compared with the recoverable amount. The recoverable amount represents the amount that Zeppelin can realize by continuing to include the CGU or individual asset into its operations (represented by value in use) or by selling it (represented by fair value less costs to sell). If the recoverable amount is less than the carrying amount of the asset or CGU, an impairment loss to the recoverable amount is recognized as an expense.

Goodwill acquired in business combinations is allocated to those CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. For Zeppelin, each SBU represents a group of CGUs to which goodwill is allocated for impairment testing.

Zeppelin generally determines the recoverable amount of CGUs or individual assets at fair value less costs to sell. The DCF method is applied. The cash flows used for the calculation are derived from the mid-term plan approved by management for the next three years on an after-tax basis. The expected cash flows after this period are extrapolated using growth rates. The growth rates are shown in the Notes to the Balance Sheet ("Intangible Assets" section). The cost of capital after taxes is used to determine the present value. The fair value determined in this way falls into level 3 of the fair value hierarchy.

If an impairment loss is recognized for a CGU, it is first allocated to the goodwill attributable to that CGU and then allocated proportionately to the remaining carrying amounts of the CGU.

Impairment losses on goodwill are not reversed. For other assets, the reversal of impairment losses is limited to a maximum of amortized cost.

CLASSIFICATION BY MATURITY

Zeppelin classifies assets and liabilities in the balance sheet according to maturity.

Assets and liabilities are classified as current if their realization is expected within twelve months of the reporting date. All other assets and liabilities are classified as non-current.

Bank liabilities under the syndicated credit facility of Zeppelin GmbH are reported under non-current liabilities insofar and as long as the remaining term of the syndicated credit facility agreement at the reporting date is at least 12 months.

SALES FROM CONTRACTS WITH CUSTOMERS

Zeppelin recognizes sales when performance obligations to customers are met by the transfer of an agreed good or the provision of an agreed service.

Sales are measured at the transaction price. The transaction price is the consideration expected to be received by the Group for the transfer of the goods or provision of the services. Variable transaction price components such as rebates, cash discounts, contractual penalties, or customer bonuses reduce sales.

Customer payments are generally due upon performance or as milestone payments according to specific payment schedules.

With a few exceptions, Zeppelin generates sales in the project business based on the progress on work performed over a given period.

Zeppelin recognizes sales from services both at a point in time and over time. In the case of time-based service provision, sales are recognized at the amount of the billable consideration after the service has been rendered. Period-based sales recognition is done either according to the performance progress or at the amount of the billable consideration.

If a specified threshold value is exceeded, the performance progress is determined at the ratio of the costs incurred in the period to the estimated total costs. Below this threshold, sales may not be realized in excess of the costs incurred during the period. Contract amendments may result in both adjustments to the transaction price and adjustments to the performance progress.

Sales from selling products for which Zeppelin has a repurchase obligation (hereinafter "RPO transactions") are recognized as a sale with right of return or as a lease, depending on the contractual arrangements between the sales financing partner and the end customer. If the agreement between the sales financing partner and the end customer includes an option to return the contractual item, it is accounted for as a sale with a right of return. On the other hand, if the agreement contains an obligation for the sales financing partner to take back the asset, it is accounted for as a lease.

For disposals deemed sales with the right of return, Zeppelin estimates the return rate at the time of sale and reduces the proceeds from the sale by the present value of the agreed repurchase prices in accordance with this rate. The present value of the repurchase prices is carried as a liability as a repurchase obligation. The amount of the repurchase obligation is reassessed in each period. Changes in estimates lead to sales corrections in the current fiscal period. If the right of return is not exercised at the end of the contract term, the repurchase obligation is reversed through the statement of profit or loss against the realization of sales.

For disposals deemed as leases, the proceeds from the disposal are deferred in full – partly as a financial liability, partly as deferred sales – on the liabilities side. The present value of the repurchase prices is carried as a financial liability. The difference between the proceeds from the disposal and the financial liability is carried on the liabilities side as deferred sales and recognized as rental income and interest income on a straight-line basis over the term of the contract.

Rental income relates primarily to operating leases. Income from operating leases is recognized on a straight-line basis over the term of the lease.

Income from warranty extensions is deferred as a liability and recognized on a straight-line basis over the term of the contract.

Construction Equipment CE SBU

The business activities of the Construction Equipment CE SBU mainly comprise the sale, rental, and servicing of construction machines (partly with extended warranty). Contracts from the sale of construction machines and services are not combined.

Sales from selling construction machines are recognized upon delivery and transfer of control to the customer. For bill-and-hold agreements, sales are recognized upon invoicing.

Sales may also be made as RPO transactions. The timing of sales recognition in these cases depends on whether the transaction is classified as a sale with right of return or as a lease.

Sales from service contracts are recognized at a point in time and over time.

Construction Equipment Eurasia SBU

The business activities of the Construction Equipment Eurasia SBU mainly comprise the sale, rental, and servicing of construction machines and agricultural equipment (partly with extended warranty). Contracts from the sale of construction machines and agricultural equipment and services are not combined.

Sales from the selling of construction machines and agricultural equipment are recognized upon delivery and transfer of control to the customer.

Sales may also be made as RPO transactions. The timing of sales recognition in these cases depends on whether the transaction is classified as a sale with right of return or as a lease.

Sales from service contracts are recognized at a point in time and over time.

Construction Equipment Nordics SBU

The business activities of the Construction Equipment Nordica SBU primarily comprise the sale, rental, and servicing of construction machines and mining equipment (partly with extended warranty). Contracts from the sale of construction machines and services are not combined.

Sales from the selling of construction machines and mining equipment are recognized upon delivery and transfer of control to the customer.

Sales may also be made as RPO transactions. The timing of sales recognition in these cases depends on whether the transaction is classified as a sale with a right of return or as a lease.

Sales from service contracts are recognized at a point in time and over time.

Rental SBU

The Rental SBU rents out construction machines as well as a wide range of construction equipment, modular room systems, construction site and traffic guidance systems, work platforms, forklifts and lifts, and vehicles. In addition, a comprehensive range of services is offered, including in project business.

Rentals and services represent separate performance obligations. The transaction price is allocated to the individual performance obligations on the basis of the contracted prices.

The rental business is carried out by way of an operating lease.

Sales from services are recognized at a point in time and over time.

Sales from the project business are recognized at the time of invoicing at the amount of the chargeable consideration.

Since December 31, 2019, the Rental SBU has also operated in the markets of Sweden and Denmark due to the acquisitions made in the previous year.

Power Systems SBU

The business activities of the Power Systems SBU comprise the distribution and service of engine and drive solutions (some with extended warranties). In addition, services in the project business are provided through the sale of, inter alia, generating sets for power generation and combined heat and power plants.

Sales from selling engines and drive solutions are recognized upon delivery and transfer of control to the customer. In the case of delivery to consignment warehouses, sales are recognized at the time the consignment is delivered to the warehouse, as control passes to the customer at this time.

Sales from servicing are recognized at a point in time and over time.

Sales from the project business are mainly recognized on a period basis according to the performance progress.

If a customer receives the option to purchase additional engines at fixed prices at the time the contract is concluded, part of the transaction price is allocated to this option and realized when the option is exercised or lapses.

Since December 31, 2019, the Power Systems SBU has also operated in the markets of Sweden, Denmark, and Greenland due to the acquisitions made in the previous year, and in Estonia, Latvia, Lithuania, Finland, Iceland, and the Faroe Islands for the distribution and service of the MaK engine brand.

Plant Engineering SBU

The business activities of the Plant Engineering SBU comprise the development, implementation, and manufacture of customer-specific plants for the storage and processing of high-quality bulk materials, and the development and manufacture of components. In addition, the SBU offers various after-sales and quality services.

Sales from the project business are recognized on a period basis according to the performance progress.

If only development services are offered, sales are recognized when control over the development results is transferred to the customer.

Sales from the selling of components are recognized upon delivery and transfer of control to the customer.

Sales from quality services are recognized at the time of invoicing at the amount of the charged consideration.

Sales from after-sales services are recognized at a point in time and over time.

INCOME TAXES

The tax expense for the period consists of current and deferred taxes. Taxes have been recognized in the statement of profit or loss unless they relate to items recognized directly in equity or in other comprehensive income. In this case, the taxes have been recognized in equity or in other comprehensive income.

The current tax claims and tax liabilities are determined in accordance with the tax regulations applicable on the reporting date.

Offsetting of current tax assets and liabilities is permitted only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the tax assets and liabilities relate to income taxes levied by the same tax authority either on the same taxable entity or on different taxable entities. This means tax entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For uncertain income tax items, the best estimate is the probable expected tax payment.

Deferred taxes are recognized for temporary differences between the carrying amounts under IFRS and the tax base of assets and liabilities, and for tax loss carryforwards and tax credits. Deferred taxes are not recognized for temporary differences arising on initial recognition of an asset or liability if the assets or liabilities result from a transaction that is not a business combination and, at the time of the transaction, affects neither profit or loss before tax nor taxable income.

Zeppelin recognizes deferred tax assets only to the extent that it is probable that future taxable result will be available against which the deductible temporary differences and unused tax losses and credits can be offset. Zeppelin tests deferred tax assets for impairment at each reporting date.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries, associates and interests in joint ventures are recognized by Zeppelin, unless the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates which, according to current estimates, apply in accordance with the current legal situation.

Deferred tax assets and deferred tax liabilities are offset if they relate to the same tax authority and the same taxable entity or to a group of different taxable entities that are jointly assessed for income tax purposes. Deferred taxes from short-term temporary differences are not offset with deferred taxes from long-term temporary differences.

INVENTORIES

Inventories are carried at the lower of cost or net realizable value. In addition to directly attributable direct costs, production costs also include overheads attributable to the production process.

Depending on the business model and market conditions, the portfolio value is determined using the first-in, first-out method or the average method.

INTANGIBLE ASSETS

Goodwill arising on business combinations is measured at the acquisition date at the excess of the consideration received for the shares acquired in the companies over the net assets acquired. The net assets correspond to the difference between the fair values of the acquired assets and the fair values of the assumed liabilities and contingent liabilities.

Goodwill is not subject to scheduled amortization but is tested for impairment annually or when there are indications that it may be impaired. Details of the annual impairment test are presented in the "Impairment Tests" section.

Expenses for the development of new products are carried on the assets side as development costs if the products are technically and economically feasible and intended for the Group's own use or marketing, the expenses can be reliably measured, and sufficient resources are available to complete the development project.

Production costs of internally generated intangible assets include direct costs as well as overheads attributable to the development process. Development expenses that do not meet the criteria set out in the previous paragraph, and research expenses are recognized immediately in the statement of profit or loss. Internally generated intangible assets are amortized on a straight-line basis over their useful lives and written down if there are indications of impairment.

Individually acquired intangible assets are carried at cost.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date.

Acquired intangible assets are amortized on a straight-line basis over their period of use and subjected to an annual impairment test if there are indications of impairment. Licenses and similar rights are amortized over their contractual terms. Other useful lives are as follows:

	Useful life
Software, concessions, and industrial property rights	3 – 10 years
Internally generated intangible assets	5 years

Useful lives and residual values are reassessed at each reporting date and adjusted if necessary.

Apart from goodwill, Zeppelin does not recognize any intangible assets with indefinite useful lives.

Subsequent expenses are recognized in the statement of profit or loss if they cannot be capitalized.

Property, Plant, and Equipment

Property, plant, and equipment is initially recognized at cost and subsequently measured at amortized cost less accumulated depreciation and accumulated (non-scheduled) impairment losses. Reversals of impairment losses are recognized up to the amount of the amortized cost. In addition to directly attributable direct costs, production costs also include overheads attributable to the production process.

Expenses for maintenance and repairs are recognized in the statement of profit or loss unless they are capitalized as subsequent acquisition or production costs.

Property, plant, and equipment is depreciated on a straight-line basis over its estimated useful life to its expected residual value. The useful lives of property, plant, and equipment are reassessed at each reporting date and adjusted if necessary. Land is not depreciated.

The estimated useful lives of significant property, plant, and equipment for 2020 are:

	Useful life
Building	5 – 60 years
Technical equipment and machinery	2 – 25 years
Operating and business equipment	2 – 20 years
Rental fleet	3 – 10 years

Leasehold rights are depreciated on a straight-line basis over the term of the agreement.

Borrowing Costs

If a considerable period of time elapses before a tangible asset or intangible asset is ready for operation, the borrowing costs directly attributable to the acquisition or production of the asset are capitalized. The recognition of borrowing costs begins at the commencement of acquisition or production and ends when the asset is ready for operation.

Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of the other. These include both primary financial instruments (e.g. trade receivables, borrowings, cash and cash equivalents, loans and bonded loans, as well as trade payables and other liabilities) and derivative financial instruments (interest rate swaps, currency swaps, and forward exchange operations).

Primary financial instruments are initially recognized when they are purchased or sold on the settlement date and derivative financial instruments are initially recognized on the trading date.

A financial asset is derecognized when the contractual rights to cash flows from the asset expire or the rights to receive the cash flows and all significant opportunities and risks of ownership of the financial asset are transferred to another entity. Derecognition does not take place if all significant opportunities and risks are retained or if, in the event of risk sharing, control over the asset is retained. The retained portion of such financial assets is recognized separately as a financial asset and/or financial liability (continuing involvement).

Financial liabilities are derecognized when all contractual obligations have been met, canceled, or lapsed.

Financial assets are grouped into the following categories for measurement and reporting purposes:

- Measured at amortized cost ("AC"), which at Zeppelin includes in particular cash and cash equivalents, trade receivables and other receivables, as well as loans;
- Measured at fair value through profit or loss ("FVTPL"), which at Zeppelin includes in particular participations, interests in non-consolidated subsidiaries, and all derivatives with a positive fair value that are not accounted for in accordance with hedge accounting rules.

The following categories exist for the measurement and reporting of financial liabilities:

- AC, which at Zeppelin includes in particular loans and bonded loans, trade payables, and other liabilities;
- FVTPL, which at Zeppelin includes in particular all derivatives with a negative fair value that are not accounted for in accordance with hedge accounting rules.

The consolidated financial statements do not include financial instruments at fair value through other comprehensive income ("FVOCI").

Financial assets are allocated to the AC category if they are held exclusively to collect the contractual cash flows and the contractual payments relate exclusively to interest and principal repayments.

With few exceptions, all financial liabilities are classified as AC that do not have to be classified as FVTPL or are accounted for under hedge accounting rules.

Financial assets and financial liabilities are allocated to the FVTPL category if they are held exclusively for trading purposes. Under certain conditions it would also be possible to allocate financial instruments to this category by exercising an accounting option – the fair value option – although these financial instruments would actually have to be accounted for in accordance with the rules for the AC category. However, Zeppelin does not exercise the fair value option.

Zeppelin categorizes all financial assets and financial liabilities at the date of acquisition and periodically reassesses whether the criteria for classification are still met.

Upon initial recognition, financial instruments are measured at fair value, for financial asset or financial liabilities that are not measured at FVTPL, plus or less any directly attributable transaction costs.

The fair value generally corresponds to the transaction price. The fair value of financial assets and financial liabilities in the AC category with maturities of more than twelve months that do not bear interest or bear interest at low rates corresponds to the present value of the agreed cash flows. The present value is determined using a discount rate appropriate to the term. An exception exists for trade receivables without significant financing components. These are measured on initial recognition at the amount of the unconditional claim to consideration.

Financial assets and financial liabilities in the AC category are subsequently measured using the effective interest method. Using the effective interest method, all directly attributable fees, consideration paid or received, transaction costs, and other premiums or discounts included in the calculation of the effective interest rate are amortized over the expected term of the financial instrument.

Interest income and expenses from the application of the effective interest method are recognized in the income statement under interest income or interest expenses from financial instruments.

Financial assets and financial liabilities in the FVTPL category are subsequently measured at fair value, with changes in value recognized in the statement of profit or loss.

