MBB

ANNUAL REPORT
2020

MBB SE, Berlin

MBB in figures

Financial year	2020	2019	Δ 2020 / 2019
Earnings figures (adjusted*)	**€k**	**€k**	**%**
Revenue	**689,242**	**592,059**	16.4
Operating performance	686,775	592,245	16.0
Total performance	713,046	609,767	16.9
Cost of materials	-366,020	-352,389	3.9
Staff costs	-203,316	-149,813	35.7
EBITDA	85,725	67,593	26.8
EBITDA margin	*12.5%*	*11.4%*	
EBIT	56,157	47,661	17.8
EBIT margin	*8.2%*	*8.0%*	
EBT	49,009	37,961	29.1
EBT margin	*7.1%*	*6.4%*	
Consolidated net profit after non-controlling interests	**21,726**	**17,929**	21.2
eps in €	3.66	2.95	23.9
Average number of shares in circulation	5,934	6,068	-2.2
Earnings figures (IFRS)	**€k**	**€k**	**%**
EBITDA	69,972	80,967	-13.6
Consolidated net profit	12,685	26,945	-52.9
eps in €	2.14	4.44	-51.9
Figures from the statement of financial position (IFRS)	**31-Dec €k**	**31-Dec €k**	**%**
Non-current assets	369,747	346,084	6.8
Current assets	432,920	498,608	-13.2
thereof liquid funds**	330,165	340,193	-2.9
Issued capital (share capital)	5,932	5,941	-0.1
Other equity	493,760	468,612	5.4
Total equity	499,692	474,552	5.3
Equity ratio	*62.3%*	*56.2%*	
Non-current liabilities	121,001	149,919	-19.3
Current liabilities	181,974	220,221	-17.4
Total assets	802,667	844,692	-5.0
Net cash (+) or net debt (-)**	252,567	249,838	
Employees	**3,457**	**3,505**	-1.4
	3410	3505	

* For details of adjustments please see the information on results of operations, financial position and net assets in the combined management and Group management report.

** This figure includes the value of physical gold stocks and securities.

Contents

MBB in figures 2
Contents 3
Welcome Note from the Executive Management 4
Report of the Board 6
Combined Management Report and Group Management Report 8
  Results of operations, financial position and net assets 20
  Remuneration report 25
  Controlling system 26
  Report on risks and opportunities 26
  Principles of the risk management and the accounting-related internal control system 27
  Declaration on corporate governance 29
  Corporate governance report 30
  Disclosures in accordance with section 289a and section 315a HGB 31
  Non-financial statement in accordance with section 289b HGB and section 315b HGB 33
Report on expected developments 40
Appropriation of earnings 41
IFRS Consolidated Financial Statements for 2020 42
Notes to the Consolidated Financial Statements for 2020 48
  I. Methods and principles 48
  II. Notes to the consolidated statement of financial position 65
  III. Notes to the statement of comprehensive income 80
  IV. Segment reporting 83
  V. Notes to the consolidated statement of cash flows 87
  VI. Additional disclosures on financial instruments 88
  VII. Objectives and methods of financial risk management 90
  VIII. Other mandatory information 93
Independent Auditor's Report 102
Financial calendar 108
Contact 108
Imprint 108

Welcome Note from the Executive Management

Dear Shareholders,

The 2020 financial year will probably be remembered for a while. It reminded us how quickly our economy can falter. It also showed us that our strong equity position opens up crucial entrepreneurial freedom in times of a pandemic.

MBB was able to demonstrate its resilience last year, achieving record revenues of €689 million despite the challenges posed by COVID-19. The adjusted EBITDA of €86 million and the EBITDA margin of 12.5% also underline the success of the MBB Group's diversified business model. This positive development was accompanied by a 53% increase in our share price to €108.50 at the end of the year.

Behind this positive overall balance, however, there were heterogeneous developments over the course of the year and at the individual subsidiaries. After a promising start to the first quarter of 2020 for almost all MBB companies, COVID-19 led to an extraordinary decline in revenue and earnings in the second quarter, particularly at MBB companies with high exposure to the automotive industry. However, this was partially offset by the companies in the Service & Infrastructure segment. In the third and fourth quarters, almost all MBB companies were able to return to their growth path, resulting in a strong second half of the year.

Friedrich Vorwerk made the largest revenue contribution to the MBB Group in 2020 with €291 million. The company, which specialises in energy infrastructure for gas, electricity and hydrogen applications, is benefiting from investments in the course of the clean energy transition. Friedrich Vorwerk's success is also reflected in its long-standing customer relationships and an EBIT margin of 16.3%.

In order to ideally seize Friedrich Vorwerk's opportunities in the growth markets of clean energy infrastructure, the company began to examine various growth options, including an IPO, in November 2020. Faster than expected, numerous investors expressed their interest in Friedrich Vorwerk. On 25 March 2021, Friedrich Vorwerk celebrated its successful debut on the Frankfurt Stock Exchange.

Through the IPO, Friedrich Vorwerk raised gross proceeds of €90m, which are expected to accelerate the company's organic and M&A growth plans. MBB reduced its stake in the group from 66% to 36% and raised gross proceeds of €216m through the IPO. Together with CEO Torben Kleinfeldt, MBB will continue to hold a majority stake of 54% in Friedrich Vorwerk and thus considers itself ideally positioned to benefit from significant investments in climate protection and the clean energy transition in the long term.

Besides Friedrich Vorwerk, DTS in particular exceeded expectations in 2020, regardless of any pandemic challenge. The company was able to increase its turnover by 17 % to € 76 million compared to the previous year. EBITDA grew by 16 % to € 11 million in the same period. DTS has thus once again proven that its strategic focus on IT security services and software is paying off.

We were also surprised by the positive development of Delignit. After the company was significantly affected by the plant closures of car manufacturers in the first half of the year, Delignit was able to exceed expectations in the second half of the year, especially in terms of profitability. For the year as a whole, turnover of € 59 million was still below the previous year, but EBITDA increased by 15 %.

Aumann and other companies in the MBB Group have felt the consequences of the COVID-19 pandemic more clearly and have had to accept declines in profitability. However, we believe that these declines are not permanent in nature. Moreover, in our view they imply that an economic recovery will bring additional opportunities for the development of MBB.

As at 31 December 2020, the MBB Group already held net cash of €253 million, of which €183 million was attributable to the holding company MBB SE. The IPO of Friedrich Vorwerk has significantly strengthened the financial position further. Even though the 2020 financial year has once again shown us the advantages of a good capital base, we do not maintain our liquidity as an end in itself. Our goal is to identify attractive companies and convince them of becoming a MBB company. Against the backdrop of the generational change in the German Mittelstand, the opportunities for this have never been better.

We are looking optimistically into 2021 and expect an increase in our Group revenue to €720m. We are also aiming for an adjusted EBITDA margin of 10-12%. In proven MBB tradition, we will propose an increase in the basic dividend to €0.88 per share at the Annual General Meeting and want our shareholders to participate in the successful IPO of Friedrich Vorwerk by paying a double dividend, corresponding to a total of €1.76 per share.

Yours,

The Executive Management of MBB

Dr Christof Nesemeier
Chief Executive Officer

Dr Constantin Mang
Chief Investment Officer

Klaus Seidel
Chief Operating Officer

Report of the Board

In the year under review, the Board ensured that it was continuously informed about the business and strategic development of the company and advised and monitored the Executive Management in accordance with the tasks and responsibilities required of it by law, the Articles of Association and the provisions of the German Corporate Governance Code. This meant that the Board was informed about the strategy, business policy and planning, the risk situation and the net assets, financial position and results of operations of the MBB Group at all times.

This took place in personal discussions between the Chairman of the Board and Executive Management, the regular information provided by Executive Management on the course of business, and at the regular meetings of the Board held on 1 April, 25 May, 24 August and 10 December 2020, which were attended by all members of the Board and Executive Management either in person or by video conference.

At the individual meetings, the Board analyzed the company’s current business development together with the Executive Management and discussed its strategic focus. The topics discussed included the economic situation of the company and the individual subsidiaries. To the extent that individual transactions required the approval of the Board in accordance with the Articles of Association or the law, the Board examined these transactions and resolved whether to grant its approval.

The main issues discussed and resolved by the Board in the 2020 financial year were MBB SE’s employee stock option program 2020, the preparatory measures in connection with the IPO of Friedrich Vorwerk Group SE and the potential impact of the COVID-19 pandemic on the Group. Furthermore, the Board closely monitored the audit of the consolidated financial statements of MBB SE for the financial year 2019. The newly formed Audit Committee kept itself regularly informed about payment and accounting processes.

The Board also discussed corporate governance and the German Corporate Governance Code. The Board continuously monitored the development of the corporate governance standards. MBB SE broadly complies with the recommendations of the German Corporate Governance Code. One exception to the code is presented and explained in the declaration of compliance in accordance with section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) submitted jointly with the Executive Management on 4 March 2021. This declaration has been published in the annual report and on the company’s website www.mbb.com.

The Board duly engaged the auditor elected by the Annual General Meeting, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, to audit the annual and consolidated financial statements and the combined management report and Group management report for the 2020 financial year. The auditor has complied with the annual declaration of independence to the Board and the auditor's case-related reporting obligation to the Board in accordance with the German Stock Corporation Act. This declaration confirms that there are no business, financial or other relationships between the auditor, its executive bodies and head auditors on the one hand, and the company and the members of its executive bodies on the other, that could give rise to doubt as to its independence.

The annual financial statements of MBB SE as of 31 December 2020 and the combined management report for MBB SE and the MBB Group prepared in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and the consolidated financial statements as of 31 December 2020 prepared in accordance with the International Financial Reporting Standards (IFRS) were audited by the auditor elected by the Annual General Meeting and engaged by the Chairman of the Board, RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, and issued with an unqualified audit opinion dated 14 April 2021.

In the past financial year, the Board addressed the topic of equal participation in management positions. At present, both the Board of MBB SE (four members) and the Executive Management (three members including the delegated member of the Board) consist of male individuals. The Board and the Executive Management expressly aim to increase the representation of females in management positions. The Board of MBB SE therefore resolved on 14 April 2021 to achieve a 20% share of female members in the Board and in the Executive Management in the medium term. Females already make up 33% of the extended management level at MBB SE.

The Board examined the annual financial statements prepared by the Executive Management, the combined management report for MBB SE and the MBB Group, the proposal on the appropriation of net profit and the consolidated financial statements and discussed them personally with the auditor at the Board meeting on 14 April 2021. The auditor comprehensively answered all the Board’s questions. The Board received the audit report before the meeting. Following the completion of its examination, the Board did not raise any objections to the annual financial statements, the combined management report and Group management report or the consolidated financial statements. The Board approved the consolidated financial statements on 14 April 2021, and the annual financial statements of MBB SE have been adopted.

The Board shares the opinion of the Executive Management as expressed in the combined management report and Group management report and approves the proposal by the Executive Management on the appropriation of net profit.

The Board would like to thank the Executive Management, the management teams of the subsidiaries and all employees of the MBB Group for their high level of commitment and the good results achieved in the past financial year.

The COVID-19 pandemic represents an extraordinary challenge to the MBB Group. Since the end of February 2020, the Board and Executive Management have been conferring almost daily to ensure the best possible way to protect the health of the employees of the MBB Group with the highest priority and to further expand the economic substance of the Group despite pandemic-related restrictions.

Berlin, 14 April 2021

The Board

Gert-Maria Freimuth
Chairman

Combined Management Report and Group Management Report

MBB SE is a medium-sized, family-owned company that forms the MBB Group together with its subsidiaries.

The separate financial statements of MBB SE were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act), while the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRS IC) on the IFRS, as adopted in the EU and the supplementary provisions of German commercial law in accordance with section 315e(1) HGB.

The combined management report comprises the MBB Group (hereinafter also referred to as “the Group” or “MBB”) and the parent company, MBB SE, domiciled in Berlin, Germany. It was prepared in accordance with the provisions of the HGB and German Accounting Standard (GAS) No. 20. The reporting on the situation of the Group is consistent with the reporting of MBB SE. Additional information on the annual financial statements of MBB SE is included in the section on the results of operations, financial position and net assets.

In terms of absolute figures, 2020 was another record-year in MBB’s history. The diversification achieved by the MBB Group in recent years has ensured that economic downturns in individual business areas have been compensated for by positive developments in other business areas. In total, MBB has thus achieved a new high in Group revenue and adjusted EBITDA for eleven years in succession, despite COVID-19-related decreases in demand. (Net) liquidity and equity remained at a very high levels in 2020.

The MBB Group reported adjusted consolidated revenue of €689.2 million in 2020 after €592.1 million in the previous year. Adjusted consolidated earnings amount to €21.7 million or €3.66 per share (unadjusted €12.7 million or €2.14 per share).

In the financial year under review, consolidated net income was adjusted for non-recurring business transactions of €9.1 million. Of this amount, €15.4 million was attributable to expenses incurred by Aumann AG in connection with the discontinuation of operations at the Hennigsdorf location (€7.1 million) and capacity reductions at other locations (€8.2 million). Further EBITDA adjustments relate to revenue and expenses in connection with discontinued activities of the Friedrich Vorwerk Group of minus €0.6 million and positive €0.3 million respectively, as well as €0.7 million in personnel expenses from MBB’s 2020 stock option program. In addition, €9.4 million in depreciation and amortization of assets capitalized as part of purchase price allocations and €1.1 million in impairment losses on non-current assets at the Aumann locations Hennigsdorf and Limbach-Oberfrohna were adjusted. Non-controlling interests and deferred taxes on adjusted items amount to minus €17.1 million.

Net cash (cash, current and non-current securities and physical gold less liabilities to banks and lease liabilities) amounts to €252.6 million as of 31 December 2020 (31 December 2019: €249.8 million). The basic dividend was increased again in the 2020 financial year to €0.70 (€4.2 million in total). As in previous years, the Group’s investment in the organic growth of all subsidiaries was undiminished.

The MBB Group’s equity increased from €474.6 million as of 31 December 2019 to €499.7 million, while total assets decreased by 5.0% to €802.7 million as of 31 December 2020. The equity ratio increased accordingly from 56.2% to 62.3%. The increase in equity is the result of the capital reorganization of Friedrich Vorwerk, as a consequence of which €17.7 million was reclassified from liabilities to non-controlling interests to the equity of the MBB Group without affecting profit or loss. The reduction in total assets is mainly due to the repayment of financial loans.

Against the backdrop of the highly successful financial year and the high level of net cash, the Board and Executive Management will, again, propose to the Annual General Meeting an increase of dividend to 88 cents per share and an additional special dividend of 88 cents due to the successful IPO of Friedrich Vorwerk Group SE, i.e. a total of 176 cents per share.

For the financial year 2021, MBB’s Management is forecasting revenue of around €720 million with an adjusted EBITDA margin between 10% and 12%. MBB continues to believe that it is well equipped to deal with the consequences of the pandemic, in particular thanks to its comfortable liquidity position.

Unless stated otherwise, all information in this report refers to 31 December 2020 or the financial year from 1 January to 31 December 2020. Percentages and figures in this report may be subject to rounding differences.

Purely to improve readability, this report refrains from the simultaneous use of male, female or linguistic forms of other genders. All references to persons apply to all genders unless stated otherwise.

Business and economic conditions

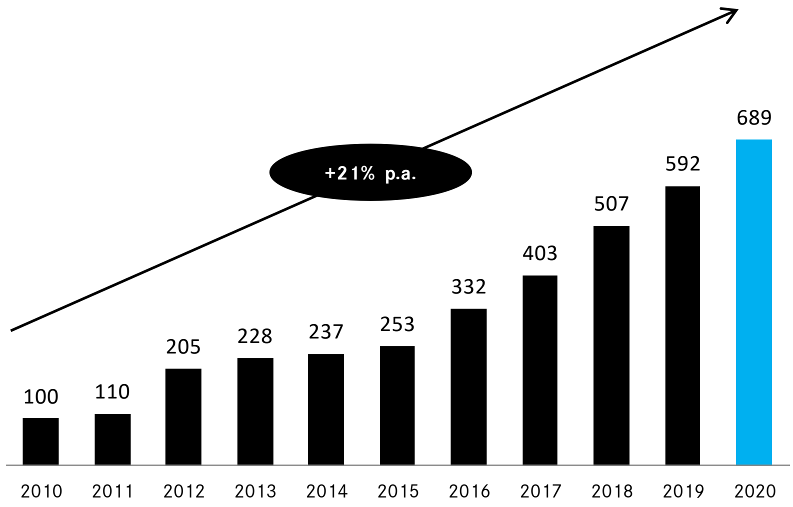
Strategic orientation

MBB SE is a medium-sized, family-owned company specialising in the acquisition and management of medium-sized industrial companies with considerable technology and engineering expertise. MBB's outstanding revenue and value growth is based on five factors for success:

Growth

MBB has enjoyed strong growth in revenue and profitability since its formation, with a compounded average annual growth rate of more than 21% since its IPO in 2006. Revenue amounted to €37 million in 2005; a figure of €689 million was achieved in the 2020 financial year. MBB intends to continue to achieve strong growth in the future, both organically and by acquiring companies.

Development of group-revenue
€ million



Technological expertise

MBB stands for Messerschmitt-Bölkow-Blohm and is the only remaining independent company with this name to have emerged directly from the original MBB Group. In post-war Germany, MBB was synonymous with engineering. Bound by this tradition, our companies can boast expertise in their respective markets dating back several centuries in some cases. Today, too, we actively pursue superior technology expertise and believe that Germany offers conditions for achieving success on the global markets that cannot be found in any other location in the world.

Mittelstand

Our companies are organized in independent units of between around 100 and 1,300 employees and belong to the category of small and medium-sized enterprises (SME) in Germany known as the Mittelstand. Tradition, regional identity and a commitment to training, employees and the common good are key pillars of our actions. More than 20 years of first-class references for SME acquisitions are our calling card when searching for new subsidiaries.

Capital markets

MBB SE is listed in the Prime Standard of the Frankfurt Stock Exchange, meaning it meets the highest standards in terms of transparency and compliance. Thanks to 15 years of outstanding share price and dividend performance, MBB has not only reached a large group of international shareholders, but its attractiveness as an employer and business partner has also increased as a result. This means that our stock exchange listing provides the ideal conditions for our extraordinary growth plans.

Family-owned company

Gert-Maria Freimuth (Chairman of the Board) and Dr Christof Nesemeier (CEO) formed the company in 1995 and hold the majority of the share capital for the long term. We are confident that the personal commitment and continuity of its management team are key factors in its success, giving the company a clear sense of reliability and identity.

Market development

MBB's regional focus is on the German-speaking area. At the same time, MBB is increasingly enjoying an international presence thanks to its global markets and customers as well as foreign subsidiaries.

Macroeconomic environment

In the past financial year, the COVID-19 pandemic and its consequences plunged the global economy into a deep recession. After 3% growth in the previous year, the World Bank forecasts a 4.2% decline in global economic output for 2020. Far reaching lockdown measures, which were introduced in most countries of the world as early as spring 2020, have had a severe impact not only in the global context but also on the domestic economies of most countries. Thanks to significant monetary and fiscal stimulus from central banks and governments around the world and the unwinding of the lockdowns over the summer, the global economy initially recovered slightly over the course of the year before far reaching restrictions on everyday life were reintroduced at the end of the year.

In the euro zone, the OECD expects economic output to have declined by 7.5% in 2020. Here, too, the effects of the COVID-19 pandemic were evident, especially in the southern European countries due to lockdowns and travel restrictions. At the same time, there was considerable uncertainty in connection with Brexit and due to developments surrounding the presidential elections in the USA.

The German economy recorded a decline in economic output of 5.0% in 2020 and has thus wheathered the economic crisis in the wake of the COVID-19 pandemic relatively better than other countries in the euro zone. Based on an assumed gradual easing of current lockdowns and due to continued significant support and investment programs, the ifo Institute expects the German economy to recover by 4.2% in 2021.