Derivatives embedded in contracts where the underlying is a financial asset are never accounted for separately. Instead, the hybrid financial instrument is assessed as a whole with regard to its classification. Embedded derivatives whose underlying contract is a financial liability are separated from the underlying contract and accounted for separately under certain conditions (e.g. loans with interest rate agreements that include a floor).

Zeppelin reports financial assets and financial liabilities gross. They are only offset if at the present time there is an enforceable right to set off with respect to the amounts and it is intended to settle them on a net basis.

Impairments

The calculation of loss allowances for financial assets in the AC category (as well as for contract assets from agreements with customers) is based on a forward-looking model taking into account expected credit defaults.

For non-performing financial assets, loss allowances are recorded at the gross amount. A financial asset is classified as non-performing ("definition of default") if there are significant reasons to believe that a debtor is unlikely to meet its payment obligations to Zeppelin.

Financial assets are derecognized when they are irrecoverable, for example as a result of the conclusion of insolvency proceedings.

All financial assets that are neither non-performing nor irrecoverable are collectible. These financial assets are written down at the time of initial recognition in accordance with the 12-month expected credit loss (hereinafter "12-month ECL"). In the event of a significant deterioration in creditworthiness, they are written down by the amount of the expected credit loss by maturity (hereinafter "lifetime ECL").

For trade receivables and contract assets, a simplified approach is applied in which only the lifetime ECL plays a role (hereinafter "simplified approach"). Under this approach, risk categories are created and assigned different impairment rates. The Group companies determine the default risk according to individual approaches, taking into account country and business area-specific risks. The companies use data from market data portals (including Creditreform), historical default rates, and customer-specific, forward-looking credit risk analyses.

In addition, all financial assets in the AC category (and contract assets from agreements with customers) are tested for individual impairment indicators at each reporting date. Financial assets are considered impaired if, as a result of one or more events occurring after the initial recognition of the asset, there is objective evidence that the expected future cash flows have changed negatively.

Objective evidence of an impairment can be various facts such as late payment over a certain period of time, initiation of enforcement measures, imminent insolvency or over-indebtedness, application for or opening of insolvency proceedings, or failure of restructuring measures.

Trade receivables that are already impaired upon initial recognition are carried at the net carrying amount.

Hedge Accounting

Zeppelin uses derivative and foreign currency components of primary financial instruments to hedge cash flows against interest rate and exchange rate fluctuations and to hedge fair value against interest rate fluctuations. However, the requirements for hedge accounting are applied only when the conditions for hedge accounting are met. For reasons of practicability, hedge accounting is only applied to hedges of exchange rate risks if a certain period-related threshold for the nominal volume of hedging transactions without hedge accounting is exceeded. The threshold is derived from an upper limit for the potential impact of the failure to apply hedge accounting on consolidated net profit after tax and the period accrual of expenses and income. Zeppelin designates all derivative components with a few exceptions relating to the Plant Engineering SBU.

Hedge accounting can only be applied if there is a clear hedging relationship between the hedged item and the hedging instrument with demonstrable, sufficient effectiveness. The hedging relationship must be formally documented and its effectiveness demonstrated upon initial recognition as a hedging relationship and subsequently on a quarterly basis.

The hedging relationship meets all hedge effectiveness requirements if

- the value of the hedging transaction moves in the opposite direction to the value of the hedged item,
- the credit risk does not have a dominant influence on the hedging relationship, and
- the hedging ratio of the hedging relationship reported in the balance sheet corresponds to the actual hedging ratio.

The effectiveness of hedging relationships is demonstrated by prospective effectiveness tests. In the case of currency hedges, the prospective effectiveness test is based on a comparison of the main terms of the hedging transaction with the main terms of the hedged item; in the case of interest rate hedges it is based on a statistical method (regression analysis).

Where hedge accounting is applied to derivatives or to the foreign currency component of primary financial instruments used to hedge against the risk of fluctuating cash flows ("cash flow hedges"), the effective portion of changes in the fair value of the derivative are recognized in other comprehensive income and reported in the accumulated other comprehensive income for hedge accounting. The effective change in value is the smaller of the cumulative change in value of the hedging instrument and the cumulative change in value of the hedged item. The undesignated and ineffective portion of the change in value continues to be recognized in the statement of profit or loss. If the hedging transactions relate to cash flows from operating activities, the portion of the change in value recognized in the statement of profit or loss is reported under other expenses and income. Otherwise, they are reported under other financial expenses and income.

Effectiveness is the degree to which the changes in value of the hedged item and the hedging instrument offset each other. The effective and ineffective portions of the change in value are determined using the cumulative dollar offset method.

The amount recognized in accumulated other comprehensive income is reclassified to the statement of profit or loss in the same period or periods in which the hedged expected cash flows or hedged item affect the profit or loss.

Hedge accounting is discontinued as soon as a forecast transaction is no longer probable and the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated, or exercised. The hedging transaction is henceforth be accounted for in accordance with the rules for financial assets and financial liabilities in the FVTPL category. If a forecast transaction is no longer expected to occur, the amount previously recognized in accumulated other comprehensive income for hedge accounting is immediately reclassified to the statement of profit or loss. In all other respects, the reclassification of the amounts previously recognized in accumulated other comprehensive income for hedge accounting follows the same principles as for continuing cash flow hedges.

In the case of hedging relationships used to hedge changes in the fair value of assets, liabilities, or off-balance-sheet firm commitments (hereinafter "fair value hedges"), the changes in the fair value of the hedged item attributable to the risk, and the changes in the fair value of the hedging derivative are recognized in the statement of profit or loss and reported net. For financial instruments measured at amortized cost, the cumulative adjustments are amortized over the (remaining) term.

Fair Value

Fair values are determined on the basis of a three-level hierarchy based on the proximity of the valuation factors used to an active market (hereinafter the "fair value hierarchy"). A market is referred to as "active" if quoted prices are readily and regularly available on that market and these prices are based on actual, regularly occurring market transactions.

Level 1: The fair value corresponds to a price for identical assets and liabilities quoted on active markets (unchanged).

Level 2: The fair value is based on market data that is either directly or indirectly observable for the asset or liability and that does not represent quoted prices under Level 1.

Level 3: The fair value is based on input data that is not quoted prices under Level 1 and not derived from directly or indirectly observable market data.

The fair values of Levels 2 and 3 are determined using financial valuation methods (e.g. discounted cash flow models). They correspond to the prices that would be received between independent market participants for the sale of an asset or paid for the transfer of a liability.

The fair values underlying these consolidated financial statements have been determined on the basis of the market conditions prevailing on the reporting date.

Reclassifications between the levels of the fair value hierarchy require a separate explanation in the notes to the consolidated financial statements. The periods covered by these consolidated financial statements do not include any reclassifications between hierarchical levels.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash (cash on hand and bank balances) and cash equivalents. Cash equivalents are short-term, highly liquid financial investments with initial maturities of less than 3 months that can be converted into fixed cash amounts at any time and subject to insignificant fluctuations in value.

Employee Benefits

Obligations for short-term employee benefits are recognized as personnel expenses as soon as the related work is performed. In addition, a liability is recognized for performance already provided by the employee if there is a legal or constructive obligation to pay that benefit at the reporting date and the amount of the obligation can be reliably estimated.

Post-employment benefits include defined contribution and defined benefit plans.

For defined contribution plans, Zeppelin's obligation is limited to the payment of fixed contributions. The pension payments themselves are made by an external institution (e.g. an insurance company) without triggering further obligations for Zeppelin. All other forms of pension provision are defined benefit plans. This also applies to pension provision covered by pension plans if Zeppelin is obliged to make additional payments to achieve a guaranteed minimum return.

Payments for defined contribution plans are recognized as personnel expenses in the period in which the related work is performed. Prepaid contributions are recognized as an asset to the extent that there is a right to reimbursement or reduction of future payments.

In the case of defined benefit plans, the obligations are determined annually using the projected unit credit method by actuarial valuation. For each plan, economic trend assumptions (e.g. salary and pension trends) are taken into account in addition to estimates of the future benefits which the employees have tendered in the current and previous periods. This amount is discounted at a discount rate appropriate to the term and offset against the fair value of the plan assets. The discount rate used to determine the actuarial present value of promised retirement benefits is determined on the basis of returns at the reporting date on high-quality fixed-rate corporate bonds denominated in the same currency and with the same maturity as the benefit entitlements earned at the measurement date.

Any excess of plan assets over pension obligations resulting from this calculation is limited in amount to the present value of the economic benefits available in the form of repayments or reductions in future contributions. When calculating the present value of an economic benefit, applicable minimum funding requirements must also be taken into account.

Gains and losses from the revaluation of the pension obligation are recognized directly in other comprehensive income. The revaluation includes the actuarial gains and losses, the return on plan assets (excluding interest), and the effect of any asset ceiling (excluding interest). The service cost, which represents the additional entitlements of employees acquired in the fiscal year, is part of personnel expenses. The interest result, which is calculated as the imputed interest on the basis of the actuarial interest rate applicable to the net obligation or net assets at the beginning of the fiscal year, is recognized in the net financial result.

Past service cost and gains and losses on plan settlements are recognized immediately as personnel expenses in the period in which the change, curtailment, or settlement occurs.

Other long-term employee benefits mainly comprise anniversary provisions and provisions for partial retirement obligations. Valuation is based on the valuation principles for defined benefit pension plans. Obligations from partial retirement agreements are offset against the fair value of the plan assets. A surplus of assets is reported under other assets. Effects from revaluations are recognized in personnel expenses in the period in which they arise.

Termination benefits are recognized as an expense at the earlier of the following two dates: when Zeppelin can no longer withdraw the offer or when the restructuring measures have been decided and communicated. If it can be assumed that the benefits will not be settled in full within twelve months of the reporting date, they must be discounted.

Other Provisions

Other provisions are recognized for all currently identifiable risks and contingent liabilities that will result in a future economic burden and the amount of which can be reliably estimated.

Provisions are recognized at the amount required to settle the obligations on the basis of the best estimate. Non-current provisions are recognized at present value if the effect of discounting is material.

Leasing

Zeppelin acts as both lessee and lessor.

Accounting as Lessee

As lessee, Zeppelin generally recognizes a right of use and a corresponding lease liability for each lease.

Zeppelin makes use of the exemptions for short-term leases with a term of less than twelve months and leases for low-value assets. Expenses arising from these leases are recognized as expenses on a straight-line basis over the term of the contract.

Zeppelin does not make use of the option to combine leasing and non-leasing components.

Rights to use intangible assets are accounted for in accordance with the rules for intangible assets.

Rights of use arising from leases are initially measured at cost. Cost comprises the initial carrying amount of the lease liability plus any lease payments made before or at the beginning of the lease less any incentive payments and plus any initial direct costs.

The rights of use are subsequently measured at amortized cost less cumulative scheduled depreciation and cumulative impairment losses. Depreciation is charged over the shorter of the useful life of the rights of use or the term of the lease. If ownership of the leased asset is transferred to Zeppelin (through the exercise of an option or other contractual arrangement), it is depreciated over the (remaining) useful life of the leased asset.

The initial and subsequent measurement of lease liabilities are based on the present value of the minimum lease payments outstanding at the reporting date. Interest expenses are spread over the term in such a way as to produce a constant interest rate.

Accounting as Lessor

With regard to accounting as lessor, a distinction is made between operating leases and finance leases.

In the case of finance leases, the material opportunities and risks arising from ownership of the leased asset are transferred to the lessee. This results in the recognition of a receivable at the amount of the present value of future lease payments to be made.

If the opportunities and risks remain with Zeppelin, an operating lease exists and the leased assets are measured at amortized cost and reported under "Rental fleet". Leased assets are depreciated in accordance with the rules for property, plant, and equipment. The lease payments are recognized in the statement of profit or loss under rental income on a straight-line basis over the remaining term of the contract.

Sale-Leaseback Transactions

The sale-leaseback transactions (hereinafter "SLB") entered into by Zeppelin for refinancing purposes include tender rights. There is no transfer of control. Assets that are the subject of such agreements remain under property, plant, and equipment. Zeppelin recognizes payment obligations arising from SLB transactions as liabilities at their present value. They are discounted at the implicit interest rate.

D Discretionary Decisions and Estimates

The preparation of IFRS consolidated financial statements requires that discretionary decisions and assumptions be made about future events that affect the recognition and measurement of assets and liabilities. In individual cases, the actual values may deviate from the discretionary decisions and estimates. Changes are recognized at the time they become known in accordance with the accounting and valuation methods applicable to the respective assets and liabilities. This applies in particular to the following assets and liabilities.

Zeppelin performs annual impairment tests for all cash-generating units that contain goodwill. The impairment tests are based on assumptions regarding the development of cash flows and the weighted average cost of capital (WACC) of the respective unit.

The carrying amounts of property, plant and equipment, and intangible assets are based on assumptions regarding useful lives and residual values. In the case of the rental fleet from RPO transactions without a purchase option, the residual value estimates are based on assumptions about the development of the residual values of the machines underlying the transactions.

The carrying amount of the return rights from RPO transactions with purchase options is based on assumptions about the development of the residual values of the machines underlying the transactions at the time the options are exercised and about the development of the return rate.

Contract assets and liabilities from sales recognition based on performance progress are based on assumptions about the expected total contract costs.

In determining the impairment of financial assets measured at amortized cost, assumptions are made about the expected solvency of the respective debtors.

The recognition of deferred tax assets is based in part on expectations about the development of the taxable income of the respective taxable entity.

Other provisions are based on assumptions and estimates regarding the occurrence, amount, and timing of the respective obligations. Details about the assumptions and estimates underlying the provisions are given in Note 22.

E NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1 SALES

Sales from contracts with customers are broken down by SBU, product, and type of sales recognition as follows:

in kEUR	2020 Construction Equipment CE	Construction Equipment Eurasia	Construction Equipment Nordics	Rental	Power Systems	Plant Engineering	Holding company	Consolidation	Group
Sales									
Earthmoving equipment (new)	741,469	264,922	138,808	0	0	0	0	-3,200	**1,141,998**
Earthmoving equipment (used)	255,556	19,717	37,291	0	0	0	0	-786	**311,778**
Rental business	224	1,091	1,397	278,203	0	0	4,682	-41,507	**244,091**
Forklifts	14,011	4	0	42,353	0	0	0	-295	**56,074**
Power systems	0	0	0	0	207,156	0	0	-3,012	**204,144**
Agricultural equipment	0	12,281	0	0	0	0	0	0	**12,281**
Production plants	0	0	0	0	0	115,212	0	0	**115,212**
Processing plants and mixers	0	0	0	0	0	76,387	0	0	**76,387**
Systems for the food industry and liquids handling	0	0	0	0	0	51,414	0	0	**51,414**
Components and site equipment	0	0	0	67,156	0	11,146	0	-18	**78,285**
Spare parts	231,316	170,549	39,698	0	139,656	0	784	-33,692	**548,312**
Customer service	113,133	25,686	40,971	65,554	60,675	51,981	0	-8,363	**349,636**
Miscellaneous	17,559	0	0	74,554	0	0	2,449	-13,192	**81,370**
Zeppelin GmbH	0	0	0	0	0	0	41,975	-41,206	**769**
	1,373,267	**494,250**	**258,165**	**527,821**	**407,487**	**306,140**	**49,891**	**-145,271**	**3,271,749**

in kEUR	Construction Equipment CE	Construction Equipment Eurasia	Rental	Power Systems	Plant Engineering	Holding company	Consolidation	Group
	2019							
Sales								
Earthmoving equipment (new)	857,639	241,358	0	0	0	0	-3,808	**1,095,188**
Earthmoving equipment (used)	242,793	16,260	0	0	0	0	-492	**258,562**
Rental business	319	519	260,799	0	0	3,688	-34,987	**230,337**
Forklifts	13,539	0	44,042	0	0	0	-581	**57,000**
Power systems	0	0	0	232,014	0	0	-2,721	**229,293**
Agricultural equipment	0	14,259	0	0	0	0	0	**14,259**
Production plants	0	0	0	0	111,899	0	0	**111,899**
Processing plants and mixers	0	0	0	0	94,873	0	-12	**94,861**
Systems for the food industry and liquids handling	0	0	0	0	46,785	0	0	**46,785**
Components and site equipment	0	0	66,401	0	16,081	0	-10	**82,472**
Spare parts	227,197	199,100	0	107,944	0	405	-33,510	**501,135**
Customer service	112,682	28,203	70,005	52,193	56,880	0	-7,610	**312,352**
Miscellaneous	15,348	0	68,030	31	5,533	2,450	-7,924	**83,468**
Zeppelin GmbH	0	0	0	0	0	29,091	-28,214	**877**
	1,469,517	**499,697**	**509,277**	**392,183**	**332,050**	**35,633**	**-119,871**	**3,118,488**

A breakdown of sales by domestic and foreign entities is presented below:

in kEUR	2020	2019
Sales		
Domestic entities	1,863,800	1,992,789
Foreign entities	1,407,949	1,125,699
	3,271,749	**3,118,488**

The following table shows the value of all or part of the unfulfilled obligations arising from contractual relationships with customers as of the respective reporting date (hereinafter "order backlog")[2] and the periods during which Zeppelin expects to realize sales from this order backlog.

in kEUR	Subsequent year	2nd to 5th subsequent year	Thereafter	Total
12/31/2020	781,001	170,923	4,024	**955,948**
12/31/2019	866,582	207,328	6,492	**1,080,402**

[2] According to IFRS, the order backlog only includes order relationships with fixed consideration agreements and secure receipt of consideration.