After a historic slump in economic output of 6.8% in the first quarter of 2020, the Chinese economy is likely to be the only G20 country to have recorded year-over-year economic growth in 2020. The main growth drivers continue to be government investments in infrastructure and state-owned enterprises, as well as exports of medical and electronic products. Private consumption has been relatively slow to recover, with the exception of purchases of automotive goods, which continue to benefit strongly from government subsidies in alternative fuel technologies.

The sustained low interest rate environment in the European Union persisted in the year under review. The effects of low interest policy on MBB are reflected in continued high purchase prices for companies, as the willingness of banks to provide debt finance for such acquisitions had risen further.

In this environment, exchange rates were significantly more volatile than in the previous year period. The USD-EUR exchange rate varied between 1.07 and 1.23 over the course of the year. The euro closed the year around 9% stronger than at the end of the previous year. Exchange rate fluctuations between the euro and the currencies relevant to the MBB Group, namely the US dollar, the Polish zloty and the Chinese renminbi, will remain significant in terms of their magnitude and speed. The MBB Group continues to be conservatively financed. Its high liquidity and net cash position mean that companies can be acquired independently of banks and irrespective of wider developments on the financial markets. Excess liquidity is predominantly invested in demand deposits and, to a lesser extent, in bonds with good credit ratings, physical gold and in equities, provided that the equities meet the same criteria that MBB SE applies to the acquisition of German SMEs.

Industry-related environment

In the light of the ongoing Corona pandemic, performance varied on the sub-markets relevant to MBB in the year under review.

The development of the automotive industry has varied depending on the drive technology. While the market for conventional powertrains is clearly marked by the COVID-19 pandemic, the market for alternative powertrain technologies was less affected in 2020. According to figures from the European Automobile Manufacturers' Association (ACEA), after several years of growth in prior years, car registrations in the EU in 2020 recorded the sharpest decline since records began. All European markets recorded double-digit declines. Among the largest car markets in the region, Spain recorded the sharpest decline (-32.3%), followed by Italy (-27.9%) and France (-25.5%), while the overall decline in 2020 was significant but less severe in Germany (-19.1%).

Registration figures on the US market declined by 14.7% to 14.5 million vehicles and thus developed below the level of 2012, while China recorded a decline in car registrations by only 13.2% compared to the prior-year period.

By contrast, growth rates for registrations of e-vehicles and hybrid vehicles tripled in 2020. The momentum in this market segment was visibly higher compared to the previous year, though the baseline is still relatively low. The main growth drivers were government incentive premiums, which favored new registrations of electric and hybrid vehicles, particularly in the final quarter of 2020.

The German Association of the Automotive Industry (VDA) expects the market to recover in 2021. Sales volume is forecasted to increase by 12% to 13.4 million vehicles in Europe, by 9% to 15.8 million vehicles in the US and by 8% to 21.4 million vehicles in China even though the expected growth is based on significantly lower volumes compared to previous years. Only the Chinese market is likely to exceed the pre-Corona level. According to the forecast, the global passenger car market is expected to expand by 9% to 73.4 million units, which is well below the pre-crisis level.

According to provisional data from the German Association for Information Technology, Telecommunications and New Media (bitkom), the German IT market has enjoyed another year of growth despite the COVID-19 pandemic. Corporate spending on hardware, software and services for IT security are believed to have increaseed by an above-average growth rate of 5.6% to €5.2 billion in 2020. For 2021, a record growth rate of 9.6% is forecasted. The cloud business, which is benefiting from the Infrastructure-as-a-Service trend and its double-digit growth rates, is contributing to this dynamic.

The Friedrich Vorwerk Group plays an active role in the European energy revolution and in creating a secure and forward looking sustainable energy infrastructure. The Group has been nearly unaffected by the consequences of the pandemic on sales volume and profitability.

The structural environment for energy supply is still defined by rising energy demand and the need to significantly reduce carbon dioxide emissions in order to curb climate change. If not before, it has been clear since the European Commission called for a climate neutral European continent by 2050 and the associated Green Deal that the energy industry must undergo a fundamental transformation if it is to achieve the ambitious climate targets in the coming decades. Many countries, above all Germany, are therefore striving to or have already resolved to gradually reduce their conventional generation capacity based on fossil and nuclear energy, and to expand their use of renewable energies. On top of this, there is the challenge to manage the transition to low carbon generation while maintaining economic efficiency and ensuring the security of supply. At the same time, large industrial energy consumers are making considerable efforts to significantly scale back their final energy consumption and to adapt their processes to more climate friendly energy sources as far as possible.

Germany, for example, is applying the following measures to achieve its ambitious climate targets by 2050: massive expansion of the existing natural gas infrastructure to compensate for the phase out of nuclear and fossil fuels, the creation of “electricity highways” within Germany to distribute renewable (wind) energy from north to south, and promoting the use of green hydrogen to decarbonize industry, mobility and buildings. As a fully integrated solutions provider for all areas of energy infrastructure, the Friedrich Vorwerk Group is ideally positioned for all these measures and is already involved in their actual implementation in a number of cases.

The forecast for the German energy industry is better than for the economy as a whole. The German Federal Association of the Energy and Water Industry rates the energy industry as having among the highest investment of any sector in Germany, with more than €320 billion projected by 2030. It forecasts that the industry will deliver key economic stimulus, allowing GDP in Germany to rise by 0.6% per year. The investment in the expansion of the electricity transmission grid alone is set to exceed a volume of €60 billion by 2030. Above all, the major north south electricity highways for high voltage direct current transmission account for a considerable portion of this. As lawmakers have ordered that these lines will primarily use underground cabling, this results in substantial revenue potential for Friedrich Vorwerk on these major projects specifically. The German gas transmission network is also to receive expansion investment of approximately €9 billion by 2030. In addition to the gradual transition from low calorific L gas to high calorific H gas, the various international pipeline links are another key area of investment for transmission network operators in the gas sector. The hydrogen economy is currently experiencing a rapid increase in investment volumes not just in Germany, but also on the European stage in particular. A total investment volume of up to €430 billion by 2030 is anticipated to achieve the goals of the European hydrogen strategy. Also, the German government has earmarked subsidies of a further €9 billion in its national hydrogen strategy.

Market developments in 2020 can only serve as an indication for further development in the 2021 financial year and beyond to a limited extent. While the consequences of further mutations of the coronavirus cannot be estimated, the IMF already expects global economic growth of around 5.5% in 2021. Progressive vaccination coverage of the population should help the economic environment in Germany and Europe to normalize.

Market position

Thanks to more than two decades of experience, MBB can offer references for a wide range of different scenarios for SME acquisitions, ranging from former owners and shareholders, managers, employee representatives, trade unions and banks to core customers and suppliers. Due to its experience, its network, its portfolio of companies enjoying profitable growth and its stock exchange listing, MBB SE is one of the leading industrial holding companies in the German SME sector.

Net cash of the MBB Group amounts to €252.6 million as of the end of the reporting period, €182.5 million of which is accounted for by the MBB SE holding company. With this liquidity at its disposal, MBB has a solid foundation on which to lead the Group companies through the forthcoming economic crisis. Together with the references described above, this liquidity also provides good conditions for growth through acquisitions. MBB's relative market position for acquiring companies could potentially even improve as a result of a smaller number of potential buyers, a shortage of debt capital and liquidity challenges at potential target companies.

The diversification of its subsidiaries protects MBB from becoming overly dependent on individual sectors. Acquiring Friedrich Vorwerk SE & Co. KG in July 2019 and Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH in December 2019 deepened the diversification of the Group, as it entered a new and promising market. Thanks to Friedrich Vorwerk, MBB achieved extraordinary growth in a pandemic year. Against this background, Friedrich Vorwerk Group SE completed an IPO in March 2021, in the course of which a capital increase was carried out and shares from the holdings of MBB SE were reallocated. MBB SE will remain the majority shareholder of Friedrich Vorwerk Group with 36%. Friedrich Vorwerk will use the funds from the capital increase to finance its growth. MBB SE intends to use the funds accruing to it primarily for medium-term growth through the acquisition of new portfolio companies.

Past experience has shown that phases of weakness in certain sales markets are often accompanied by growth in others. The individual MBB companies are established SMEs, most of them leaders in their respective markets, and each characterized by a solid asset position.

Stock exchange listing

MBB SE has been listed since 2006 and included in the Prime Standard since 2008. The founders of MBB SE still hold a majority of its share capital. This holding is around 65% as of 31 December 2020, and safeguards MBB's sustainable development with a medium-sized, entrepreneurial focus.

The share price performance of MBB SE was particularly positive in the past financial year: the XETRA closing price as of 31 December 2020 was €108.50 and thus around 53% higher than the previous year's closing price of €71.10.

Research and development

Innovation, together with the continuous evolution of our products, production technologies and solutions, is a central component of the corporate philosophy of all our subsidiaries.

In the Aumann Group, for example, we are working very closely with our customers in order to further develop and improve manufacturing systems and the products ultimately manufactured with them. Great importance is attached to the development of innovative production solutions, digitalization and automation. The new and further development of technologies in the e-mobility segment represents an important strategic focus. Aumann has also been active in the promising hydrogen segment for years and has, for example, developed a concept that can increase the production speed of typical fuel cell stacks tenfold.

Similar to those of Aumann, the research and development activities of the Friedrich Vorwerk Group are typically project based and, in most cases, performed together with a customer in order to optimize an existing product or to develop a new product for its specific requirements. Their efforts in the area of research and development are aimed at delivering innovation with high market acceptance, swift adoption potential and far reaching upgrade potential for existing infrastructures. To consolidate their position as a leading provider of energy infrastructure, Friedrich Vorwerk is working on a series of new technologies such as hydrogen ready flow measurement and regulating systems, adapted vortex pipe systems, special near surface HDD boring processes, adapted biogas treatment systems and hydrogen ready safety and control valves.

R&D at DTS focuses on the development of proprietary cloud and security platforms, which significantly simplify administration, IT operation and security tasks for the customer. In order to further advance the automation of its own data centers, DTS is also developing solutions for its own use.

As at Friedrich Vorwerk, DTS and Aumann, we are pursuing the continuous development of products and production technologies at our other subsidiaries as well.

Subsidiaries

MBB SE had seven direct subsidiaries at the end of the 2020 financial year. As these direct subsidiaries of MBB SE themselves each have subsidiaries and sub-subsidiaries, the consolidated group as of 31 December 2020 consisted of MBB SE and a total of 36 subsidiaries. The following section lists these companies according to their ownership structure and the respective equity interest in them:

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Susidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	**40.00**
Aumann Beelen GmbH, Beelen, Germany	40.00
Aumann Berlin GmbH, Hennigsdorf, Germany*	40.00
Aumann Winding and Automation Inc., Clayton, USA	40.00
Aumann Espelkamp GmbH, Espelkamp, Germany	40.00
Aumann Immobilien GmbH, Espelkamp, Germany	40.00
Aumann Technologies (China) Ltd. Changzhou, China	40.00
Aumann Limbach-Oberfrohna GmbH, Limbach-Oberfrohna, Germany	40.00
CT Formpolster GmbH, Löhne, Germany	**100.00**
Delignit AG, Blomberg, Germany	**75.47**
Blomberger Holzindustrie GmbH , Blomberg, Germany	75.47
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	75.47
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	75.47
Delignit North America Inc., Atlanta, USA	75.47
DHK automotive GmbH, Oberlungwitz, Germany	75.47
DTS IT AG, Herford, Germany	**80.00**
DTS CLOUD SECURITY MonEPE, Athens, Greece	80.00
DTS Systeme GmbH, Herford, Germany	80.00
DTS Systeme Münster GmbH, Münster, Germany	80.00
DTS Systeme Wien GmbH, Vienna, Austria	80.00
ISL Internet Sicherheitslösungen GmbH, Bochum, Germany**	52.80
Friedrich Vorwerk Group SE, Tostedt, Germany	**66.67**
Friedrich Vorwerk Management SE, Tostedt, Germany	66.67
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	**60.00**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	60.00
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	60.00
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	60.00
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	60.00
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	60.00
European Pipeline Services GmbH, Tostedt, Germany	60.00
Vorwerk - ASA GmbH, Herne, Germany	60.00
Vorwerk-EEE GmbH, Tostedt, Germany	60.00
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	60.00
Vorwerk Verwaltungs GmbH, Tostedt, Germany	60.00
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**95.84**
OBO-Werke GmbH, Stadthagen, Germany	**100.00**

* Business operations at the Aumann Hennigsdorf site were discontinued at the end of 2020.

** In the first quarter of 2021, DTS IT AG purchased a further 14.34% of the outstanding shares in ISL Internet Sicherheitslösungen. The calculated shareholding at MBB group level has thus increased from 52.80% to 64.27% the balance sheet date.

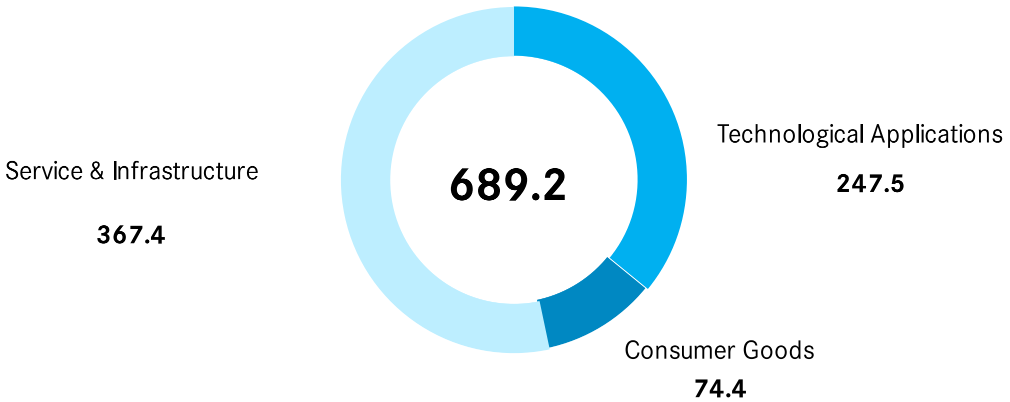
Segments

The individual segments in which MBB Group companies operate have different focus areas in terms of their business activities. These are described in brief in the following section. Detailed information on the individual companies is not published in order to prevent the possibility of adverse effects on their business activities, though our listed subsidiaries naturally fulfil their disclosure requirements.

In summary, the structure of the business segments is as follows as at the end of the reporting period:

- Technological Applications: Aumann Group, Delignit Group and OBO-Werke GmbH,
- Consumer Goods: CT Formpolster GmbH and Hanke Tissue Sp. z o.o.,
- Service & Infrastructure: DTS Group and Friedrich Vorwerk Group.

Group-revenue by segment
€ million



Technological Applications

This segment bundles subsidiaries with technical products and industrial customers. The segment consists of the companies of the Aumann Group, the Delignit Group and OBO-Werke GmbH.

The **Aumann Group** is a world-leading manufacturer of innovative specialty machinery and automated production lines with a focus on e-mobility. Leading automotive manufacturers around the world rely on Aumann solutions for the series production of purely electric and hybrid vehicle drives, and on solutions for production automation. In Germany, the Aumann Group has locations in Beelen, Espelkamp and Limbach-Oberfrohna. It has also has a location in Changzhou, China, since June 2013. The main aim of the location in China is to offer the local manufacturing and servicing of systems for Chinese production sites to customers of the German Aumann companies. In addition, the company serves Asian customers that are not part of the German Aumann companies' customer base but that require technologically advanced system solutions for manufacturing high-quality products.

In the field of e-mobility, the Aumann Group is characterized by highly automated production lines for the full assembly and production of all key traction engine components from a single source: battery module, battery tray, fuel cell, rotor and stator with various winding technologies or alternative manufacturing methods. In addition, in its Classic segment, Aumann offers special-purpose machinery and automated lines for the production of conventional drive components. The Aumann Group's product offering also includes assembly and logistics solutions for electrical engineering, consumer electronics and specific solutions for other sectors.

In 2020, the Aumann Group's external revenue fell by 33.4% to €172.8 million (previous year: €259.6 million), thereby accounting for 25.1% (previous year: 43.8%) of MBB SE's consolidated revenue. Incoming orders were down significantly year-on-year at €157.3 million (previous year: €189.5 million).

In the light of a weak order intake in the previous year, the management of the Aumann Group expects revenue of €160 million and an EBITDA margin of between -2.5% and +2.5% for the 2021 financial year. The first signs of a market recovery are beginning to show and Aumann therefore assumes a recovery in order intake. Thanks to adjusted capacities, a liquidity of €90.2 million and a solid equity ratio of 64.7%, Aumann considers itself well positioned for 2021.

The **Delignit Group**, which was formed more than 200 years ago, develops and manufactures ecological materials and system solutions primarily based on hardwood. The Delignit Group is a recognized development and project partner and series supplier for technology industries such as the automotive and rail sectors. The products have special technical properties and are used, for example, in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology. The materials used in the Delignit Group's products are generally based on beech wood and are lifecycle carbon-neutral, making them ecologically superior to non-regenerative materials such as plastic or steel.

The Delignit Group reports an external revenue of €58.7 million (previous year: €64.4 million), thereby accounting for 8.5% (previous year: 10.9%) of MBB SE's consolidated revenue. The Delignit Group thus exceeded both market expectations and the forecast published in August 2020. The positive business development is primarily attributable to the rapid recovery in the core markets of the Delignit Group in the second half of 2020. The extraordinarily good business development could also be continued in 2021 through further series orders both from the automotive sector and from the product area of rail transport solutions. Against the backdrop of this successful start to the year and the currently favorable economic conditions, particularly in the automotive sector, the Executive Board expects total revenue for the current financial year to exceed €67 million, with an EBITDA margin based on operating performance of at least 9%.

OBO is a global and world-leading provider of polyurethane and epoxy resin-based materials for tooling applications. OBO has been part of the MBB Group since 2003. OBO supplies dealers, model makers, car manufacturers, foundries and other companies in various industries. OBO has developed positively in recent years. In addition to its PU Board division, the acquisition of the European tooling, block and paste operations of its long-term partner Huntsman Advanced Materials in 2014 in particular sparked new growth stimulus.

OBO contributed 2.3% to the MBB Group's consolidated revenue in the 2020 financial year (previous year: 3.5%). External revenue in 2020 amounted to €16.0 million (previous year: €20.5 million) and was thus below the level of the previous year. Here, too, the decline is attributable to a COVID-19-related decrease in demand.

Investments in the Technological Applications segment amounted to €4.9 million (previous year: €10.1 million).

For the companies in the Technological Applications segment, we expect a slight year-on-year improvement in revenue and profitability in financial year 2021.

Consumer Goods

The Consumer Goods segment includes the subsidiaries whose products are predominantly used by private consumers. Accordingly, this segment contains the subsidiaries Hanke and CT Formpolster.

Hanke produces tissue mother rolls, napkins, handkerchiefs, toilet paper and kitchen rolls. Operating under the brand name of “aha”, the company has a strong competitive position in the Eastern Europe consumer product market. Hanke also produces white and coloured tissue paper for various private labels in Europe.

Since its acquisition by MBB in 2006, Hanke has invested significantly in its plant and equipment, allowing it to achieve considerable growth and expand its market position. Continuous investment is intended to increase conversion capacity in particular over the coming years, which will have a positive impact on the company's margin.

In 2020, Hanke contributed €42.5 million (previous year: €46.9 million) or around 6.2% (previous year: 7.9%) to consolidated Group revenue, marking a year-on-year reduction of 9.3%. The decline is largely attributable to a drop in demand for napkin products as a result of area-wide closures and restrictions on catering operations.

CT Formpolster manufactures mattresses and other flexible polyether foam products. Since its acquisition by MBB, CT Formpolster has gradually developed into a one-stop shop for online mattress sellers. As part of the digital upheaval in the mattress industry, many providers are looking for innovative offers to meet changing customer expectations. What sets CT Formpolster apart is its ability to design full customer products, produce them in series and deliver directly to consumers in compact boxes within a few hours or days.