2 COST OF SALES

The cost of sales comprises:

in kEUR	2020	2019
Cost of sales		
Cost of materials	-2,240,237	-2,157,275
Personnel expenses	-380,094	-340,962
Depreciation	-58,890	-48,662
Other expenses	-106,989	-100,181
	-2,786,210	**-2,647,079**

3 Other Income

The other income comprises:

in kEUR	2020	2019
Other operating income		
Handling margin from SLB/SMB transactions	4,211	4,267
Reimbursements	4,070	6,397
Book gains from asset disposals	1,270	6,319
Release of provisions and other liabilities	5,442	6,467
Rents and leases	178	178
Exchange rate gains	13,312	13,769
Income from derecognized receivables	418	304
Insurance compensation and indemnity payments	13,052	12,217
Miscellaneous	13,236	11,176
	55,190	**61,094**

The decrease in other income is mainly due to the sale of real estate by Zeppelin Systems Benelux NV in 2019 and the related high book gains from asset disposals.

4 Other Expenses

Other expenses include:

in kEUR	2020	2019
Other expenses		
Losses from asset disposals	-4,215	-2,132
Exchange rate losses from foreign currency valuation	-15,973	-12,423
Expenses from the derecognition of financial instruments	-1,013	-1,877
Claims expenses for motor vehicles, machines, and other	-3,656	-2,780
Contributions	-596	-948
Other taxes	-3,101	-2,175
Expenses for bank and guarantee fees, financial expenses	-1,667	-1,830
Services	-1,702	-2,001
Miscellaneous	-9,832	-5,053
	-41,754	**-31,219**

5 Personnel Expenses

Personnel expenses include:

in kEUR	2020	2019
Personnel expenses		
Wages and salaries	-510,217	-461,593
Social security contributions	-104,654	-94,351
Post-employment benefits	-6,335	-4,636
	-621,205	**-560,580**

The average number of employees during the year was:

Full-time equivalents	2020	2019
Employees		
Sales, marketing	1,723	1,627
Service (spare parts and after-sales)	4,750	4,265
Engineering, order processing, materials management, logistics	1,112	987
Production, assembly, quality management	813	753
Administration	1,434	1,256
Trainees and apprentices	338	322
	10,170	**9,210**

The change in employees compared with the previous year is due in particular to the previous year's acquisitions in Sweden and Denmark. In 2019, only a quarter of these were included in the calculation of the annual average.

6 Net Financial Result

The net financial result consists of the interest result and other financial result and includes the following income and expenses:

in kEUR	2020	2019
Net financial result		
Interest result		
Interest income		
from financial instruments	1,738	2,127
from discounting	2,554	2,914
	4,292	**5,041**
Interest expenses		
from financial instruments	-12,293	-14,292
from discounting	-2,332	-3,138
from lease agreements	-3,640	-2,756
from interest rate derivatives	-1,259	-1,208
	-19,523	**-21,395**
	-15,231	**-16,353**

in kEUR	2020	2019
Other financial result		
Other financial income		
Income from participations	745	868
Other income from financial instruments	8,356	2,785
	9,101	**3,653**
Other financial expenses		
Other expenses from financial instruments	-11,451	-5,471
	-11,451	**-5,471**
	-2,350	**-1,818**
	-17,581	**-18,171**

The expenses from discounting include interest expenses from the subsequent measurement of post-employment benefits and other long-term employee benefits amounting to EUR 1,006 thousand (2019: EUR 968 thousand), from the compounding of other provisions amounting to EUR 20 thousand (2019: EUR 138 thousand), and contract assets and liabilities amounting to EUR 1,306 thousand (2019: EUR 2,032 thousand).

Gains and losses from the derecognition of financial assets measured at amortized cost are of minor significance.

Further information on the financial result is provided in section G.

7 Income Taxes

The income tax expense is composed as follows:

in kEUR	2020	2019
Income taxes		
Current income tax	-32,091	-44,747
Deferred income tax	-1,005	3,453
	-33,096	**-41,294**

The income tax rate of 29.7% levied in Germany comprises corporation tax (15.0%), trade tax (average 13.8%), and solidarity surcharge (5.5%).

The differences to the effective tax rate are explained as follows:

in kEUR	2020	2019
Net profit before tax	**124,643**	**133,691**
Tax rate in %	29.71	29.69
Expected income tax expense	**-37,032**	**-39,691**
Different tax rates	9,634	10,365
Effect from tax rate changes	-104	-186
Taxes for previous years	-605	-4,603
Other non-deductible expenses and taxes, and effects from changes in permanent differences	-8,530	-8,477
Tax-free income	1,515	1,260
Change in the assessment whether deferred tax assets can be recognized	536	13
Miscellaneous effects	1,490	24
Actual income tax expense	**-33,096**	**-41,294**
Effective tax rate in %	26.55	30.89

The deferred tax rates shown in the following table are the result:

in kEUR	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities
Recognition in the consolidated financial statements				
Deferred taxes before offsetting				
Cash and cash equivalents	2	5	1	0
Other financial assets and receivables (current)	6,363	11,515	6,002	12,160
Inventories	11,557	1,587	12,020	3,898
Financial assets (non-current)	398	4,776	265	5,663
Other financial assets and receivables (non-current)	138	13,032	668	14,403
Intangible assets	1,594	2,350	3,467	2,704
Property, plant, and equipment	4,483	154,774	7,417	160,584
Current liabilities	69,849	9,231	84,597	11,703
Current provisions	3,432	2,893	5,176	6,996
Non-current liabilities	115,927	62	114,790	217
Employee benefits	24,955	2,059	22,811	2,050
Non-current provisions	796	0	1,209	3
Loss carryforwards	5,927	0	5,635	0
Tax credits	1,644	0	0	0
	247,065	**202,284**	**264,057**	**220,380**
Value allowance	-2,469		-1,598	0
Offsetting	-166,647	-166,647	-179,561	-179,560
	77,950	**35,646**	**82,898**	**40,820**

The change in deferred taxes includes differences from currency translation of EUR 2,278 thousand, which resulted in particular from exchange rate changes of the Russian ruble and the Brazilian real.

The current portion of deferred tax assets amounted to EUR 69,685 thousand (12/31/2019: EUR 76,756 thousand). The current portion of deferred tax liabilities amounted to EUR 1,239 thousand (12/31/2019: EUR 1,654 thousand). There are temporary differences on interests in subsidiaries, associates, and joint ventures amounting to EUR 8,620 thousand (12/31/2019: EUR 9,838 thousand), for which no deferred tax liabilities were recognized in the reporting periods presented. The differences would only become effective for tax purposes in the event of a sale of the investment, but no sale is intended in the foreseeable future.

No deferred tax liabilities were recognized in profit or loss from first-time consolidations in the financial year (2019: EUR 304 thousand).

Deferred taxes recognized in equity with no effect on profit or loss amount to EUR 7,654 thousand (2019: EUR 4,262 thousand).

In Germany, there are corporation tax loss carryforwards of EUR 5,611 thousand (12/31/2019: EUR 4,926 thousand), and trade tax loss carryforwards of EUR 6,497 thousand (12/31/2019: EUR 5,270 thousand). Overseas, there are loss carryforwards of EUR 18,642 thousand (12/31/2019: EUR 18,158 thousand).

As Zeppelin did not expect sufficient taxable profit to be available for offsetting in future periods at each reporting date, no deferred tax assets were recognized for the following items:

in kEUR	12/31/2020 Gross amount	12/31/2020 Value for tax purposes	12/31/2019 Gross amount	12/31/2019 Value for tax purposes
Deferred tax assets				
Deductible temporary differences	2,744	713	0	0
Tax loss carryforwards	11,259	1,756	10,331	1,580
thereof income tax and local income tax	8,079	1,314	7,139	1,137
thereof trade tax	3,180	442	3,193	661
	14,003	**2,469**	**10,331**	**1,580**

The unrecognized loss carryforwards expire as follows:

in kEUR	Amount	Indefinite	Expiry date Sub-sequent year	Expiry date 2nd to 5th Sub-sequent year	Indefinite
12/31/2020	11,259	11,259	0	0	0
12/31/2019	10,331	10,331	0	0	0

For companies that had closed the current or prior period with a loss, deferred tax assets of EUR 10,932 thousand (12/31/2019: EUR 11,253 thousand) after offsetting with deferred tax liabilities were reported. This approach is based on management's assessment that the substantiated profit forecasts for subsequent years show that the companies will generate taxable profit in future which can be used to offset deductible temporary differences. Zeppelin assumes that, on the basis of profit planning, the existing loss carryforwards will be continuously reduced and used up in the respective planning periods. The profit forecasts are based on long-term secured contractual relationships with customers and corresponding order backlogs compared to previous years.

8 Other Notes to the Consolidated Statement of Profit or Loss

Depreciation of property, plant, and equipment, and amortization of intangible assets are included in the following items of the Group income statement:

in kEUR	2020	2019
Scheduled depreciation		
In the cost of sales	-58,460	-48,566
In the selling expenses	-11,969	-7,889
In the administrative expenses	-12,998	-11,918
In the research and development costs	-282	-485
	-83,709	**-68,858**

F Notes to the Balance Sheet

9 Cash and Cash Equivalents

A breakdown of cash and cash equivalents is shown below:

in kEUR	12/31/2020	12/31/2019
Cash and cash equivalents		
Cash in hand and bank	157,332	68,884
	157,332	**68,884**

Cash corresponds to cash and cash equivalents. The development of cash and cash equivalents is presented in the statement of cash flows.

10 Current Financial Assets

Current financial assets include[3]:

in kEUR	31.12.2020 FVTPL	AC	Miscellaneous
Cash and cash equivalents	**-**	**157,332**	**-**
Financial assets			
Derivatives	174	-	-
Loans	-	5,092	-
Continuing involvement	-	-	315
Other receivables	-	20,104	-
	174	**25,196**	**315**
Trade receivables	**-**	**380,374**	**-**

in kEUR	31.12.2019 FVTPL	AC	Miscellaneous
Cash and cash equivalents	**-**	**68,884**	**-**
Financial assets			
Derivatives	35	-	-
Loans	-	2,013	-
Continuing involvement	-	-	13
Other receivables	-	14,422	-
	35	**16,434**	**13**
Trade receivables	**-**	**425,027**	**-**

Information on financial assets to related entities is provided in section H.

The carrying amounts of current financial assets correspond to their fair values.

For derivative financial instruments, future cash flows are determined using forward curves. In particular, exchange rates and yield curves are used, which can be observed on the relevant markets and obtained via market information systems. The fair value of these instruments corresponds to the sum of the discounted cash flows. The fair values determined for derivatives therefore fall under level 2 of the fair value hierarchy (see the "Fair Value" subsection in the "Financial Instruments" section under "C Accounting Policies").

Transfers of Receivables

The continuing involvement (assets and liabilities) included in the financial statements results from joint liability risks from risk-sharing agreements with sales financing partners.

In certain transactions, receivables from customers due in the short term are transferred to a sales financing partner against payment of consideration. This is generally a leasing company. This converts the short-term receivable into a financing transaction with the customer. Under certain conditions and within the framework of risk-sharing agreements, Zeppelin undertakes to share the credit default risk from the sales financing partner's financing transaction proportionately. The volume of receivables subject to risk sharing in the fiscal year 2019 was EUR 2,891 thousand (2019: EUR 4,647 thousand). The nominal amount of receivables with risk sharing as at the reporting date was EUR 15,588 thousand (12/31/2019: EUR 13,808 thousand). The maximum risk of loss resulting from these receivables was EUR 8,449 thousand (12/31/2019: EUR 9,235

[3] Derivatives in hedge accounting and continuing involvement do not fall under any of the measurement categories of IFRS 9. They are therefore included in the "Miscellaneous" category.

thousand). The carrying amount and fair value of the continuing involvement recognized for this purpose were each EUR 8,460 thousand (12/31/2019: EUR 9,249 thousand). At the time of derecognition, the difference between the carrying amount of the receivable and the value of the continuing involvement was recognized in the statement of profit or loss. No fees were incurred for the conclusion of the contracts.

11 Contract Assets and Liabilities

The contract assets result primarily from the project business. Contract liabilities result from the project business, services, and warranty extensions.

in kEUR	12/31/2020	12/31/2019
Contract assets		
Project business		
Gross inventory	39,242	27,495
Loss allowances	-1,266	-670
	37,976	**26,825**
Other contracts		
Gross inventory	1,116	1,122
Loss allowances	0	0
	1,116	**1,122**
	39,092	**27,947**
Contract liabilities		
from the project business	84,846	92,452
from service contracts	31,956	26,193
from warranty extensions	54,595	58,644
	171,397	**177,288**

Changes in the balance of contract assets and liabilities from the project business may result from advance payments, interim and final settlements, sales recognition based on performance progress, adjustments to sales, performance obligations settled in prior periods, and exchange rate effects. Changes in the fiscal year amounting to EUR 5,023 thousand (2019: EUR 4,184 thousand) are attributable to adjustments of performance obligations met in previous periods. Zeppelin recognized sales of EUR 32,427 thousand (2019: EUR 38,193 thousand[4]) for performance obligations included in contract liabilities from prior periods.

The balance of contract liabilities from service contracts represents the excess of service payments received from customers over the cumulative sales recognized from the rendering of services. Zeppelin recognized sales of EUR 4,099 thousand (2019: EUR 4,031 thousand[5]) for performance obligations included in contract liabilities from prior periods.

The balance of contract liabilities from extended warranties represents the excess of warranty payments received from customers over the cumulative sales recognized from the rendering of warranty services. Zeppelin recognized sales of EUR 11,042 thousand (2019: EUR 15,915 thousand[6]) for performance obligations included in contract liabilities from prior periods.

[4] Adjusted previous-year figure: previously EUR 14,732 thousand
[5] Adjusted previous-year figure: previously EUR 8,665 thousand
[6] Adjusted previous-year figure: previously EUR 7,674 thousand

12 Other Assets

A breakdown of other assets is shown below:

in kEUR	31.12.2020		31.12.2019	
	Total	thereof current	Total	thereof current
Other assets				
Refund claims and advance payments for other taxes	2,831	2,831	4,210	4,210
Excess of plan assets over the defined benefit pension plans	285	0	279	0
Advance payments for wages and salaries	1,214	1,214	1,268	1,268
Repurchase rights from RPO transactions	44,968	12,628	48,269	11,804
Advance payments for warranty extensions	33,288	16,507	32,365	15,340
Advance payments for purchased services	1,762	1,384	2,269	1,778
Miscellaneous other advance payments	15,796	12,799	16,001	12,690
	100,145	**47,363**	**104,661**	**47,091**

Advance payments for purchased services mainly relate to advance rent payments for short-term rents or rents for low-value assets, warranty extensions, insurance and bank charges, which are not interest expenses, advance pension payments, and maintenance services. The miscellaneous other advance payments mainly relate to excise taxes.