CT Formpolster has not been spared from the consequences of the pandemic. External revenue decreased by 18.4% from €39.1 million in the previous year to €31.9 million in the year under review. CT Formpolster accounted for 4.6% of MBB's consolidated revenue (previous year: 6.6%). Despite the decrease in revenue, the company was able to slightly improve its EBIT profitability year-on-year thanks to sensitive capacity adjustments.

Investments in the Consumer Goods segment amounted to €5.2 million (previous year: €5.2 million).

The companies in the Consumer Goods segment were severely affected by the restrictions imposed by the pandemic during the financial year. We expect a slight improvement in demand in the coming year, provided the markets recover from the pandemic in the middle of the year and a further severe lockdown can be avoided at the end of the year.

Service & Infrastructure

The Service & Infrastructure segment comprises the companies of the DTS Group, which specialises in IT security and cloud services, and the companies of the Friedrich Vorwerk Group, which operate in the field of pipeline and plant engineering for gas and power grids.

In IT security, **DTS** customers benefit from products and services that increase security in corporate networks. Since 2018, this has included the Security Operations Center (SOC), where DTS security specialists monitor customer systems for anomalies and attacks around the clock. This is particularly important because many network attacks take place overnight, whereas most companies cannot ensure 24/7 monitoring.

The original company, DTS Systeme GmbH, was formed in 1983 and is headquartered in Herford, where it operates the Group's main data center. With sales and service offices in Bensheim, Berlin, Bochum, Bremen, Cologne, Hamburg, Hanover, Munich, Nuremberg and Vienna, the German-speaking sales network has been extended throughout most of the country since the majority acquisition by MBB in 2008. DTS Systeme Münster GmbH (formerly: ICSmedia GmbH), Münster, was acquired in August 2010. DTS Systeme Münster GmbH has its own data center and works in close cooperation with DTS Systeme GmbH to offer state-of-the-art, high-quality cloud computing solutions and high-end consulting services. This European presence was expanded further in 2018 with the establishment of DTS CLOUD SECURITY MonEPE, Athens. Highly specialised experts based in Greece work with their German colleagues in international and interdisciplinary teams to protect the IT landscapes of their local customers against attacks, analyze network activities and immediately initiate countermeasures when attacks are discovered.

DTS IT AG acquired 66% of shares in ISL Internet Sicherheitslösungen GmbH in February 2019. ISL is a leading German software developer in the area of IT security with a focus on network access control (NAC). Well known companies from industry and retail as well as banks, public authorities and research institutions rely on ISL's ARP-GUARD software to protect their IT infrastructure against undetected intrusion by unauthorized devices and internal attacks. With the support of DTS and MBB, ISL is seeking to accelerate its growth of recent years and thereby benefit from the rapid expansion of the IT security market in the long term. Within the market for IT security, network access control is becoming increasingly important with a forecast annual market growth rate of more than 30%. A key growth driver is the Internet of Things (IoT), which is significantly increasing the number of devices in business networks. ISL software products assist in ensuring the efficient securing of business networks, which are becoming ever more complex on account of a wide range of different equipment.

Even after achieving strong growth rates in recent years, the DTS Group remarkably improved its revenue performance once again in 2020. Revenue rose by 17.0% from €65.1 million in the previous year to €76.2 million in the year under review. The DTS Group therefore contributed 11.0% to the MBB Group's revenue (previous year: 11.0%). The double-digit profitability level of the previous year was maintained.

In July 2019, MBB completed its acquisition of 60% of the shares in the **Friedrich Vorwerk Group**. Friedrich Vorwerk is a leading provider in the field of gas, hydrogen and oil pipeline, power line and gas facility engineering and thus a major beneficiary of the European energy transition. For more than 50 years, Friedrich Vorwerk's name has stood for technical expertise, reliable work and innovative solutions in designing, realizing and operating energy infrastructure in its three core markets natural gas, hydrogen and electricity. Thanks to an integrated turnkey approach and a number of proprietary components and technologies, Friedrich Vorwerk is able to offer its customers high quality and bespoke solutions from a single source. This way, the Group allows utility companies, grid operators, industrial companies and municipalities to operate complex energy networks and systems.

Being among performant German companies in the areas of planning & design, energy grids, energy transformation and service & operations, Friedrich Vorwerk covers all key elements in the value chain. This way, Friedrich Vorwerk is not just helping its customers to operate reliable and cost efficient energy infrastructure, but is also making a significant contribution to the security of the energy supply in Europe. The basis for this is the synthesis of state-of-the-art technology and the knowledge and experience of more than 1,300 qualified employees at twelve locations in Germany and Europe.

The 2020 financial year was primarily characterized by the successful integration of the Bohlen & Doyen Group and by several major projects that were completed in parallel. Overall, Friedrich Vorwerk generated adjusted external revenue of €291.2 million (previous year: €96.6 million). The significant increase resulted on the one hand from the Bohlen & Doyen companies acquired at the end of 2019, whose revenue were fully recognized in the consolidated income statement for the first time in 2020, and on the other hand from a significant increase in demand.

The highest order intake in the company's history was recorded in the year under review. One of the key projects in the company's backlog is the “Baltic Pipe” project, which aims to create a new gas supply corridor on the European market. The Baltic Pipe will enable the transportation of natural gas from Norway to markets in Denmark and Poland, and to consumers in neighbouring countries. Furthermore, as part of a syndicate, Friedrich Vorwerk received a contract to build a new gas transport pipeline around 33 kilometers long between Walle Station and the Volkswagen factory grounds in Wolfsburg. This pipeline has been designed to be suitable for transporting gas with a high hydrogen share.

Investments in the Service & Infrastructure segment amounted to €26.8 million in the year under review (previous year: €6.3 million). The significant increase is attributable to investments made by Friedrich Vorwerk; the main driver was the purchase of the Bohlen & Doyen operating property in Wiesmoor.

Both DTS and Friedrich Vorwerk have wheathered the pandemic year 2020 in a stable manner. The energy transition requires high investment in European energy infrastructure and against this background, Friedrich Vorwerk alone expects to increase its revenue to €500 million in the medium term and €1 billion in the long term. Overall, our growth expectations for the Service & Infrastructure segment are optimistic.

Employees

MBB SE had a total of 13 employees at the end of 2020; this figure includes the three members of Executive Management. In addition to Executive Management, the company had one office management employee and nine managers for the areas of finance, M&A, operations and IT in 2020.

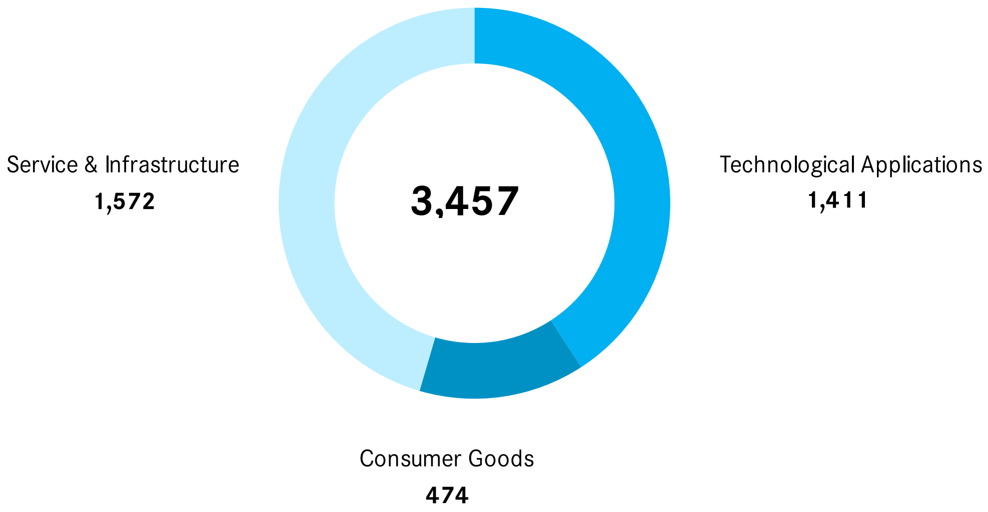
The aim of MBB SE's management is to ensure the sustainable performance of the MBB Group. The founders Dr Christof Nesemeier and Gert-Maria Freimuth together hold around 65% of the share capital of MBB SE as of 31 December 2020. Appropriate fixed remuneration is supplemented by performance-based variable components. There are no severance or pension agreements.

The MBB Group had an average of 3,481 employees (excluding trainees) in the 2020 financial year, compared to an average of 2,743 in the previous year.

As of 31 December 2020, the MBB Group had 3,457 employees (previous year: 3,505) in the following segments:

- Technological Applications: 1,411 employees (previous year: 1,572),
- Consumer Goods: 474 employees (previous year: 474),
- Service & Infrastructure: 1,572 employees (previous year: 1,459).

Headcount by segment



The decline in the number of employees in the Technological Applications segment is attributable to the restructuring measures initiated in the Aumann Group in December 2020. With the closure of its smallest production site in Hennigsdorf and capacity adjustments at the remaining German sites, the company has responded consistently to changes in the market environment.

The number of employees by country as of 31 December 2020 (31 December 2019) was as follows:

- 3,024 employees in Germany (previous year: 3,124),
- 333 employees in Poland (previous year: 308),
- 72 employees in China (previous year: 63),
- 27 employees in Greece (previous year: 9),
- 1 employee in Austria (previous year: 1).

MBB considers supporting and challenging its employees to be a key factor in its success. The management and senior employees of the subsidiaries, who have a major influence on the success of their business activities, receive variable remuneration components that are also dependent on the results achieved and the value growth of the companies.

For 2021 the Group's headcount is expected to be at about the same level as in the prior year, though developments may differ at individual subsidiaries in line with capacity utilization.

MBB SE's subsidiaries place a high importance on training, and, in total, there are 245 people either in training or on a dual study program as of 31 December 2020 (previous year: 254). This will ensure a steady supply of junior talent even in times of a growing shortage of qualified employees. With regard to current employees, the MBB Group is constantly striving to improve the quality of its workforce through training and continuing professional development.