13 Inventories

A breakdown of the carrying amount of inventories is shown below:

in kEUR	31.12.2020	31.12.2019
Inventories		
Raw materials, consumables, and supplies	22,305	19,852
Work in progress	41,722	47,124
Finished goods and merchandise	419,332	489,022
Advance payments on inventories	49,710	45,049
	533,068	**601,048**

EUR 1,905,480 thousand of inventories were recorded as material consumption (2019: EUR 1,839,298 thousand). Zeppelin recorded impairment losses on inventories of EUR 19,697 thousand (2019: EUR 18,218 thousand) in the fiscal year and realized reversals of impairment losses on inventories of EUR 7,915 thousand (2019: EUR 6,163 thousand). Reversals of impairment losses on inventories result from disposals at prices that exceed the previously estimated net realizable value.

14 NON-CURRENT FINANCIAL ASSETS

The carrying amounts and fair values of non-current financial assets are[7]:

	12/31/2020				
	FVTPL		AC		Miscella-neous
in kEUR	Carrying amount	Market value	Carrying amount	Market value	
Financial assets					
Derivatives	-	-	-	-	218
Shares in affiliates	14,645	14,645	-	-	-
Participations	6	6	-	-	-
Loans	-	-	502	502	-
Continuing involvement	-	-	-	-	8,134
Other receivables	-	-	6,570	6,570	-
	14,651	**14,651**	**7,072**	**7,072**	**8,352**
Trade receivables	**-**	**-**	**8,455**	**8,455**	**-**

	12/31/2019				
	FVTPL		AC		Miscella-neous
in kEUR	Carrying amount	Market value	Carrying amount	Market value	
Financial assets					
Derivatives	-	-	-	-	291
Shares in affiliates	17,501	17,501	-	-	-
Participations	679	679	-	-	-
Loans	-	-	728	728	-
Continuing involvement	-	-	-	-	9,210
Other receivables	-	-	6,100	6,100	-
	18,180	**18,180**	**6,828**	**6,828**	**9,500**
Trade receivables	**-**	**-**	**8,500**	**8,646**	**-**

Information on financial assets to related parties is provided in section H.

Information on determining the fair values of derivatives is provided in section C.

[7] Derivatives in hedge accounting and continuing involvement do not fall under any of the measurement categories of IFRS 9. They are therefore included in the "Miscellaneous" category.

The changes in shares in affiliates and participations are shown below:

in kEUR	Shares in affiliates	Participa-tions
Carrying amounts as of		
01/01/2019	**13,826**	**18**
Additions	3,645	660
Disposals	-36	0
Changes in the consolidation group	17	0
Change in fair value	36	0
Transfers	13	660
31.12.2019	**17,501**	**679**
Additions	849	0
Disposals	-1,580	0
Changes in the consolidation group	-1,925	0
Change in fair value	-872	0
Transfers	672	-673
31.12.2020	**14,645**	**6**

The carrying amount of the shares in affiliates relates firstly to shares in subsidiaries that were not included in the consolidation group for reasons of materiality (see subsection "Subsidiaries" in the section "Consolidation Group" under "B Basis of Preparation"). Secondly, the carrying amount includes shares in the parent company of Zeppelin GmbH, Luftschiffbau Zeppelin GmbH, Friedrichshafen, of EUR 11,276 thousand. The shares correspond to 10.0% of the subscribed capital of EUR 35,000 thousand. The shares do not confer any dividend subscription rights and have restrictions on their resale.

The carrying amount of the participations relates to shares held by Zeppelin GmbH in Wirtschaftsförderung Bodenseekreis GmbH. The participation in Energyst B.V. was already written down in full in previous years.

The information on the fair values of the shares in affiliates and participations corresponds to the total of the discounted cash flows. Discounting is carried out using the weighted average cost of capital. The valuation method falls under level 3 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under "C Accounting Policies").

Changes in fair value are recognized in profit or loss in the financial result.

The weighted average cost of capital (WACC) and the growth rate of the terminal value (TV) are used as significant unobservable inputs in determining the fair value. A change in the two inputs would have the following effects on the fair value and the consolidated net profit after tax:

in kEUR	12/31/2020	12/31/2019
WACC		
+ 1.0%	-3,157	-3,161
- 1.0%	4,745	4,678
Growth rate TV		
+ 1.0%	3,791	3,801
- 1.0%	-2,525	-2,574

The information on the fair values of the loans corresponds to the present value of the cash inflows. They are discounted using credit risk-adjusted interest rates. The valuation method falls under level 2 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under "C Accounting Policies").

For derivative financial instruments, future cash flows are determined using forward curves. In particular, exchange rates and yield curves are used, which can be observed on the relevant markets and obtained via market information systems. The fair value of these instruments corresponds to the sum of the discounted cash flows. The fair values determined for derivatives therefore fall under level 2 of the fair value hierarchy (see the "Fair Value" subsection in the "Financial Instruments" section under "C Accounting Policies").

15 Investments Accounted for Using the Equity Method

The carrying amount of investments accounted for using the equity method are attributable to associates and joint ventures as follows:

in kEUR	12/31/2020	12/31/2019
Investments accounted for using the equity method		
Associates	17,848	17,020
Joint ventures	-	-
	17,848	**17,020**

The carrying amount of associates includes CZ Loko a.s.

Summarized financial information about CZ Loko a.s. is presented in the following table:

in kEUR	12/31/2020	12/31/2019
Share of equity capital		
Net assets		
Current assets	78,870	67,362
Non-current assets	28,573	27,536
Current liabilities	-62,516	-51,988
Non-current liabilities	-8,229	-7,194
	36,698	**35,716**
Share in %	49.0	49.0
Other adjustments	-134	-481
	17,848	**17,020**

in kEUR	2020	2019
Share in profit or loss after tax		
Sales	106,922	97,340
Net profit	3,268	2,822
Share in %	49.0	49.0
	1,601	**1,383**
Share of other comprehensive income		
Other comprehensive income	-462	-86
Share in %	49.0	49.0
	-226	**-42**
Dividends received	**n/a**	**546**

16 Intangible Assets

The changes in intangible assets are shown below:

in kEUR	Goodwill	Customer base	Software	Concessions, industrial property rights, technology	Internally generated intangible assets	Payments in advance	Total
Costs							
01/01/2019	**78,348**	**2,943**	**67,352**	**5,855**	**2,687**	**4,240**	**161,426**
Additions	0	0	12,513	0	531	1,557	14,601
Disposals	0	0	-734	0	0	-20	-754
Changes in the consolidation group	16,939	37,676	0	4,643	0	0	59,258
Net exchange differences	266	157	891	-55	0	18	1,277
Transfers	0	0	2,233	0	0	-2,246	-12
Reclassifications	0	0	24	0	0	0	24
12/31/2019	**95,553**	**40,776**	**82,279**	**10,443**	**3,218**	**3,550**	**235,819**
Additions	0	600	3,933	125	405	5,216	11,712
Disposals	0	-88	-3,946	-146	-4	-84	-4,269
Changes in the consolidation group	1,695	0	34	0	0	0	1,729
Net exchange differences	-377	537	-718	-152	0	-37	-2,180
Transfers	0	0	1,008	0	0	-1,008	0
Reclassifications	0	0	0	0	0	0	0
12/31/2020	**96,871**	**41,824**	**82,590**	**10,270**	**3,618**	**7,637**	**242,811**
Accumulative amortization and impairment losses							
01/01/2019	**-61,488**	**-976**	**-42,210**	**-4,577**	**-425**	**0**	**-109,677**
Amortization	0	-507	-6,268	-2,182	-681	0	-9,638
Impairments	0	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0	0
Disposals	0	0	731	0	0	0	731
Changes in the consolidation group	0	-42	0	0	0	0	-42
Net exchange differences	-128	-2	-711	-16	0	0	-857
Transfers	0	0	0	0	0	0	0
Reclassifications	0	0	-407	0	0	0	-407
12/31/2019	**-61,617**	**-1,527**	**-48,865**	**-6,776**	**-1,106**	**0**	**-119,890**
Amortization	0	-4,592	-9,756	-1,056	0	0	-15,404
Impairments	0	0	-200	0	-787	0	-987
Reversals of impairments	0	0	0	0	0	0	0
Disposals	0	0	3,161	146	4	0	3,310
Changes in the consolidation group	0	0	-15	0	0	0	-15
Net exchange differences	564	73	322	-3	0	0	956
Transfers	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
12/31/2020	**-61,052**	**-6,046**	**-55,352**	**-7,689**	**-1,889**	**0**	**-132,029**

The asset class "Software" includes the ERP system for the Construction Equipment CE SBU. The carrying amount as of December 31, 2020 was EUR 16,366 thousand (12/31/2019: 21,937).

As of December 31, 2020, there were contractual obligations to acquire intangible assets amounting to EUR 5,910 thousand (12/31/2019: EUR 152 thousand).

The allocation of the carrying amount of goodwill to the CGU groups is presented below:

in kEUR	12/31/2020	12/31/2019
Goodwill		
Construction Equipment CE	9,635	8,052
Construction Equipment Nordics	7,587	7,288
Rental	16,366	16,366
Plant Engineering	2,230	2,230
	35,819	**33,936**

Zeppelin generally determines the recoverable amount of a CGU group as its fair value less costs to sell. The DCF method is applied. The cash flows used for the calculation are derived from the mid-term plan approved by management for the next three years on an after-tax basis. The expected cash flows after this period are extrapolated using growth rates. The growth rate reflects management's expectations of future growth derived from the past. The cost of capital rates after taxes are used to determine the present value. The cost of capital rates take into account Zeppelin's industry-specific risk. The determined fair value falls under level 3 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under "C Accounting Policies"). The growth rates and cost of capital rates used are shown in the table below:

	12/31/2020	
	Growth rate	Cost of capital
Goodwill		
Construction Equipment CE	1.0%	6.8%
Construction Equipment Nordics	1.6%	6.8%
Rental	1.0%	4.8%
Plant Engineering	1.0%	6.8%

	12/31/2019	
	Growth rate	Cost of capital
Goodwill		
Construction Equipment CE	1.0%	6.9%
Construction Equipment Nordics	n/a	n/a
Rental	1.0%	4.7%
Plant Engineering	1.0%	6.9%

17 PROPERTY, PLANT, AND EQUIPMENT

Changes in property, plant, and equipment are presented below:

in kEUR	Land and buildings	Technical equipment and machinery	Operating and business equipment	Rental fleet (RPO)	Rental fleet (other)	Advance payments and assets under construction	Total
Costs							
01/01/2019	**500,528**	**72,763**	**181,931**	**313,264**	**707,916**	**19,508**	**1,795,910**
Additions	43,256	7,947	56,482	139,513	193,755	8,374	449,329
Disposals	-6,949	-3,725	-17,176	-94,918	-77,622	-268	-200,658
Changes in the consolidation group	3,857	5,661	4,248	0	1,653	0	15,419
Net exchange differences	2,097	1,129	3,833	93	2,027	1,587	10,767
Transfers	5,256	850	10,583	-2,385	-8,420	-8,295	-2,411
Reclassifications	-19	197	409	0	-1,549	-34	-996
12/31/2019	**548,027**	**84,822**	**240,311**	**355,568**	**817,760**	**20,871**	**2,067,359**
Additions	52,059	4,669	27,768	118,912	146,818	5,542	355,768
Disposals	-12,261	-1,058	-18,975	-99,762	-89,728	-591	-222,375
Changes in the consolidation group	439	0	285	0	0	0	725
Net exchange differences	-6,419	-3,195	-8,192	18	-4,727	-2,217	-24,732
Transfers	27,205	-3,804	-12,193	0	6,253	-16,087	1,373
Reclassifications	-191	-12	-89	0	-1,579	-11	-1,882
12/31/2020	**608,859**	**81,422**	**228,915**	**374,736**	**874,797**	**7,507**	**2,176,236**
Accumulative depreciation and impairment losses							
01/01/2019	**-189,624**	**-48,426**	**-119,930**	**-61,733**	**-258,250**	**0**	**-677,963**
Depreciation	-25,992	-5,187	-28,041	-46,553	-98,302	0	-204,076
Impairments	-24	0	-13	0	-13	0	-50
Reversals of impairments	7	71	71	0	84	0	233
Disposals	4,597	3,673	15,814	32,157	44,053	0	100,294
Changes in the consolidation group	-85	-8	-742	0	0	0	-836
Net exchange differences	-711	-710	-2,040	-20	-633	0	-4,113
Transfers	-49	650	-514	2,385	-3	0	2,469
Reclassifications	-635	-200	-403	0	466	0	-772
12/31/2019	**-212,517**	**-50,136**	**-135,798**	**-73,764**	**-312,596**	**0**	**-784,812**
Depreciation	-29,275	-6,230	-32,800	-49,827	-106,654	0	-224,786
Impairments	-99	0	-297	0	-91	0	-487
Reversals of impairments	28	1	8	0	85	0	123
Disposals	7,542	1,154	17,394	37,512	49,715	0	113,317
Changes in the consolidation group	-154	0	-119	0	0	0	-273
Net exchange differences	2,134	2,161	5,222	37	1,748	0	11,302
Transfers	-125	-115	572	-314	-1,722	0	-1,704
Reclassifications	198	12	-10	0	631	0	831
12/31/2020	**-232,266**	**-53,154**	**-145,829**	**-86,356**	**-368,883**	**0**	**-886,489**

The asset classes shown in the statement of changes in non-current assets include rights of use for leased assets. Further details are provided in Note 25.

In the fiscal year 2020, Zeppelin received compensation of EUR 13,458 thousand for damaged property, plant, and equipment (2019: EUR 11,813 thousand).

As at December 31, 2020, there were contract obligations for Zeppelin to acquire property, plant, and equipment amounting to EUR 101,308 thousand (12/31/2019: EUR 49,158 thousand).

18 Current Financial Liabilities

Current financial liabilities include[8]:

in kEUR	12/31/2020 FVTPL	AC	Miscella-neous
Financial liabilities			
Borrowings	-	9,413	-
Bonded loans	-	13,922	-
Derivatives	777	-	-
Lease liabilities	-	-	80,893
Continuing involvement	-	-	315
Miscellaneous	-	-	-
	777	**23,336**	**81,207**
Trade payables	**-**	**130,941**	**-**
Other financial liabilities	**-**	**119,370**	**-**

in kEUR	12/31/2019 FVTPL	AC	Miscella-neous
Financial liabilities			
Borrowings	-	47,432	-
Bonded loans	-	1,380	-
Derivatives	279	-	-
Lease liabilities	-	-	92,911
Continuing involvement	-	-	13
Miscellaneous	-	-	-
	279	**48,813**	**92,924**
Trade payables	**-**	**133,340**	**-**
Other financial liabilities	**-**	**126,290**	**-**

Information on financial liabilities to related entities is provided in section H.

Current financial liabilities have a maturity of less than one year. Therefore, their carrying amounts at the reporting date correspond to their fair values. The fair values fall under level 2 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under C "Accounting Policies").

For derivative financial instruments, future cash flows are determined using forward curves. Exchange rates and yield curves are used, which can be observed on the relevant markets and obtained via market information systems. The fair value of these instruments corresponds to the sum of the discounted cash flows. As such, the fair values determined for derivatives fall under level 2 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under "C Accounting Policies").

[8] Derivatives in hedge accounting and continuing involvement do not fall under any of the measurement categories of IFRS 9. They are included in the "Miscellaneous" category.