Diversity is taken into account in recruiting processes throughout the Group. We always consider applicants of male, female and diverse gender. When making hiring decisions, we focus on the professional and personal qualifications of the respective person. On 14 April 2021, the Board of MBB SE resolved to achieve a 20% share of female members for the Board and the Executive Management in the medium term. We pursue similar targets for our subsidiaries, whereby the Supervisory Board of Friedrich Vorwerk Group SE already consists one female member.

Results of operations, financial position and net assets

MBB SE and the MBB Group have enjoyed a successful and profitable 2020 financial year.

The high level of cash and cash equivalents in MBB Group is supporting its business model and will allow future company acquisitions to be conducted independently and without the need for external finance. Continuous value appreciation – for example, in terms of the growth in equity from €15.5 million in 2005 to €499.7 million in 2020 or the turnaround from net debt of €13.8 million in 2005 to net cash of €252.6 million at the end of 2020 - serves to highlight the sustainable success of our business model and the high quality of our investments. Subject to the impact of COVID-19, the MBB Group therefore intends to acquire further companies with a view to increasing its value.

The following section discusses MBB SE and the MBB Group in greater detail.

Notes to the separate financial statements of MBB SE (HGB)

The annual financial statements of MBB SE for the 2020 financial year were prepared in accordance with the provisions of the German Commercial Code (HGB) and the supplementary provisions of the German Stock Corporation Act (AktG).

Results of operations

MBB SE generated revenue of €1.9 million in the year under review (previous year: €1.7 million). Revenue essentially resulted from the rendering of management services for the subsidiaries.

In addition, MBB SE generated income from participations of €1.3 million in the year under review (previous year: €10.6 million).

Other operating income amounts to €1.4 million (previous year: €2.0 million). This mainly includes income from bonus refunds and foreign currency translation.

This was offset by staff costs (including cost of purchased services) of €3.7 million (previous year: €3.5 million), which related to the remuneration paid to MBB SE's management and team.

Other operating expenses of €4.0 million (previous year: €5.3 million) were incurred. They essentially comprise expenses for disposals of financial assets and other securities of €2.0 million (previous year: €2.8 million), losses from currency translation of €0.4 million (previous year: €0 million), rental and lease expenses of €0.3 million (previous year: €0.2 million) as well as legal and consulting costs of €0.3 million (previous year: €0.4 million).

Depreciation and amortization expenses of €3.9 million were incurred in the year under review (previous year: €1.0 million). This essentially relates to write-downs on financial assets. Unrealized gains on financial assets of €16.6 million are not accounted for under HGB.

Income from securities of €5.5 million (previous year: €5.0 million) and interest and similar income of €0.3 million (previous year: €0.2 million) was generated in the 2020 financial year. After interest expenses of €0.1 million (previous year: €0.0 million) and tax expenses of €0.6 million (previous year: €0.9 million) this results in a net loss for the year of €1.9 million (previous year: net profit in the amount of €8.7 million).

Net assets and financial position

Equity declined from €213.5 million in the previous year to €207.4 million as of 31 December 2020.

The decline is essentially a result of the dividend paid to the shareholders of MBB SE and the net loss for the year. The equity ratio was 99.4% as of the end of the reporting period (previous year: 97.5%).

Total assets fell from €219.1 million to €208.5 million as of the end of the reporting period. Equity and liabilities decreased due to changes in equity and effected by other liabilities from bonus accruals. Assets decrease is due to lower receivables from affiliated companies compared with the previous year.

Including long-term securities, securities classified as current assets and physical gold holdings, MBB SE had liquid funds of €164.2 million (previous year: €170.0 million) at the end of the financial year. Net cash also decreased to €164.2 million (previous year: €170.0 million). Unrealized changes in physical gold holdings and securities are not included in this presentation of the financial position, hence the amount differs from the cash and cash equivalents reported under IFRS for the MBB SE holding company of €182.5 million.

A dividend of 70 cents per share or €4.2 million was distributed in the financial year (previous year: 69 cents).

MBB Group

Results of operations

The MBB Group generated revenue of €689.2 million in the 2020 financial year (previous year: €592.1 million). The growth of 16.4% essentially resulted from the acquisition of the Friedrich Vorwerk Group. Adjusted revenues of €0.6 million relate to discontinued activities of Friedrich Vorwerk.

Development of adjusted group revenue

Total performance climbed from €609.8 million in 2019 to €713.0 million in the current financial year. Other operating income of €15.7 million (previous year: €16.4 million) includes own work capitalized (€3.2 million), income from the offsetting of remuneration in kind (€1.9 million), income from the reversal of provisions (€1.6 million), income from securities (€1.4 million), income from the sale of fixed assets (€0.5 million), insurance and other compensation (€0.5 million), exchange rate gains (€0.5 million), income from the reversal of write-downs (€0.2 million), prior-period income (€0.1 million) and other income (€5.8 million).

Income from joint ventures and associates amounts to €10.6 million in the financial year (previous year: €1.1 million).

Adjusted cost of materials amounts to €366.0 million (previous year: €352.4 million). Adjustments were made for material costs in connection with cancelled projects at the Aumann site in Hennigsdorf, which was closed in the second half of 2020. The ratio of cost of materials to total operating performance decreased from 59.5% in the previous year to 53.3%.

Adjusted staff costs increased from €149.8 million in the 2019 financial year to €203.3 million in the year under review. The moderate rise in the adjusted staff cost ratio from 25.3% to 29.6% is significantly attributable to the acquisition of the Bohlen & Doyen companies at the end of 2019.

Adjusted other operating expenses amount to €58.0 million (previous year: €40.0 million). This mainly includes maintenance expenses, travel expenses, legal and consulting costs, rental and lease expenses, advertising costs, insurance premiums and telecommunications expenses. The increase essentially results from the acquisition of the Friedrich Vorwerk Group.

The MBB Group generated adjusted EBITDA of €85.7 million in the 2020 financial year (previous year: €67.6 million), a year-on-year increase of 26.8%. The adjusted EBITDA margin for the period is 12.5% (previous year: 11.4%). EBITDA before adjustments amounts to €70.0 million (previous year: €81.0 million). In the year under review, expenses in connection with restructuring activities at Aumann were adjusted in the amount of €15.4 million.

Development of adjusted group EBITDA

Adjusted depreciation and amortization of €29.6 million (previous year: €19.9 million) essentially relates to depreciation on property, plant and equipment and amortization of intangible assets. These figures have been adjusted for depreciation and amortization on assets capitalized in connection with purchase price allocations in the amount of €9.4 million and impairment losses on property, plant and equipment amounting to €1.0 million that relate to the Aumann sites in Hennigsdorf, which was closed in 2020, and Limbach-Oberfrohna.

This results in adjusted EBIT of €56.2 million (previous year: €47.7 million) with an adjusted EBIT margin of 8.2% (previous year: 8.0%). EBIT before adjustments amounts to €30.0 million (previous year: €54.4 million).

Development of adjusted group EBIT

The adjusted financial result is €-7.1 million, compared to €-9.7 million in the previous year. Net interest expenses amount to €3.4 million (previous year: €2.4 million). The financial result also includes adjusted non-controlling interests in Friedrich Vorwerk SE & Co. KG in the amount of €-3.7 million (previous year: €-7.3 million).

This results in adjusted EBT of €49.0 million (previous year: €38.0 million).

The Group reported adjusted tax expenses of €20.2 million in the financial year (previous year: €11.9 million), which essentially relates to current and deferred taxes. The adjustment in tax expenses is consistent with the adjustments described above.

In total, the adjusted consolidated net profit amounts to €28.8 million (previous year: €26.1 million).

Adjusted consolidated net profit comprises the net profit attributable to shareholders of the parent of €21.7 million (previous year: €17.9 million) and the net profit attributable to non-controlling shareholders of €7.1 million (previous year: €8.2 million). The average number of shares outstanding in the period under review was 5,934,168 (previous year: 6,068,186). Adjusted earnings per share amount to €3.66 (previous year: €2.95) or €2.14 (previous year: €4.44) before adjustments.

Calculation of adjusted earnings figures

As described in the section on the controlling system, the adjusted earnings figures offer greater transparency of the company's actual performance. The following table shows the reconciliation of the IFRS earnings figures to the adjusted earnings figures.

	Notes	1 Jan - 31 Dec 2020 €k	1 Jan - 31 Dec 2019 €k
Revenue	III.1.	**689,806**	**592,059**
Increase (+)/decrease (-) in finished goods and work in progress		-2,467	186
Adjustments:			
Revenue from discontinued activities		-563	0
Operating performance		**686,775**	**592,245**
Income from joint ventures and associates	III.2.	10,551	1,145
Other operating income and Badwill	III.3.	15,720	30,513
Adjustments:			
Badwill		0	-14,137
Total performance		**713,046**	**609,767**
Cost of raw materials and supplies		-213,184	-243,198
Cost of purchased services		-159,396	-109,191
Cost of materials		**-372,580**	**-352,389**
Wages and salaries		-169,924	-119,477
Social security and pension costs		-42,161	-30,336
Staff costs		**-212,084**	**-149,813**
Other operating expenses	III.4.	-58,973	-40,734
Adjustments:			
Restructuring costs		15,351	0
Non-operating costs		654	763
Costs from discontinued activities		312	0
Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)		**85,725**	**67,593**
Depreciation and amortization expense	III.5.	-39,996	-26,575
Adjustments:			
Depreciation and amortization of assets acquired in a business combination		9,412	6,643
Depreciation of plant and equipment related to restructuring		1,016	0
Adjusted earnings before interest and taxes (EBIT)		**56,157**	**47,661**
Finance income	III.6.	436	526
Finance costs	III.7.	-3,867	-2,915
Earnings attributable to non-controlling interests		-3,183	-7,704
Net finance costs		**-6,614**	**-10,093**
Adjustments:			
Non-controlling interests on adjustments		-533	394
Adjusted earnings before taxes (EBT)		**49,009**	**37,961**
Income tax expense	III.8.	-11,332	-9,225
Other taxes	III.8.	-1,310	-476
Adjustments:			
Deferred taxes on adjustments		-7,568	-2,158
Adjusted profit or loss for the period		**28,799**	**26,103**
Non-controlling interests		1,965	-7,653
Adjustments:			
Non-controlling interests on adjustments		-9,038	-520
Adjusted consolidated net profit		**21,726**	**17,929**
Adjusted earnings per share (in €)	III.9.	3.66	2.95