19 Other Liabilities

Other liabilities include:

in kEUR	12/31/2020 Total	12/31/2020 thereof current	12/31/2019 Total	12/31/2019 thereof current
Other liabilities				
Other tax liabilities	46,401	46,401	41,045	41,045
Deferred sales from RPO transactions	129,057	54,737	125,737	54,260
Liabilities for wages and salaries	1,454	1,351	1,696	1,633
Advance payments for services to be rendered	7,478	7,475	6,089	6,089
Other advance payments	14,560	14,080	7,640	7,108
	198,951	**124,044**	**182,208**	**110,135**

Advance payments for services to be rendered mainly relate to marketing support and rent. The other advance payments mainly relate to obligations to employees and other benefits.

20 Non-Current Financial Liabilities

The carrying amounts and fair values of non-current financial liabilities are[9]:

	12/31/2020				
	FVTPL		AC		Miscellaneous
in kEUR	Carrying amount	Market value	Carrying amount	Market value	
Financial liabilities					
Borrowings	-	-	111,098	111,117	-
Bonded loans	-	-	229,823	248,962	-
Derivatives	3,877	3,877	-	-	6,038
Lease liabilities	-	-	-	-	250,725
Continuing involvement	-	-	-	-	8,145
	3,877	**3,877**	**340,921**	**360,080**	**264,908**
Trade payables	**-**	**-**	**-**	**-**	**-**
Other financial liabilities	**-**	**-**	**164,637**	**164,526**	**-**

[9] Derivatives in hedge accounting and continuing involvement do not fall under any of the measurement categories of IFRS 9. They are included in the "Miscellaneous" category.

	12/31/2019				
	FVTPL		AC		Miscella-neous
in kEUR	Carrying amount	Market value	Carrying amount	Market value	
Financial liabilities					
Borrowings	-	-	147,166	148,302	-
Bonded loans	-	-	242,269	249,800	-
Derivatives	4,358	4,358	-	-	6,203
Lease liabilities	-	-	-	-	224,023
Continuing involvement	-	-	-	-	9,223
	-	**4,358**	**389,435**	**398,102**	**239,449**
Trade payables	**-**	**-**	**-**	**-**	**-**
Other financial liabilities	**-**	**-**	**165,512**	**164,206**	**-**

Information on financial liabilities to related entities is provided in section H.

With the exception of the disclosures on the fair value of the continuing involvement, the fair values of the financial liabilities correspond to the present value of the cash outflows. They are discounted using credit risk-adjusted interest rates. The valuation method falls under level 2 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under "C Accounting Policies").

For derivative financial instruments, future cash flows are determined using forward curves. In particular, exchange rates and yield curves are used, which can be observed on the relevant markets and obtained via market information systems. As such, the fair values determined for derivatives fall under level 2 of the fair value hierarchy (see subsection "Fair Value" in the section "Financial Instruments" under "C Accounting Policies").

21 Employee Benefits

Employee benefits include:

in kEUR	12/31/2020 Total	12/31/2020 thereof current	12/31/2019 Total	12/31/2019 thereof current
Employee benefits				
Short-term employee benefits				
Vacation and overtime	23,436	23,436	26,271	26,271
Variable salary components and bonuses	49,175	49,175	42,100	42,100
Commissions	5,587	5,587	6,641	6,641
Social contributions	7,470	7,470	5,946	5,946
Miscellaneous	3,796	3,796	4,076	4,076
	89,464	**89,464**	**85,034**	**85,034**
Net liability from defined benefit pension plans	**179,497**	**7,577**	**172,986**	**7,179**
Other long-term employee benefits				
Jubilee bonuses	2,877	496	3,000	647
Partial retirement	4,028	1,362	3,699	686
Miscellaneous	170	0	227	0
	7,075	**1,857**	**6,927**	**1,333**
Post-employment benefits	**5,800**	**5,458**	**5,382**	**5,075**
	281,835	**104,356**	**270,328**	**98,620**

Provisions for Defined Benefit Pension Plans

Zeppelin provides participating employees with post-employment pension and similar benefits in the form of defined contribution and defined benefit plans under which benefits are payable in the form of payments on and after retirement, disability, and death.

Defined contribution plans mainly relate to the statutory pension insurance of the Federal Republic of Germany and company pension benefits with contributions paid to direct insurance companies by way of employer financing and deferred compensation.

Expenses for defined contribution plans amounted to EUR 5,653 thousand (2019: EUR 3,322 thousand).

The largest defined benefit commitment is the pension plan of Zeppelin Metallwerke GmbH (now Zeppelin GmbH), which was closed in 1995 and largely transferred to Zeppelin Baumaschinen GmbH and Zeppelin Systems GmbH in the course of restructuring. The amount of the respective claims depends on the length of service and the pensionable income before January 1, 1996. Current pensions are adjusted annually at 1.0%. In addition, there are further defined benefit commitments for smaller pension plans and individual commitments to managing directors and selected executives. The commitments provide for a lifelong pension, a partial disability or survivors' pension, or corresponding contributions and various capital options.

Furthermore, larger defined benefit pension obligations were taken over from the acquisition in Sweden. The benefits under the pension plan are graduated according to different percentages depending on salary intervals.

As at the reporting date, for a total of 3,470 employees (12/31/2019: 3,445) there were obligations from defined benefit commitments, of which 1,090 are due to active employees (12/31/2019: 1,136), 719 to former employees with vested pension rights (12/31/2019: 639) and 1,661 to pensioners and surviving dependants (12/31/2019: 1,670).

Zeppelin has invested plan assets to meet and finance its defined benefit commitments, which are measured at fair value and offset against provisions for pensions. Plan assets include reinsurance policies and funds paid into pension trusts (CTAs) as plan assets. The plan assets are earmarked, secured against insolvency, and pledged.

A breakdown of the net liability and changes thereto are presented below:

in kEUR	12/31/2020	12/31/2019
Net liability		
Provisions for pensions	191,653	183,094
thereof covered	18,758	16,427 [10]
thereof not covered	172,896	166,667
Fair value of plan assets	-12,217	-10,128
	179,437	**172,966**

The fair value of plan assets includes EUR 60 thousand (2019: EUR 20 thousand) surplus of assets from a direct commitment (payment into a CTA).

in kEUR	Provisions for pensions	Plan assets	Net liability
01/01/2019	**149,154**	**7,973**	**141,182**
Service cost	2,151	0	2,151
Interest result	2,302	170	2,132
Benefits paid by company / plan	-6,220	693	-6,913
Actuarial gains (-) and losses (+)	12,801	198	12,604
from the change in demographic assumptions	-138	0	-138
from the change in financial assumptions	13,803	0	13,803
due to experience adjustments	-864	0	-864
Employee contributions	174	221	-46
Employer contributions	-214	609	-823
Net exchange differences	539	170	369
Changes in the consolidation group	38	0	38
Acquisitions	22,758	0	22,758
Miscellaneous	-391	94	-485
12/31/2019	**183,094**	**10,128**	**172,966**

in kEUR	Provisions for pensions	Plan assets	Net liability
01/01/2020	**183,094**	**10,128**	**172,966**
Service cost	2,761	0	2,761
Interest result	1,438	143	1,295
Benefits paid by company / plan	-8,402	-497	-7,905
Actuarial gains (-) and losses (+) of which	11,945	86	11,859
from the change in demographic assumptions	17	0	17
from the change in financial assumptions	9,196	0	9,196
due to experience adjustments	2,731	0	2,731
Employee contributions	173	190	-17
Employer contributions	-236	824	-1,060
Net exchange differences	1,067	21	1,045
Miscellaneous	-187	1,320	-1,507
12/31/2020	**191,653**	**12,217**	**179,437**

For the following fiscal year Zeppelin expects payments for employer contributions to plan assets of EUR 1,105 thousand (12/31/2019: EUR 962 thousand), and pension payments of EUR 264 thousand (12/31/2019: EUR 235 thousand).

The valuation of provisions for pensions is based on actuarial assumptions. The assumptions weighted across the entire Group according to their relative share of the total obligation are presented below:

	31.12.2020	31.12.2019
Weighted actuarial interest rate	0.49%	0.70%
Weighted future wage and salary increases	2.26%	2.32%
Weighted future pension increase	2.26%	2.32%

The calculation basis for life expectancy is the 2018 G mortality tables by Klaus Heubeck.

The average duration of provisions for pensions is between 3.0 and 26.3 years (12/31/2019: 4.1 to 20.7 years).

Zeppelin is exposed to actuarial risks from the measurement of provisions for pensions. The carrying amount of provisions is particularly sensitive to fluctuations in discount

[10] Adjusted previous-year figure (previously EUR 6,706 thousand)

rates and life expectancy. The following sensitivity analysis provides a quantitative assessment of the extent of the actuarial risks.

in kEUR	12/31/2020	12/31/2019
Discount rate		
+ 0.25%	185,170	177,988
- 0.25%	198,402	188,832
Life expectancy		
+ 1 year	200,878	192,660
- 1 year	182,233	173,508

A breakdown of the plan assets is presented below:

	12/31/2020			12/31/2019		
in kEUR	listed	unlisted	Total	listed	unlisted	Total
Plan assets						
Cash	0	77	**77**	0	36	**36**
Equity instruments	1,714	0	**1,714**	1,586	0	**1,586**
Debt instruments	2,445	0	**2,445**	2,269	0	**2,269**
Real estate	0	1,022	**1,022**	0	964	**964**
Investment funds	61	0	**61**	205	0	**205**
ABS program	0	0	**0**	0	0	**0**
Insurance policies	0	6,662	**6,662**	0	4,824	**4,824**
Miscellaneous	236	0	**236**	245	0	**245**
	4,456	7,761	**12,217**	4,305	5,823	**10,128**

22 Other Provisions

A breakdown of other provisions is presented below:

in kEUR	Warranties	Onerous contracts	Commis-sions	Loyalty bonuses and other price reductions	Legal fees	Miscella-neous	Total
01/01/2019	**16,638**	**4,545**	**1,095**	**4,517**	**3,241**	**13,160**	**43,197**
Addition	14,034	2,073	1,107	3,607	1,446	9,059	31,325
Utilization	-7,325	-2,872	-347	-3,018	-177	-3,986	-17,725
Reversals	-5,787	-146	-97	-296	-1,768	-3,767	-11,861
Discounting	-3	0	0	0	0	-266	-269
Unwinding of the discount	5	2	0	0	0	38	46
Interest rate change	0	0	0	0	0	0	0
Changes in the consolidation group	0	0	0	0	0	107	107
Net exchange differences	193	36	11	0	6	292	538
12/31/2019	**17,755**	**3,638**	**1,768**	**4,811**	**2,748**	**14,637**	**45,357**

in kEUR	Warranties	Onerous contracts	Commis-sions	Loyalty bonuses and other price reductions	Legal fees	Miscella-neous	Total
12/31/2019	**17,755**	**3,638**	**1,768**	**4,811**	**2,748**	**14,637**	**45,357**
Addition	11,678	923	394	2,744	408	8,185	24,333
Utilization	-9,840	-1,496	-677	-3,229	-266	-5,856	-21,364
Reversals	-2,085	-163	-34	-303	-311	-750	-3,646
Discounting	-42	-2	0	0	0	0	-44
Unwinding of the discount	4	3	0	0	0	269	276
Interest rate change	0	0	0	0	0	0	0
Changes in the consolidation group	0	0	0	0	0	19	19
Net exchange differences	-593	-46	26	0	-451	-223	-1,287
12/31/2020	**16,876**	**2,857**	**1,477**	**4,023**	**2,128**	**16,281**	**43,643**

A summary of other provisions by maturity is presented in the following table:

in kEUR	12/31/2020		12/31/2019	
	Total	thereof current	Total	thereof current
Other provisions				
Warranties	16,876	13,931	17,755	13,435
Onerous contracts	2,857	2,609	3,638	3,362
Commissions	1,477	1,477	1,768	1,768
Loyalty bonuses and other price reductions	4,023	4,023	4,811	4,811
Legal fees	2,128	2,128	2,748	2,748
Miscellaneous	16,281	11,700	14,637	10,051
	43,643	**35,869**	**45,357**	**36,176**

Warranty provisions are recognized for warranty obligations. The valuation takes into account the expected value of the warranty costs attributable to the sales made. Warranty provisions are reversed upon expiry of the respective warranty period. The number of warranty claims, the warranty costs, and the timing of warranty claims are subject to estimation.

Provisions for onerous contracts are recognized for pending sales transactions if the unavoidable costs exceed the expected economic benefits from the settlement of these transactions. Expected costs and sales are estimated. A large part of the provisions relates to orders for which sales are realized according to degree of completion. They are recognized as soon as the expected total costs from the fulfillment of the contract exceed the contract value.

Provisions for commissions relate to expected obligations to pay commissions to third parties for the brokerage of business. The amount of the brokerage commission is estimated.

Provisions for loyalty bonuses and other price reductions are recognized for the achievement of certain targets (e.g. sales targets) within a defined period. Estimates are required in terms of attaining the targets and the amount of the resulting discounts.

Provisions for legal fees are recognized for expected litigation expenses. Estimates relate to the amount of court costs such as court fees and expenses, as well as non-court costs, for example for lawyers. It is also necessary to estimate the extent of Zeppelin's contribution to the costs of the proceedings and the time at which it will be able to benefit from the pending proceedings.

23 EQUITY

The share capital of EUR 100,000 thousand (12/31/2019: EUR 100,000 thousand) is divided into two shares. These are issued and fully paid in. The following table illustrates the carrying amount per share and the associated voting rights.

in kEUR	12/31/2020	12/31/2019
Luftschiffbau Zeppelin GmbH		
Carrying amount of share capital	96,250	96,250
Voting rights in %	96.25	96.25
Zeppelin Foundation		
Carrying amount of share capital	3,750	3,750
Voting rights in %	3.75	3.75

Zeppelin distributed a dividend of EUR 16,103 thousand in fiscal year 2020 (2019: EUR 15,923 thousand). The dividend is paid to the shareholders of Zeppelin GmbH in proportion to their shares.

The capital reserve of EUR 60,000 thousand results from shareholder contributions. It serves to permanently strengthen the equity of Zeppelin GmbH.

A breakdown of retained earnings is presented below:

in kEUR	12/31/2020	12/31/2019
Retained earnings		
Shares in Luftschiffbau Zeppelin GmbH	11,276	11,276
First-time application of IFRS	15,952	15,952
Foreign currency translation differences	-37,417	-37,417
Other retained earnings	769,738	698,529
	759,549	**688,340**

The reserve for the first-time application of IFRS includes the equity differences resulting from the conversion from HGB to IFRS. The reserve for currency translation includes the cumulative currency translation differences up to the date of conversion to IFRS. Other retained earnings obtain the accumulated earnings of the companies included in the consolidated financial statements.

Based on the disposable profit of EUR 492,308 thousand, the Management Board proposes distributing a regular dividend of 18% of the consolidated net profit attributable to the shareholders of Zeppelin GmbH (EUR 87,284 thousand), thus EUR 15,711 thousand for fiscal year 2020 and carrying EUR 476,597 thousand forward to new account.

The value of deferred taxes reported in accumulated other comprehensive income is EUR 7,654 thousand (12/31/2019: EUR 4,262 thousand).

in kEUR	12/31/2020		
	Before income taxes	Income taxes	After income taxes
Actuarial gains (-) and losses (+) from pension plans	-26,720	7,275	-19,445
Hedge relationships	-1,721	255	-1,465

in kEUR	12/31/2019		
	Before income taxes	Income taxes	After income taxes
Actuarial gains (-) and losses (+) from pension plans	-15,074	3,999	-11,075
Hedge relationships	-1,024	263	-761

In the fiscal year, EUR -234 thousand (2019: EUR -507 thousand) was reclassified from accumulated other comprehensive income for hedge accounting to the statement of profit or loss. The related deferred taxes were EUR -70 thousand (2019: EUR -150 thousand).

24 Capital Management

As part of its capital management, Zeppelin's objective is to maintain or increase the company's ability to continue as a going concern and the benefits for the shareholders of Zeppelin GmbH through financial stability. In order to achieve these objectives, measures are taken to control the capital structure by management. The control methods have not changed compared to the previous year.

Zeppelin's credit agreements include financial covenants relating in part to equity and debt. Zeppelin has complied with all financial covenant agreements.

Zeppelin monitors the capital on the basis of the debt ratio, the equity ratio, and the return on capital according to IFRS. The control ratios are aimed at the management of balance sheet equity.

A breakdown of the ratios is presented below:

	12/31/2020	12/31/2019
Debt ratio[11]	0.81	1.42
Equity ratio	32.1 %	30.3 %
Return on capital	**6.5 %**	**6.7 %**
Earnings before interest and income tax	139,874	150,044
Capital employed	2,144,420	2,251,541

The capital employed consists of fixed assets and working capital. The basis for calculating the ratios has not changed compared to the previous year.

25 Leasing

Lessee

Zeppelin's lease agreements mainly relate to real estate, motor vehicles (hereinafter "vehicles"), office and business equipment, as well as technical equipment and machinery.

The term of the lease agreements for real estate is between 9 and 699 months (12/31/2019: between 21 and 684 months). Extension and termination options were agreed under these leases. Zeppelin uses these options to ensure the best possible flexibility with regard to the continuation or abandonment of sales locations and rental stores. The measurement of lease liabilities reflects current estimates of the expected exercise or non-exercise of these options. Zeppelin is partially obliged to restore the properties to their original condition upon termination of a lease agreement. Provisions for restoration obligations are recognized for this purpose in accordance with IFRIC 1 in conjunction with IAS 37.

The term of the lease agreements for vehicles is between 6 and 89 months (12/31/2019: between 11 and 66 months). There are no purchase or extension options or termination options. Compensation payments are made for excess mileage if the maximum mileage on which the contract is based is exceeded. Vehicle lease agreements are often concluded with a time lead corresponding to the manufacturers' delivery times.

The term of the lease agreements for office and business equipment is between 1 and 85 months (12/31/2019: between 1 and 74 months). There are usually no purchase or extension options or termination options.

The term of the lease agreements for technical equipment and machinery is between 19 and 74 months (12/31/2019: between 19 and 72 months). There are usually no purchase or extension options or termination options.

The following table summarizes cash flows, expenses, and income resulting from leases:

in kEUR	2020	2019
Interest expenses from lease liabilities	-3,640	-2,756
Expenses from short-term lease agreements	-16,353	-13,033
Expenses from lease agreements for low-value assets	-5,563	-8,075
Expenses from variable lease payments other than lease payments	-1,892	-370
Income from subleases	545	771
Cash outflow from leasing	-58,931	-38,993
thereof from lease liabilities	-36,662	-21,094
thereof from short-term leasing and low-value assets	-22,270	-17,899

The total of fixed lease payments for contracts whose term had not yet commenced as at the reporting date amounted to EUR 3,797 thousand (12/31/2019: EUR 1,761 thousand).

[11] The debt ratio is equal to the financial debt divided by the earnings before interest, taxes, depreciation, and amortization.

Changes to the carrying amounts of the rights of use are presented below:

in kEUR	Land and buildings	Technical equipment and machinery	Operating and business equipment	Rental fleet (other)
Costs				
01/01/2019	**107,601**	**4,330**	**25,504**	**430**
Additions	21,335	1,988	27,878	0
Disposals	-2,420	-602	-4,080	0
Changes in the consolidation group	2,423	218	208	396
Net exchange differences	478	29	776	0
Transfers	10	-1,345	673	0
Reclassifications	-19	0	0	0
12/31/2019	**129,409**	**4,619**	**50,958**	**826**
Additions	45,781	1,106	9,649	0
Disposals	-9,975	-490	-5,813	-1,951
Changes in the consolidation group	439	0	88	0
Net exchange differences	-1,080	-65	-980	647
Transfers	12,983	757	-14,658	16,361
Reclassifications	-191	-12	-89	0
12/31/2020	**177,366**	**5,916**	**39,154**	**15,882**
Accumulative depreciation and impairment losses				
01/01/2019	**-25,581**	**-2,002**	**-9,947**	**-253**
Depreciation	-15,893	-788	-8,157	-124
Impairments	0	0	0	0
Reversals of impairments	0	0	0	0
Disposals	634	588	3,853	0
Changes in the consolidation group	0	0	0	0
Net exchange differences	-258	-13	-136	0
Transfers	-49	723	-363	0
Reclassifications	-635	0	-3	0
12/31/2019	**-41,782**	**-1,492**	**-14,752**	**-376**
Depreciation	-18,139	-1,357	-9,697	-2,592
Impairments	0	0	22	0
Reversals of impairments	-53	0	0	0
Disposals	5,693	458	5,512	0
Changes in the consolidation group	-154	0	-25	0
Net exchange differences	457	29	270	-105
Transfers	334	-315	1,391	0
Reclassifications	198	12	-12	0
12/31/2020	**-53,445**	**-2,664**	**-17,290**	**-3,073**

Information on the maturities of the lease liability is provided in Note 27 "Liquidity Risk".

Zeppelin uses SLB transactions to finance certain parts of the rental fleet. 12

Lessor

Zeppelin rents out construction machines as well as a wide range of construction equipment, modular room systems, construction site and traffic guidance systems, work platforms, forklifts and lifts, and vehicles. The vast majority of rental business is accounted for in accordance with the rules for operating leases. In addition, rental income includes income from deferred sales from RPO transactions, which are accounted for as rentals.

Income from operating leases was:

in kEUR	2020	2019
Income from leases	412,387	414,851
thereof variable	0	0

In subsequent fiscal years, Zeppelin expects fixed payments from operating leases of:

in kEUR	12/31/2020	12/31/2019
Proceeds from operating leases		
in subsequent year	78,149	82,080
thereof SBU Rental order backlog	62,353	66,662
in 2nd subsequent year	7,841	9,716
in 3rd subsequent year	5,090	6,868
in 4th subsequent year	2,468	4,014
in 5th subsequent year	1,025	1,356
Thereafter	161	334
	94,734	**104,368**

Changes to the carrying amount of assets leased under operating leases are presented below:

in kEUR	Rental fleet (RPO)	Rental fleet (other)
Costs		
01/01/2019	**313,264**	**707,916**
Additions	139,513	193,755
Disposals	-94,918	-77,622
Changes in the consolidated group	0	1,653
Net exchange differences	93	2,027
Transfers	-2,385	-8,420
Reclassifications	0	-1,549
12/31/2019	**355,568**	**817,760**
Additions	118,912	146,818
Disposals	-99,762	-89,728
Changes in the consolidated group	0	0
Net exchange differences	18	-4,727
Transfers	0	6,253
Reclassifications	0	-1,579
12/31/2020	**374,736**	**874,797**
Accumulative amortization and impairment losses		
01/01/2019	**-61,733**	**-258,250**
Depreciation	-46,553	-98,302
Impairments	0	-13
Reversals of impairments	0	84
Disposals	32,157	44,053
Changes in the consolidated group	0	0
Net exchange differences	-20	-633
Transfers	2,385	-3
Reclassifications	0	466
12/31/2019	**-73,764**	**-312,596**
Depreciation	-49,827	-106,654
Impairments	0	-91
Reversals of impairments	0	85
Disposals	37,512	49,715
Changes in the consolidated group	0	0
Net exchange differences	37	1,748
Transfers	-314	-1,722
Reclassifications	0	631
12/31/2020	**-86,356**	**-368,883**

G FINANCIAL INSTRUMENTS

26 OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

Classification

The following table summarizes the carrying amounts of the financial instruments included in the consolidated financial statements by measurement category:

in kEUR	12/31/2020	12/31/2019
Financial assets		
AC	578,429	525,675
FVTPL	14,825	18,214
	593,254	**543,889**
Financial liabilities		
AC	779,205	863,390
FVTPL	4,654	4,637
	783,859	**868,027**

Zeppelin has not made any reclassifications between these categories.

The excess of financial liabilities over financial assets mainly results from the accounting for leases and for SLB transactions. The assets recognized for these transactions (rights of use and rental fleet) are not financial instruments but property, plant, and equipment and are therefore not included in the above comparison.

Offsetting

Zeppelin does not hold any cash collateral and does not set off any balance sheet items. Derivative financial instruments, credit balances, and liabilities to banks are recognized gross in the consolidated statement of financial position.

In the case of derivative financial instruments and account balances with banks, all derivatives existing between the counterparties concerned as well as credit balances and liabilities could be offset in the event of insolvency. At present, Zeppelin has no legal right to set off, nor does Zeppelin intend to settle on a net basis.

Carrying amounts and offsetting potentials are presented in the summary below:

in kEUR	12/31/2020	12/31/2019
Derivatives		
Derivatives with positive fair value	392	326
Offsetting potential	-392	-326
	0	**0**
Derivatives with negative fair value	10,692	10,840
Offsetting potential	-392	-326
	10,300	**10,514**
	10,300	**10,514**
Cash at bank		
Cash at bank	157,332	68,884
Offsetting potential	-64,953	-8,822
	92,379	**60,062**
Borrowings		
Borrowings	120,511	194,599
Offsetting potential	-64,953	-8,822
	55,558	**185,776**

Collateral Provided and Received

Zeppelin has not pledged any financial assets as collateral for financial liabilities and does not itself hold any significant collateral for financial assets.

Net Results

The following table summarizes the net results from financial instruments by measurement category. They include net income and expenses from interest, revaluation, net exchange differences, loss allowances, and disposal effects.

in kEUR	2020	2019
Financial assets		
AC	-3,817	-3,658
FVTPL	1,383	1,552
	-2,434	**-2,106**
Financial liabilities		
AC	-17,352	-13,604
FVTPL	-570	-4,764 [12]
	-17,921	**-18,368**

The net results in the AC measurement category include expenses from the application of the

[12] Adjusted previous-year figure (previously EUR 5,972 thousand)

effective interest method of EUR -12,101 thousand (2019: EUR -15,947 thousand).

Hedge Accounting

In accordance with Group policies, Zeppelin uses derivative financial instruments only with a reference to hedged item within the framework of currency and interest rate risk management to hedge cash flows from interest and exchange rate fluctuations and to hedge the fair value against interest-related fluctuations (see section "Principles of Financial Risk Management" under Note 27 "Management of Financial Risks"). However, not every hedging relationship is accounted for as such. The following summary presents the carrying amounts of the derivatives portfolio by hedges reported in the balance sheet and not reported in the balance sheet:

in kEUR	12/31/2020	12/31/2019
Derivatives		
Cash flow hedging		
Derivatives for interest rate hedging	-9,916	-10,561
thereof in hedge relationships reported in the balance sheet	-6,038	-6,203
thereof in hedge relationships whose accounting had to be discontinued	-3,877	-4,358
Derivatives for currency hedging	-603	-244
thereof in hedge relationships reported in the balance sheet	0	0
thereof in hedge relationships not reported in the balance sheet	-603	-244
thereof in hedge relationships whose accounting had to be discontinued	0	0
	-10,518	**-10,805**
Fair value hedging		
Derivatives for interest rate hedging	218	291
thereof in hedge relationships reported in the balance sheet	218	291
thereof in hedge relationships not reported in the balance sheet	0	0
	218	**291**
	-10,300	**-10,514**
thereof positive fair values	392	326
thereof negative fair values	10,692	10,840

Hedge Accounting for Currency Hedges

Zeppelin uses forward exchange contracts and currency swaps to manage currency risks. Zeppelin also uses the foreign currency component of medium and non-current financial liabilities from SLB transactions to hedge currency risks arising from the EUR/PLN currency pair (see subsection "Currency Risk" in the section "Market Risks" under Note 27 "Management of Financial Risks").

For practical reasons, the hedge accounting rules for these hedges are only applied from a certain period-related threshold. Zeppelin generally includes all derivative components in hedge accounting. As a result, hedge accounting is applied for the following currency hedging relationships:

– Hedging of intercompany loans (EUR/RUB)
– Hedging of highly probable firmly contracted cash inflows in foreign currency (EUR/PLN)

Intercompany loans (EUR/RUB) are hedged by concluding currency swaps in the corresponding currency with matching amounts and maturities. It is therefore expected that the offsetting changes in value of the hedged items and hedging transactions will be almost completely offset in the future for each hedged risk.

As of December 31, 2020, and as in the previous year, there were no designated currency hedges with FX derivatives as hedging instruments.

Since fiscal year 2018, Zeppelin hedged highly probable, firmly contracted cash inflows in foreign currency from operating activities for the EUR/PLN currency pair with maturities matching those of the foreign currency component of financial liabilities from medium- and long-term SLB transactions in the corresponding currency. It is expected that the offsetting changes in value of the hedged items and hedging transactions will be almost completely offset in the future the currency risk.

The table below presents a summary of the key terms of the financial liabilities from medium- and long-term SLB transactions used to hedge highly probable cash inflows from operating activities denominated in foreign currencies:

in kEUR	Carrying amount	Remaining balance of liability	Term
12/31/2020			
	13,435	14,122	2 to 4 years
12/31/2019			
	13,822	14,528	3 to 5 years

The nominal amount of these transactions is due as follows:

in kEUR	Subsequent year	2nd to 5th subsequent year	Thereafter	Total
12/31/2020				
	4,133	9,989	0	**14,122**
12/31/2019				
	4,252	10,276	0	**14,528** [13]

A breakdown of the carrying amounts of these transactions (reported under non-current and current financial liabilities) and the related amounts recognized in accumulated other comprehensive income is presented below:

in kEUR	Carrying amount	Accumulated change in value	Accumulated other comprehensive income
12/31/2020			
	13,564	-822	-841
12/31/2019			
	14,099	189	-20

The hedged items are off-balance-sheet, firmly contracted, and highly probable cash inflows from operating activities. The expected inflows of cash and cash equivalents and their accumulated change in value are as follows:

in kEUR	Expected cash flows	Accumulated change in value
12/31/2020		
	14,122	822
12/31/2019		
	14,528 [13]	-189

[13] Adjusted previous-year figure (previously EUR 13,822 thousand)

Changes to the amount recognized in accumulated other comprehensive income for currency risk hedges are as follows:

in kEUR	Carrying amount
01/01/2019	**-537**
Change in fair value	11
Recycling due to realization of the underlying transaction	507
Recycling for losses that are no longer expected	0
12/31/2019	**-19**
Change in fair value	-1,056
Recycling due to realization of the underlying transaction	234
Recycling for losses that are no longer expected	0
12/31/2020	**-841**

Non-offsetting, ineffective portions of the hedging relationships generally result from the one-sided consideration of the specific credit risk of each party in the hedging transactions. In 2020, as in the previous year, there was no ineffectiveness in FX hedges.

Hedge Accounting for Interest Rate Hedges

Zeppelin uses interest rate swaps to manage interest rate risks (see subsection "Interest Rate Risk" in the section "Market Risk" under Note 27 "Management of Financial Risks").

Volumes and maturities are aligned with the structure of the cash flows of the financial liabilities and with the desired degree of hedging. To the extent that the parameters of the hedged item and the hedging instrument relevant to valuation match, the changes in value of the hedged item and the hedging instrument caused by interest rate fluctuations are systematically offset.

Hedging relationships are reported in the balance sheet as cash flow hedges or fair value hedges. The hedged items are bonded loans and drawdowns under the syndicated credit facility.