Achievement of targets by the Group

Key figures	Forecast 2020 published March 2020	Forecast 2020 published May 2020	Forecast 2020 published August 2020	Attained 2020
Adjusted Revenue (€ million)	> 660	open	> 660	689.2
Adjusted EBITDA (€ million)	n.a.	open	n.a.	85.7
Adjusted EBITDA margin (%)	8 - 10	open	8 - 10	12.5

Net assets

Equity amounts to €499.7 million as of 31 December 2020 (31 December 2019: €474.6 million). The increase results from a capital reorganization completed in the course of preparations for IPO of the Friedrich Vorwerk Group. The limited partners of Friedrich Vorwerk SE & Co. KG (formerly: Friedrich Vorwerk KG (GmbH & Co.)), the previous parent company of the Friedrich Vorwerk Group, contributed a total of 89.925% of the shares in Friedrich Vorwerk SE & Co. KG into Friedrich Vorwerk Group SE, which thereby became the new parent company of Friedrich Vorwerk. At MBB Group level, this resulted in a reclassification of liabilities to non-controlling interests from initial consolidation and profit allocation 2019 to Group equity in the amount of €17.7 million. Based on total consolidated assets of €802.7 million, the equity ratio was 62.3% (previous year: 56.2%). The Executive Management is of the opinion that the MBB Group has a solid equity base.

Intangible assets amount to €67.3 million as of the end of the reporting period (previous year: €69.9 million). The decrease is mainly due to scheduled amortization (€9.4 million), offset by additions to intangible assets (€6.9 million), of which €1.9 million is attributable to own work capitalized. The annual impairment test confirmed the recoverability of all capitalized goodwill.

The increase in property, plant and equipment to €165.0 million (31 December 2019: €157.8 million) essentially results from the purchase of Bohlen & Doyen company premises by Friedrich Vorwerk for just under €9.0 million.

Financial assets increased from €104.0 million in the previous year to €125.6 million as of 31 December 2020. This essentially includes securities and shares in joint ventures accounted for using the equity method. The increase is mainly attributable to a higher volume of investments in financial assets compared with the previous year.

Inventories amount to €38.2 million as of the end of the reporting period (31 December 2019: €47.1 million). The change in inventories is largely attributable to Aumann and Delignit.

The significant decrease in trade receivables and other current assets, from €200.9 million to €180.5 million as of 31 December 2020 is mainly caused by a decline in the business activities of some subsidiaries.

Cash in hand and bank balances fell to €209.7 million (31 December 2019: €243.9 million). The cash outflow is mainly due to investments financed from bank balances.

The Group's liabilities to banks and lease liabilities amount to €77.6 million as of 31 December 2020 (31 December 2019: €90.4 million). The significant decrease is due to the repayment of financial liabilities.

Liabilities to non-controlling interests decreased from €28.2 million in previous year to €7.6 million as of the balance sheet date. This resulted mainly from the capital reorganization of Friedrich Vorwerk.

Contract liabilities from advance payments decreased from €35.4 million as of 31 December 2019 to €21.8 million as of the balance sheet date, due to lower business activity of some subsidiaries.

Accruals decreased from €35.4 million to €26.3 million. The decrease is mainly due to lower accruals for outstanding invoices and accruals for personnel costs compared to the previous year.

Pension provisions slightly decreased to €28.1 million (previous year: €28.4 million) due to the development of interest rates of the period.

Trade payables decreased from €56.7 million as of 31 December 2019 to €47.1 million as of the balance sheet date.

Net cash (Cash in hand and bank balances, current and non-current securities and physical gold less liabilities to banks and lease liabilities) therefore amounts to €252.6 million as of the balance sheet date (previous year: €249.8 million). Accordingly, the Executive Management is of the opinion that the MBB Group has good funding.

Financial position

The change in cash and cash equivalents amounts to €-34.1 million in the year under review (previous year: €-63.6 million) and breaks down as follows:

Net cash from operating activities decreased from €69.2 million in the previous year to €56.0 million in the year under review. The decrease is mainly due to changes in working capital amounting to €-15.6 million (previous year: €+17.2 million). The net inflow essentially comprises the operating business of the subsidiaries and the related cash receipts. It also includes changes in assets and liabilities not attributable to investing or financing activities.

Net cash used in investing activities amounts to €-54.2 million (previous year: €-56.2 million) and essentially relates to investments in fixed assets.

Net cash from financing activities amounts to €-35.9 million (previous year: €-76.7 million). This essentially includes the payments in conjunction with dividends to the shareholders of MBB SE and non-controlling interests of €-4.2 million and €-6.1 million, respectively, plus proceeds from and payments for the borrowing and repayment of bank loans and lease liabilities.

All Group companies were able to satisfy their payment obligations in full at all times in the year under review.

Summary assessment

Executive Management rates the development of the MBB Group in the 2020 financial year as positive. Consolidated revenue, adjusted EBITDA and adjusted earnings per share all set new records in 2020. In addition, key investments were made at all subsidiaries and subsidiaries acquired in prior year have been successfully integrated into the Group.

Principles and objectives of financial management

The foundations of the Group's financial policy are determined by Executive Management. The primary objectives of our financial management are to safeguard liquidity and limit financial risks. Furthermore, our goal is to generate a return from the free liquidity of the Group despite the current low interest rates. Thus, parts of these funds are invested in short-term, highly diversified securities until they are needed to finance new acquisitions.

Intragroup transactions are usually conducted in euro. As the subsidiaries are independently responsible for hedging any extraordinary foreign currency items, there have been no significant unhedged items at Group level to date. As such, the MBB Group does not use active exchange rate hedging at Group level. Currency forwards can be used in special circumstances. Similarly, the management of the credit risks of our contract partners is the responsibility of the individual subsidiaries. However, monitoring at Group level serves to ensure timely intervention as necessary.

A key source of corporate finance is our operational business and the cash inflows it generates. However, long-term investments are financed with long-term loans.

Remuneration report

Executive Management

The remuneration of Executive Management consists of a fixed component, a short-term variable component and a long-term variable component. A D&O insurance policy with a deductible and accident insurance have also been taken out. The CEO is also entitled to an extended package of benefits in kind, including the provision of company cars and the payment of any taxes and duties on benefits in kind. Comprehensive information on the remuneration of the Executive Management can be found both in the notes to the financial statements of MBB SE and in the notes to the consolidated financial statements.

Board

The Chairman of the Board receives remuneration of €15.0 thousand, the Deputy Chairman receives €7.5 thousand and the other members receive €5.0 thousand per meeting. D&O insurance with no deductible has also been taken out for the non-executive members of the Board. The remuneration paid to the Chief Executive Officer for his membership of the Board is offset in full, meaning that he does not receive any additional remuneration for this activity.

A detailed description of the remuneration system and a breakdown of the remuneration paid to the Board and the Executive Management can be found in the notes to the consolidated financial statements.

Controlling system

The MBB Group's systematic focus on increasing enterprise value is also reflected in its internal controlling system. To this end, we have implemented a mentor system in which an employee or member of Executive Management of MBB SE acts as the mentor for a subsidiary. In this role, the mentor is the first point of contact for the respective management on site and is closely involved in the strategic, operational and financial orientation of the subsidiary. Furthermore, all relevant developments at the subsidiary and at MBB SE are discussed at the monthly Executive Management meeting. This meeting also discusses potential investment opportunities and the free cash funds available for investment purposes. The development of various key figures, in particular incoming orders, revenue and EBITDA, of the individual Group companies is analyzed here. MBB SE uses consolidated revenue and EBITDA as its financial performance indicators relevant to forecasts.

Typically, the forecast for the following financial year is published with the annual report at the latest. This is based on detailed bottom-up planning by the individual Group companies. The published forecast is reviewed regularly and updated by Executive Management if necessary. The earnings figures include IFRS remeasurement effects, such as negative goodwill from business combinations and write-downs on hidden reserves identified in conjunction with business combinations. These effects cannot be predicted as they are linked to future, unforeseeable investment. MBB is therefore forecasting an operating result adjusted for these and other non-operating income and expenses that more transparently and more sustainably reflects the company's operating earnings power and development. The earnings projections for the 2021 financial year included in the forecast and subject to the effects of the COVID-19 pandemic are also based on the adjusted earnings figures.

The key performance indicators for controlling the Group's net assets and financial position are firstly net cash (including all cash equivalents) and net debt and secondly cash flow. Operating cash flow is calculated using the indirect method in accordance with IAS 7. Interest expenses are allocated to cash flow from financing activities, while interest and dividend income are reported in cash flow from operating activities.

Report on risks and opportunities

The business development of MBB SE is subject to the same risks and opportunities as the Group as a whole. Thus, the risks and opportunities are essentially presented from the perspective of the MBB Group below.

Opportunities

In the opinion of the Executive Management, the MBB Group has the following opportunities for the future:

- MBB has a high level of cash funds that it primarily intends to invest in further growth through acquisitions.
- The sustained high number of SMEs available for sale means opportunities for acquisitions that will add value to the Group.
- The high level of investment by the Group's companies creates opportunities for further profitable growth.
- Investing in and increasing the value of small and medium-sized industrial companies allows high returns if successful.
- MBB's profitable development over a number of years serves to increase its attractiveness as a shareholder, borrower or business partner and will boost MBB SE's importance as a holding company for industrial SMEs in Germany.
- The experience and network of the current management offers a strong starting position for the continued growth of the MBB Group.
- The diversification of the MBB Group has been expanded substantially by the acquisition of the Friedrich Vorwerk Group, greatly cushioning the potential impact of changes in demand on individual markets on the Group as a whole.
- Thanks to its outstanding technological expertise, its excellent reputation and customer relationships and its fully integrated business model, the Friedrich Vorwerk Group is ideally positioned on its core markets of underground gas, hydrogen and power lines and the associated energy transformation projects (e.g. gas pressure control and measurement systems, compressor stations, cavern storage and transformer stations) to benefit from this in the long term.
- MBB's relative market position for acquiring companies could even improve as a result of a smaller number of potential buyers, a shortage of debt capital and liquidity challenges at potential target companies in conjunction with the COVID-19 pandemic.
- As a result of the successful IPO of Friedrich Vorwerk and the associated replacement of some of the shares held by MBB, the Group has received substantial funds, which MBB intends to invest primarily in further growth through acquisitions.