Cash Flow Hedges

The following tables present a summary of the main terms of the interest rate swaps used to hedge cash flows from hedged items with variable interest rates:

in kEUR	Carrying amount	Nominal	Zeppelin pays		Zeppelin receives	
			from	to	from	to
12/31/2020						
Negative fair values						
	6,038	60,000	1.65 %	1.71 %	3M Euribor	3M Euribor

in kEUR	Carrying amount	Nominal	Zeppelin pays		Zeppelin receives	
			from	to	from	to
12/31/2019						
Negative fair values						
	6,203	60,000	1.65 %	1.71 %	3M Euribor	3M Euribor

The maturity structure of these transactions is summarized in the table below according to reference amounts:

in kEUR	Subsequent year	2nd to 5th subsequent year	Thereafter	Total
12/31/2020				
	0	60,000	0	**60,000**
12/31/2019				
	0	0	60,000	**60,000**

A breakdown of the carrying amounts of derivatives (reported under non-current and current financial assets and non-current and current financial liabilities) and the related amounts recognized in accumulated other comprehensive income is presented below:

in kEUR	Carrying amount		Accumulated change in value	Accumulated other comprehensive income	
	Positive fair values	Negative fair values		for current cash flow hedges	for ended cash flow hedges
12/31/2020					
	0	6,038	-929	-930	72
12/31/2019					
	0	6,203	-1,098	-1,099	95

The carrying amounts of the hedged items (reported under non-current and current financial liabilities) are as follows:

in kEUR	Carrying amount	Accumulated change in value
12/31/2020		
Bonded loans	243,746	0
thereof hedged	0	0
Drawdowns under the syndicated credit facility	59,142	0
thereof hedged	59,142	2,061
	59,142	**2,061**
12/31/2019		
Bonded loans	243,649	0
thereof hedged	0	0
Drawdowns under the syndicated credit facility	58,797	0
thereof hedged	58,797	1,915
	58,797	**1,915**

The stated carrying amount of the bonded loan includes accrued interest of EUR 1,423 thousand.

Changes to the amount recognized in accumulated other comprehensive income for interest rate hedges are as follows:

in kEUR	Carrying amount
01/01/2019	**-54**
Change in fair value	280
Recycling due to realization of the hedged item	-1,230
12/31/2019	**-1,004**
Change in fair value	1,441
Recycling due to realization of the hedged item	-1,295
12/31/2020	**-858**

Non-offsetting, ineffective portions of the hedging relationship generally result from the one-sided consideration of the specific credit risk of each party in the hedging instrument. For reasons of materiality, Zeppelin does not recognize this ineffectiveness.

In the case of interest rate hedges, ineffectiveness may also arise from contractual agreements in the hedged items, which cannot be reflected in the hedging instrument. These include, for example, floor agreements that are included in the agreements on interest on loans.

In addition, ineffectiveness arose from the introduction of IFRS accounting. This is a one-time special effect that arises exclusively from the interest rate derivatives in the portfolio at the time of conversion.

As in the previous year, there was no income from ineffectiveness.

Fair Value Hedges

The following table presents a summary of the main terms of the hedging instruments used to hedge fluctuations in the fair value of bonded loans:

in kEUR	Carrying amount	Nominal	Zeppelin pays		Zeppelin receives	
			from	to	from	to
12/31/2020						
Positive fair values						
	218	4,500	3M Euribor + 2.055%	3M Euribor + 2.055%	3.75 %	3.75 %

in kEUR	Carrying amount	Nominal	Zeppelin pays		Zeppelin receives	
			from	to	from	to
12/31/2019						
Positive fair values						
	291	4,500	3M Euribor + 2.055%	3M Euribor + 2.055%	3.75 %	3.75 %

The maturity structure of these transactions is summarized in the table below according to reference amounts:

in kEUR	Sub-sequent year	2nd to 5th Sub-sequent year	Thereafter	Total
12/31/2020				
	0	4,500	0	**4,500**
12/31/2019				
	0	4,500	0	**4,500**

The carrying amounts of derivatives in fair value hedges (reported under non-current and current financial assets and non-current and current financial liabilities) are as follows:

in kEUR	Carrying amount		Accu-mulated change in value
	Assets	Liabilities	
12/31/2020			
	218	0	-365

in kEUR	Carrying amount		Accu-mulated change in value
	Assets	Liabilities	
12/31/2019			
	291	0	-377

The carrying amounts of the hedged items (reported under non-current financial liabilities) are as follows:

in kEUR	Carrying amount	Accu-mulated base adjust-ment	Accu-mulated change in value
12/31/2020			
Bonded loans	4,591	36	365
12/31/2019			
Bonded loans	4,600	34	377

As part of the fair value hedge, income and expenses from the subsequent measurement of derivatives amounting to EUR -74 thousand (2019: EUR -226 thousand) were recognized. Adjustments of EUR -74 thousand (2019: EUR -226 thousand) and amortization of carrying amount adjustments of EUR 76 thousand (2019: EUR 261 thousand) were recognized in the carrying amount of the loans. The changes in the value of the hedged item and the hedging instrument caused by changes in the market interest rate level are systematically balanced out so that the parameters of the hedged item and the hedging instrument relevant to valuation match.

Non-offsetting, ineffective portions of the hedging relationship generally result from the one-sided consideration of the specific credit risk of each party in the hedging instrument. For reasons of materiality, Zeppelin does not recognize this ineffectiveness.

27 Management of Financial Risks

Principles of Financial Risk Management

The principles and responsibilities for the management and controlling of risks arising from financial instruments are defined by the Group Management Board in accordance with the legal provisions and set out in Group guidelines.

The Group is exposed to various financial risks arising from the Group's business and financing activities. Financial risks are divided into liquidity, default, and market risks (currency and interest rate risks).

The Group Management Board and the Group Supervisory Board receive regular reports on the Group's financial risks. Compliance with the Group guidelines is checked by the internal audit department and selectively by the Group auditor.

The methods and assumptions used in financial risk management have not changed since the previous reporting period.

Liquidity Risk

The liquidity risk is managed on the basis of business planning, which ensures that the funds required to finance the operating business and current and future investments in all Group companies are available promptly and in the required currency at reasonable cost. Liquidity risk management includes determining, with the aid of a liquidity plan, liquidity requirements from operating activities, investing activities, and other financial measures.

A rolling 12-month liquidity forecast and medium-term financial plan show the Group's liquidity requirements, which are fully covered at all times by a long-term syndicated credit facility of sufficient size, bonded loans, and concluded and available SLB capacities.

The following summary presents the expected cash outflows from financial liabilities at the respective reporting dates:

in kEUR	in subsequent year		in 2nd to 5th subsequent year		Thereafter	
	Interest	Repayment	Interest	Repayment	Interest	Repayment
12/31/2020						
Financial liabilities						
Borrowings	357	9,390	5,647	111,898	0	0
Bonded loans	2,671	12,500	8,759	150,000	2,485	80,000
Derivatives	2,560	64,179	7,253	0	0	0
thereof currency forwards	0	64,179	0	0	0	0
thereof interest rate derivatives	2,560	0	7,253	0	0	0
Lease liabilities	0	81,204	0	226,762	0	39,962
Miscellaneous	0	0	0	0	0	0
	5,588	**167,273**	**21,659**	**488,660**	**2,485**	**119,962**
Trade payables	**105**	**132,118**	**0**	**0**	**0**	**0**
Other financial liabilities	**113**	**119,414**	**231**	**165,575**	**2**	**84**

in kEUR	in subsequent year		in 2nd to 5th subsequent year		Thereafter	
	Interest	Repayment	Interest	Repayment	Interest	Repayment
12/31/2019						
Financial liabilities						
Borrowings	3,936	49,851	6,128	148,369	0	0
Bonded loans	2,674	0	9,483	112,500	4,286	130,000
Derivatives	2,314	87,295	7,741	0	455	0
thereof currency forwards	0	87,295	0	0	0	0
thereof interest rate derivatives	2,314	0	7,741	0	455	0
Lease liabilities[14]	0	96,093	0	199,880	0	34,721
Miscellaneous	0	0	0	0	0	0
	8,925	**233,239**	**23,351**	**460,749**	**4,741**	**164,721**
Trade payables	**1,553**	**137,883**	**0**	**0**	**0**	**0**
Other financial liabilities	**130**	**130,220**	**208**	**166,237**	**53**	**7,206**

In the reporting period, Zeppelin made all interest and principal repayments on time and in full and also met all capital requirements contained in credit and loan agreements. There are no concentrations of risk. Contingent liabilities are not expected to result in material actual liabilities and thus significant cash outflows for which no provisions have been recognized.

[14] Adjusted previous-year figures: reclassification of interest component from lease liabilities to redemption due to there being no contractually defined interest.

Default Risk

Credit Risk Management

To manage credit risk, Zeppelin has established a creditworthiness management system tailored to market conditions and customers. Before an order is accepted, a credit assessment is carried out on the basis of the creditworthiness data available on the customer. The Construction Equipment CE, Power Systems, and Rental SBUs use a market data portal for this purpose. Credit risk classes and credit limits are determined on the basis of the results of the credit assessment. If credit limits are exceeded, transactions are only settled against advance payment or the deposit of additional collateral such as bank guarantees. A significant proportion of new and used machines and engines are sold with the involvement of sales financing partners. At our own risk, purchase price deferrals or long-term financing purchase agreements are only granted in exceptional cases after intensive credit checks. Zeppelin harmonizes Group-wide credit management for customers who have business relationships with multiple SBUs by assigning Group credit limits, escalation processes, and monthly reporting on the utilization of Group limits.

The Construction Equipment Nordics SBU uses the credit assessment of external service providers, who regularly prepare credit assessments on new and existing customers. Credit risk classes and credit limits are determined on the basis of the results of the credit assessment. If credit limits are exceeded, transactions are only settled against advance payment or the deposit of additional collateral such as bank guarantees. If credit limits are exceeded, the customer can no longer purchase products or services, although in individual cases transactions can be approved by authorized persons. The decision then made is either extended credit or an advance payment. However, the majority of new and used machines are sold on a pre-delivery payment basis. If sales financing partners are used for the sale of machines, they bear the risk of bad debts.

The markets of the Plant Engineering SBU are highly diversified. In order to reduce the risk of bad debt losses, the Group concludes agreements regarding down payments and interim payments, collaterals, and credit and trade credit insurance. In order to protect itself against economic and political risks, the Group takes advantage of German government-backed trade export credit guarantees.

The availability of market data on the creditworthiness of customers is very limited in the markets in which the Construction Equipment Eurasia SBU operates. Therefore, transactions are generally only carried out against advance payment or bank guarantees. Credit limits and payment terms are only granted if, in exceptional cases, the creditworthiness of a customer can be assessed with sufficient reliability. Credit limits and payment terms are subject to strict monitoring.

Zeppelin only invests its cash and cash equivalents in banks with the highest creditworthiness and probabilities of default close to zero. If creditworthiness deteriorates significantly, Zeppelin withdraws all cash and cash equivalents promptly or reduces them to a level that is acceptable from a risk perspective.

Default Risk

Zeppelin distinguishes between recoverable non-performing and irrecoverable financial assets. Zeppelin divides credit risk into creditworthiness levels using different concepts tailored to market conditions and customers.

A financial asset is classified as non-performing ("definition of default") if there are significant reasons to believe that a debtor is unlikely to meet its payment obligations to Zeppelin.

A financial asset is deemed irrecoverable if, for example, Zeppelin is unable to collect the amount receivable definitively as a result of the conclusion of insolvency proceedings.

All financial assets that are neither non-performing nor irrecoverable are collectible. The following table summarizes the credit quality and the maximum default risk represented by the gross value according to the aforementioned categories:

in kEUR	Credit quality	Valuation allowance	Gross value	Valuation allowance	Carrying amount
12/31/2020					
Financial assets					
Loans	recoverable	Lifetime ECL	5,306	0	5,306
	non-performing	Lifetime ECL	4,093	-3,806	287
Other receivables	recoverable	Lifetime ECL	26,337		26,337
	non-performing	Lifetime ECL	722	-385	337
			36,459	**-4,191**	**32,268**
Trade receivables	**Lifetime ECL – simplified approach**		**417,232**	**-28,403**	**388,829**
Contract assets	**Lifetime ECL – simplified approach**		**40,358**	**-1,266**	**39,092**
Cash and cash equivalents					
Cash and cash equivalents	recoverable	12-month ECL	157,332	0	157,332
	non-performing	Lifetime ECL	810	-810	0
			158,142	**-810**	**157,332**

in kEUR	Credit quality	Valuation allowance	Gross value	Valuation allowance	Carrying amount
12/31/2019					
Financial assets					
Loans	recoverable	Lifetime ECL	2,212	0	2,212
	non-performing	Lifetime ECL	3,868	-3,339	529
Other receivables	recoverable	Lifetime ECL	22,904	0	22,904
	non-performing	Lifetime ECL	2,681	-421	2,260
			31,665	**-3,760**	**27,905**
Trade receivables	**Lifetime ECL – simplified approach**		**460,066**	**-26,539**	**433,527**
Contract assets	**Lifetime ECL – simplified approach**		**28,617**	**-670**	**27,947**
Cash and cash equivalents					
Cash and cash equivalents	recoverable	12-month ECL	68,884	0	68,884
	non-performing	Lifetime ECL	810	-810	0
			69,694	**-810**	**68,884**

In the case of financial instruments measured at fair value through profit or loss, the carrying amount reflects the maximum default risk.

in kEUR	12/31/2020	12/31/2019
Financial assets		
Derivatives	392	326
Shares	14,645	17,501
Participations	6	679
Securities	0	0
	15,043	**18,505**

Loss Allowances

Loss allowances are recognized by Zeppelin taking into account past events and expectations regarding the future development of credit risk (see the "Impairment Losses" subsection in the "Financial Instruments" section under "C Accounting Policies"). The methods used to measure the loss allowance have not changed compared with the previous year.

Loans mainly relate to associates and affiliated companies not included in the consolidation group.

The change in the loss allowance on other receivables is attributable to the change in the gross balance.

Loss allowances on trade receivables and contract assets are consistently measured using a simplified approach that only takes into account expected credit losses to maturity.

The following risk profile is derived for trade receivables in relation to the maturity structure:

in kEUR	Total	not due	days until overdue						non-performing
			< 30	31 - 60	61 - 90	91 - 180	181 - 360	> 360	
12/31/2020									
Trade receivables									
Gross	417,232	256,142	114,909	13,566	5,827	5,510	4,377	11,447	5,455
Loss allowance	-28,403								
	388,829								

in kEUR	Total	not due	days until overdue						non-performing
			< 30	31 - 60	61 - 90	91 - 180	181 - 360	> 360	
12/31/2019									
Trade receivables									
Gross	460,066	265,412	132,257	23,671	10,027	5,357	4,839	14,148	6,361
Loss allowance	-26,539								
	433,527								

Changes to the balance of loss allowances on trade receivables are presented below:

in kEUR	Credit-worthiness not impaired	Credit-worthiness impaired	Total
01/01/2019	**-12,164**	**-7,915**	**-20,079**
Transfer	56	-56	**0**
Revaluation	-2,802	-10,681	**-13,483**
Derecognition	1,089	430	**1,519**
Reversal	2,453	2,199	**4,652**
Change in gross value	0	0	**0**
Change in creditworthiness parameters	759	0	**759**
Change in the consolidated group	0	-24	**-24**
Net exchange differences	-120	-182	**-302**
12/31/2019	**-10,730**	**-16,229**	**-26,959**
Transfer	1	-1	0
Revaluation	-1,886	-8,218	**-10,103**
Derecognition	1,159	1,739	**2,898**
Reversal	1,308	2,724	**4,032**
Change in gross value	0	0	**0**
Change in creditworthiness parameters	11	-288	**-276**
Change in the consolidated group	0	-28	**-28**
Net exchange differences	550	1,099	**1,649**
12/31/2020	**-9,589**	**-19,200**	**-28,789**

Changes in the balance of loss allowances on contract assets are attributable to changes in the gross value.

Cash and cash equivalents comprises cash on hand and bank balances. The change in the carrying amounts of irrecoverable cash and cash equivalents is attributable to currency translation effects.

Market Risks

Zeppelin is exposed to market risks from exchange rate and interest rate fluctuations. Zeppelin uses derivative financial instruments (forward exchange contracts, currency and interest rate swaps) to manage the impact of market risks on its operating results. These hedges are entered into under appropriate consideration of the risk management requirements applicable to banks and are subject to strict monitoring. Zeppelin's risk positions are hedged taking account of certain risk limits. In individual cases, Zeppelin also uses primary financial instruments to hedge currency risks.

Currency Risk

Zeppelin's global operations expose it to currency risks arising from fluctuating exchange rates. Zeppelin uses the value-at-risk approach to measure currency risks.

The objective of currency risk management is to hedge cash flows and fair values against exchange rate fluctuations.

The Group's exposure to foreign exchange risk consists primarily of EUR/USD, EUR/RUB, EUR/CZK, EUR/GBP, EUR/PLN, EUR/DKK, EUR/SEK, USD/UAH, and USD/RUB.

Currency risks from the USD/UAH and USD/RUB currency pairs are largely eliminated by minimizing the difference between income and expenses in the respective foreign currency (hereinafter "natural hedges"). Zeppelin also limits currency risks by concluding forward exchange contracts and currency swaps. Zeppelin also uses the foreign currency component of medium and long-term financial liabilities from SLB transactions in EUR to hedge currency risks arising from the EUR/PLN currency pair. Due to these hedges, the natural hedges, and offsetting effects between the different currency pairs within the Group, Zeppelin is not exposed to any significant currency risks in a normal market environment.

The main non-derivative financial instruments (cash and cash equivalents, trade and other receivables, loans, bonded loans, trade payables, and other liabilities) are nominated in their functional currency. Due in particular to the generally short-term maturity of these instruments, possible changes in exchange rates have only a very minor impact on consolidated net profit after tax and consolidated total comprehensive income.

The following sensitivity analysis illustrates the extent of the currency risk. It shows the effects of hypothetical exchange rate changes on consolidated net profit after tax and the consolidated total comprehensive income. The effects are determined by applying hypothetical changes in the exchange rate to the measurement of the derivative and non-derivative financial instruments as at the reporting date. In the case of derivative financial instruments accounted for as hedging instruments in cash flow hedges, changes in other comprehensive income for hedge accounting are also taken into account. It is assumed that the portfolio at the reporting date is representative for the year as a whole.

On the basis of Zeppelin's currency hedging strategy, the currency pairs EUR/CZK and EUR/RUB only have sensitivities resulting from the interest rate difference. These are not disclosed below due to lack of materiality. Currency risks from the USD/RUB and USD/UAH currency pairs are largely eliminated by natural hedges. Effects from loans in EUR to the Zeppelin companies in Sweden, Denmark, and Russia are not included in the sensitivity analysis, as these loans are fully secured. The sensitivity analysis therefore focuses on the presentation of the currency risk from the EUR/USD and EUR/PLN currency pairs.

If the exchange rates of the above currency pairs had been 10.0% higher or lower as at the reporting date, this would have had the following effects on consolidated net profit after tax and the consolidated total comprehensive income:

in kEUR				2020		2019	
				Net profit for the year	Total compre-hensive income	Net profit for the year	Total compre-hensive income
Derivatives							
	EUR	USD	+ 10.0%	-237	0	-303	0
			- 10.0%	312	0	374	0
Original financial instruments							
	EUR	USD	+ 10.0%	-311	0	319	0
			- 10.0%	380	0	-390	0
Balance							
	EUR	**USD**	**+ 10.0%**	**-548**	**0**	**15**	**0**
			- 10.0%	**692**	**0**	**-15**	**0**

in kEUR				2020		2019	
				Net profit for the year	Total compre-hensive income	Net profit for the year	Total compre-hensive income
Derivatives							
	EUR	PLN	+ 10.0%	0	0	0	0
			- 10.0%	0	0	0	0
Original financial instruments							
	EUR	PLN	+ 10.0%	7	-867	-120	-901
			- 10.0%	-8	1,060	146	1,101
Balance							
	EUR	**PLN**	**+ 10.0%**	**7**	**-867**	**-120**	**-901**
			- 10.0%	**-8**	**1,060**	**146**	**1,101**

Interest Rate Risk

Financial instruments sensitive to interest rates are subject to an interest rate risk. This exists either in the form of a market value risk or a cash flow risk. The market value risk is determined according to the sensitivity of the book value of a financial instrument depending on the market interest rate level. The cash flow risk describes the extent to which future interest payments will change as a result of changes in interest rates.

Financial liabilities sensitive to interest rates consist primarily of variable-interest liabilities to banks and other variable-interest financial liabilities in EUR.

The objective of interest rate risk management is to hedge the interest rate risk for a specific period and a defined proportion of the Group's financial liabilities against a significant increase in capital market interest rates. Zeppelin uses interest rate swaps for this purpose.

The following sensitivity analysis illustrates the extent of the interest rate risk. It shows the effects of a hypothetical parallel shift in the yield curve for the euro area on consolidated net profit after tax and the consolidated total comprehensive income. The analysis takes account of the effects of a change in interest rates on the interest result from derivative and non-derivative financial instruments and on the reporting date value of derivative financial instruments. In the case of derivatives accounted for as hedging instruments in cash flow hedges, changes in other comprehensive income for hedge accounting are also taken into account. It is assumed that the portfolio at the reporting date is representative for the year as a whole.

A parallel shift of +50 or -25 basis points in the yield curve for the euro area would have had the following effects on consolidated net profit after tax and the consolidated total comprehensive income:

in kEUR	2020 Net profit for the year	2020 Total comprehensive income	2019 Net profit for the year	2019 Total comprehensive income
+50 BP	489	948	703	1,154
-25 BP	-250	-485	-360	-592

H Notes to Transactions with Related Parties

Zeppelin's related entities include joint ventures, associates, and participations, Luftschiffbau Zeppelin GmbH and its subsidiaries, and the Zeppelin Foundation.

In addition, ZF Friedrichshafen AG, which is controlled by the Zeppelin Foundation, and all of its affiliated companies are also related entities.

Transactions with related parties as well as receivables and liabilities existing at the reporting date result from ordinary business activities and are broken down as follows:

in kEUR	Affiliates 2020	Affiliates 2019	Associates 2020	Associates 2019	Participations 2020	Participations 2019
Deliveries and services rendered						
Sale of goods	90	80	9,904	8,434	25	0
Other services	1	277	95	80	0	0
	91	**357**	**9,999**	**8,514**	**25**	**0**
Deliveries and services received						
Sale of goods	1,348	577	0	0	0	186
Other services	62	70	0	2	0	0
	1,411	**647**	**0**	**2**	**0**	**186**
Dividends received	**745**	**868**	**0**	**0**	**0**	**0**

in kEUR	LZ GmbH 2020	LZ GmbH 2019	ZF Group 2020	ZF Group 2019
Deliveries and services rendered				
Sale of goods	0	0	180	0
Other services	92	0	134	0
	92	**0**	**315**	**0**
Deliveries and services received				
Sale of goods	11	22	29	226
Other services	1,465	1,621	0	0
	1,476	**1,643**	**29**	**226**
Dividends received	**0**	**0**	**0**	**0**

in kEUR	Affiliates		Associates		Participations	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Receivables	85	358	0	0	0	229
Liabilities	386	62	0	0	0	4

in kEUR	LZ GmbH		ZF Group	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Receivables	6	8	134	145
Liabilities	7	147	0	17

Transactions with related parties were conducted on terms and conditions that do not differ from those applicable to transactions with independent business partners.

The current remuneration of the active members of the Management Board is EUR 4,347 thousand (2019: EUR 3,699 thousand), of which EUR 3,836 thousand (2019: EUR 3,201 thousand) relates to short-term employee benefits and EUR 511 thousand (2019: EUR 498 thousand) to post-employment benefits. The pension provisions of the members of the Management Board are EUR 10,169 thousand (12/31/2019: EUR 9,634 thousand). The remuneration of the Supervisory Board for fiscal year 2020 is EUR 511 thousand (2019: EUR 610 thousand).

Pension payments amounting to EUR 616 thousand (2019: EUR 498 thousand) were made to former members of the Management Board. The provision for pension payments to former members of the Management Board is EUR 13,667 thousand (12/31/2019: 12,253).

In addition, Group companies have not conducted any reportable transactions with members of the Management Board or Supervisory Board of Zeppelin GmbH or other members of management in key positions or with companies in whose management or supervisory bodies these persons are represented. This also applies to close family members of this group of persons.

I Other Notes

28 Notes to the Statement of Cash Flows

In contrast to the previous year, payments for investments in the rental fleet (previous year: EUR -193,755 thousand) and the proceeds from disposals of the rental fleet (previous year: EUR +33,568 thousand) were reclassified from cash flow from investing activities to cash flow from operating activities. The total effect was a reduction of the previous year's figure for cash flow from operating activities of EUR -160,187 thousand. The effect is shown in the figure of EUR -160,582 thousand under the change in the item assets held for rental (SLB and own financing). An insignificant portion of EUR +395 thousand is attributable to the previous year's figure for other non-cash expenses/income. The aim of this change is to provide a more economically accurate presentation, as these are machines and equipment that Zeppelin acquires for the purpose of commercial rental, holds for varying periods of time, and subsequently resells on a regular basis and in the ordinary course of business. In accordance with IAS 7, these are cash flows from operating activities. The previous-year amounts have been adjusted accordingly to improve comparability.

Changes to the carrying amounts of the financial liabilities included in the statement of cash flows are presented below:

in kEUR	Borrowings	Bonded loans	Lease liabilities
01/01/2019	**155,908**	**185,700**	**234,225**
Cash flow from financing activities	25,040	58,000	26,189
Changes in the consolidation group	5,385	0	4,094
Net exchange differences	8,919	0	789
Changes in fair value	0	35	0
Other changes	-654	-85	51,637
12/31/2019	**194,598**	**243,649**	**316,934**
Cash flow from financing activities	-56,286	0	-36,662
Changes in the consolidation group	94	0	400
Net exchange differences	-18,240	0	-1,475
Changes in fair value	0	2	0
Other changes	345	95	52,419
12/31/2020	**120,511**	**243,746**	**331,617**

In addition to the cash flow from financing activities totaling EUR 92,947 thousand (2019: EUR -109,229 thousand), interest of EUR 13,112 thousand (2019: EUR 18,274 thousand) was paid.

The cash flow from investing activities does not include any additions to rights of use, as the addition is offset by the recognition of a lease liability at the same amount. Information on rights of use and lease liabilities can be found under Note 25. Furthermore, the financial statements do not include any non-cash transactions.

29 Events After the Reporting Date

With effect from January 8, 2021 ("conclusion"), the subsidiary Zeppelin Rental GmbH acquired all limited partner shares in Energyst Rental Solutions GmbH & Co. KG and 100% of the shares in Energyst Germany GmbH. In addition, the subsidiary Zeppelin Sverige AB acquired 100% of the shares in Energyst Rental Solutions AB. The entities were part of the Energyst Group. At the time of conclusion, the main shareholders besides Zeppelin were the CAT dealers PON (24.7%), Finning (28.8%), CGT (28.3%), and Bergerat Monoyeur (4.3%). Caterpillar exited as a shareholder (8.5%) of Energyst B.V. as part of the transaction. Due to the continuing unimpressive economic performance of Energyst, the shareholders decided to dissolve the group of companies. The negative economic performance in the past was due in particular to the international projects, which were generally associated with high losses. Zeppelin GmbH is still a minority shareholder in Energyst B.V., based in the Netherlands, whose liquidation is due to be initiated in 2021.

With a purchase agreement dated December 23, 2020, Zeppelin Systems GmbH acquired selected assets of the insolvent MTI Mischtechnik International GmbH as part of an asset deal. The transaction also included the transfer of 17 employees. Control was transferred with economic effect from January 1, 2021. The acquisition strengthens Zeppelin's technological and regional market position in the area of heating, cooling, and universal mixers for plastics processing and applications in the chemical industry. MTI will continue as an independent brand under the umbrella of Zeppelin Systems GmbH, but is organizationally affiliated with the Kassel site.

The global COVID-19 pandemic continues to be a major source of uncertainty. The Zeppelin Group has been able to cope with the crisis comparatively well. Even though the outlook is once again becoming more positive with the ongoing efforts to immunize the population, and the various economic stimulus packages and government investment programs, the pandemic is still a major source of uncertainty with regard to how those markets that are important to the Zeppelin Group will perform and develop. Negative economic consequences can therefore not be ruled out.

No other significant events occurred after the end of the 2020 fiscal year whose effects would have had a material or endangering impact on the Group's position.

30 Auditor's Fees

The auditor of Zeppelin GmbH is PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (hereinafter "PwC"). The fees amounted to EUR 386 thousand in fiscal year 2020 (2019: EUR 665 thousand) and are broken down as follows:

in kEUR	2020	2019
Auditor's fees		
Auditing services	494	543
Other services	78	122
	572	**665**

The auditing services item includes fees for auditing the annual financial statements and the consolidated financial statements of Zeppelin GmbH, for auditing the annual financial statements of the German subsidiaries included in the consolidated financial statements, and for reviewing the reporting packages of certain foreign subsidiaries. The auditing fee for the Zeppelin Group amounts to a total of EUR 1,134 thousand (2019: EUR 1,140 thousand). Other audit firms from PwC's network were involved in the audit.

The other services item comprises the fees for Zeppelin GmbH and the Group's German subsidiaries that are included in the consolidated financial statements. This includes EUR 27 thousand for certification services, EUR 32 thousand for tax consulting services, and EUR 18 thousand for other services.

In addition to PwC, other audit firms were active in an advisory capacity within the Group.

31 Disclosure

Zeppelin GmbH prepares consolidated financial statements, which must be submitted to the Federal Gazette.

Zeppelin Baumaschinen GmbH, Garching near Munich, Zeppelin Systems GmbH, Friedrichshafen, Zeppelin Power Systems GmbH & Co. KG, Hamburg, Zeppelin Rental GmbH, Friedrichshafen, Zeppelin Lab GmbH, Berlin, and Zeppelin Aviation & Industrial Service GmbH, Friedrichshafen, do not disclose their annual financial statements in accordance with § 264 para. 3 HGB or § 264b HGB.

32 Corporate Bodies

The members of the Management Board of Zeppelin GmbH are Mr. Peter Gerstmann (Chairman of the Management Board), Mr. Michael Heidemann (Deputy Chairman of the Management Board), Mr. Christian Dummler (Managing Director), and Ms. Alexandra Mebus (Managing Director and Labor Director).

The Supervisory Board of Zeppelin GmbH comprises Mr. Andreas Brand (Chairman), Mr. Heribert Hierholzer (Deputy Chairman), Mr. Dr. Reinhold Festge, Mr. Dr. Werner Pöhlmann, Mr. Univ.-Prof. Dr.-Ing e. h. Dr. h. c. Dieter Spath, Mr. Univ.-Prof. Dr. Dr. h. c. mult. Horst Wildemann, Mr. Thomas Mann, Ms. Roswita Feineis, Ms. Marita Weber, Mr. Ralph Misselwitz, Mr. Vincenzo Savarino (until July 31, 2020), Mr. Frederic Striegler (from August 1, 2020), and Ms. Prof. Dr. Yasmin Mei-Yee Weiß.

Friedrichshafen, March 5, 2021

The Management Board of Zeppelin GmbH

Peter Gerstmann	Michael Heidemann	Christian Dummler	Alexandra Mebus

TRANSLATION – THE GERMAN TEXT IS AUTHORITATIVE

INDEPENDENT AUDITOR'S REPORT

To Zeppelin GmbH, Friedrichshafen

AUDIT OPINIONS

We have audited the consolidated financial statements of Zeppelin GmbH, Friedrichshafen, and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss for the financial year from 1 January to 31 December, 2020, the consolidated statement of comprehensive income for the financial year from 1 January to 31 December, the consolidated statement of financial position as at 31 December 2020, the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2020, the consolidated statement of cash flows for the financial year from 1 January to 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Zeppelin GmbH, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f Abs. [paragraph] 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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. Our audit opinion on the group management report does not cover the content of the statement on corporate governance referred to above.

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

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB 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.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to § 289f Abs. 4 HGB (disclosures on the quota for women on executive boards), which we obtained prior to the date of our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they 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 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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the hedged items 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- 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 prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Munich, March 5, 2021

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Petra Justenhoven German Public Auditor	Klaus Schuster German Public Auditor

ABOUT THIS PUBLICATION

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For annual reports and further information about Zeppelin, please visit our website at zeppelin.com.

The annual report was published in April 2021. It is also available in German.

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