In summary, MBB has considerable opportunities arising from the operating activities of its individual subsidiaries and from the potential expansion of its portfolio of companies.

Risks

Exogenous risks

- An economic and financial crisis arising as a result of the COVID-19 pandemic of an as yet unknown magnitude could endanger the existence of individual subsidiaries. The economic and financial crisis could severely impact economic performance with all imaginable negative consequences and the possible simultaneous occurrence of several of the individual risks described below.
- A sustained economic downturn could lead to falling revenue or earnings at MBB SE's existing subsidiaries.
- Individual subsidiaries could be affected by market downturns in specific industries.
- An intensification of the competitive situation in the core markets of our subsidiaries could lead to a deterioration in the earnings and profitability situation.
- Short-term changes in political conditions could render subsidiaries' individual business models unviable.

Financial risks

- Outstanding receivables could be paid late or not at all.
- Cash and cash equivalents could be insufficient to meet financial obligations in a certain amount and at a certain date.
- The funds invested in securities are subject to high fluctuations and can lose value for prolonged periods.
- The Group's floating-rate financial liabilities are subject to interest rate risk.
- As an international Group, MBB is subject to exchange rate fluctuations on the currency markets.
- The refinancing of new business acquisitions might not be possible.

Liability risks

- Despite comprehensive risk management, the Group companies are exposed to the general risks associated with their business activities. For example, the manufacturing companies within the Group in particular could be liable for warranty cases, environmental pollution or production downtime.
- MBB SE could be exposed to risks arising from sale and purchase agreement warranties, while its subsidiaries could be exposed to product liability or other statutory liability risks.
- MBB SE is liable in the long term in accordance with the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act) in the context of the IPO of Aumann AG and Friedrich Vorwerk Group SE.
- Four of the companies within the Group are currently listed – MBB SE, Friedrich Vorwerk Group SE, Aumann AG and Delignit AG – which means additional expenses and liability risks specific to the capital market.

Other risks

- Environmental risks comprise the risks associated with greenhouse gas emissions, waste and the consumption of resources caused by the Group.
- The Group's continued growth is dependent on attracting high performing, qualified employees, particularly at the level of its subsidiaries.
- The handling of major long-term and complex projects at individual subsidiaries is subject to specific project risks.
- The high purchase price expectations of potential sellers could limit the number of attractive investment opportunities, and hence the Group's growth.

The overall assessment of the current risk and opportunity situation as of the end of the reporting period reveals no threats to the Group as a going concern.

Principles of the risk management and the accounting-related internal control system

The MBB Group has established a risk management system to address the above risks. Measures are initiated at an early stage in order to prevent any disadvantage to the company. This system includes:

- Integrated subsidiary controlling that uses monthly business controlling to continuously compare target, actual and forecast data at the level of the portfolio companies and MBB SE.

- Project controlling, which defines, develops and tracks the implementation of optimization measures within the Group and at each individual company.
- Regular management meetings within MBB SE and with the management of the respective subsidiaries.
- Regular external or internal auditing to examine the focal areas determined in advance.
- Structured M&A tools that are used to organize the proposal and acquisition process and test it for success, and the maintenance and continuous expansion of the network of M&A brokers and potential sellers.
- Central Group monitoring of key contractual risks and legal disputes by management and the engagement of qualified law firms as necessary.

The internal control system is an integral component of MBB's risk management. Its primary objectives are to ensure that all transactions are accurately reflected in reporting and to prevent deviations from internal or external provisions. In terms of external accounting, this means that the conformity of the financial statements with the applicable regulations must be guaranteed. Accordingly, the structure of the internal control system and the risk management system reflects that of the reporting entities. MBB Group subsidiaries are subject to uniform accounting policies, compliance with which is monitored on an ongoing basis. At Group level, the specific control activities for ensuring the compliance and reliability of Group accounting include the analysis and, where necessary, correction of the separate financial statements submitted by the Group companies. To this end, the reporting tools and the consolidation system already feature automatic control mechanisms and plausibility checks. External specialists are commissioned on a case-by-case basis to control individual accounting risks, e.g. in connection with actuarial valuations.

As the current pandemic unfolds, the risk management system is closely monitoring major developments at MBB's companies, regularly coordinating with Executive Management and sharing information with the Chairman of the Board of MBB SE. At least once a month, the pandemic situation in the company and its subsidiaries is analyzed in a video conference with all holding company employees and measures are discussed.

Declaration on corporate governance

The Board reports on corporate governance in accordance with item 3.10 of the German Corporate Governance Code and section 315d HGB in conjunction with section 289f HGB.

Declaration in accordance with section 161 AktG

The Board issued the most recent declaration of compliance in accordance with section 161 AktG on 4 March 2021. It reads as follows:

The Executive Management and Board of MBB SE submitted the last declaration of conformity in accordance with section 161 AktG on 4 March 2020 and complied with this declaration of conformity with the exceptions stated therein. The following declaration updates this declaration with the special features presented below due to the one-tier system used by MBB SE. The Board declares on 4 March 2021 that it has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code (hereinafter "Code") as amended on 16 December 2019 with the following exceptions:

As a European stock corporation (Societas Europaea – SE), the company has a one-tier management and control structure. The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). Executive Management manages the company's business by implementing the basic principles and standards set out by the Board.

MBB SE interprets the regulations of the Code intended for supervisory boards as applying to its Board, and those intended for management boards as applying to its Executive Management. The following exception apply with respect to the legal design of the one-tier system:

- *Pursuant to Section 22 SEAG, the Board is responsible for developing the strategic direction of the Company.*
- *Pursuant to Section 40 SEAG, members of the Board may be appointed as Executive Directors, provided that the majority of the Board continues to consist of non-executive members.*

The following deviation applies with regard to recommendation F.2 of the Code:

- *Consolidated financial statements and interim reports are published within the deadlines set by Deutsche Börse for the Prime Standard.*

The above declaration of compliance has been published on our website and is available for download at http://www.mbb.com/investor-relations/corporate-governance.html.

Composition of the Board

The Board should represent the two founding and majority shareholder families with one seat each, secure the expertise of very important management members on a permanent basis after leaving the company, have at least one independent member with high qualifications for the business activities of MBB, and sufficiently represent the company's diversity. The current composition of the Board meets this objective. The duration of each member's membership of the Board is shown in section VIII.1 Executive Bodies.

An Audit Committee was formed during the financial year. The Chairman of the Audit Committee is Anton Breitkopf with the following main responsibilities: Audit of financial statements, monitoring of the accounting process, effectiveness of the internal control system and internal audit system. The final approval of all payments made by MBB SE is the responsibility of Mr. Breitkopf. The audit of the financial statements and compliance-relevant topics are discussed with all members of the Board.

Succession planning

The age limit for members of the Board and the Executive Management is 85. The average age of the Executive Board is 48, which is comparatively low. In addition, the company has highly qualified young managers who are successively supported in their careers and thus given the opportunity to move up to the Executive Committee. Furthermore, MBB is a highly attractive employer for qualified and highly motivated junior staff. The Board believes that the Executive Committee has been well staffed at any time.

Self-affirmation

The Board sees its work confirmed by the success of the company since it was founded 25 years ago.

Corporate governance report

Directors' shareholding

The shareholdings of the members of executive bodies are shown in the notes to the financial statements of MBB SE and under note 11.1 in II. Notes to the consolidated statement of financial position.

Avoiding conflicts of interest

In the year under review, there were no conflicts of interest among the members of Executive Management or the Board. It should be noted that the Board has agreed consulting contracts with Gert-Maria Freimuth and Anton Breitkopf. The agreed activities go beyond the extent of their responsibility as members of the executive bodies. Please refer to the remuneration report for further information.

Share buyback program

On 18 March 2020, the Board of MBB SE resolved to exercise the authorization granted by the Annual General Meeting on 28 June 2019 to purchase treasury shares. In the period from 20 March 2020 to 8 April 2020, MBB SE purchased 8,498 treasury shares at an average price of €49.91 on the stock exchange.

Accounting and auditing

MBB SE prepares its annual financial statements in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. The consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards as adopted by the EU and the supplementary provisions of section 315e(1) HGB.

The management report of MBB SE and the Group management report are combined in accordance with sections 315(5) and 298(2) HGB.

The Annual General Meeting of MBB SE elected RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, as the auditor of the financial statements of MBB SE. At no point were there any business, financial, personal or other relationships between the auditor, its executive bodies and head auditors on the one hand, and MBB SE and the members of its executive bodies on the other, that could give rise to doubts as to the independence of the auditor. The Board of MBB SE issues the audit engagement to, and agrees the corresponding fees with, the auditor elected by the Annual General Meeting. When issuing the audit engagement, the Board and the auditor also agree on the reporting obligations set out in the German Corporate Governance Code.

The auditor participates in the discussions of the Board on the financial statements of MBB SE and consolidated financial statements and reports on the key findings of its audit.

Long-term bonus program/security-based incentive systems

Details of the long-term bonus program can be found in the remuneration report.

Information on corporate governance practices

The members of the Board and Executive Management manage the company's business with the due care and diligence of a prudent and conscientious company director in accordance with the law, the Articles of Association of MBB SE, the relevant Rules of Procedure, the provisions of the applicable employment contracts and the resolutions adopted. There are no codified and publicly accessible corporate governance practices above and beyond these requirements to date.

Procedures of Executive Management and the Board

The Board manages the company, determines the basic principles governing its activities, monitors their implementation and has the additional responsibilities and authorities set out in section 22 of the German SE Implementation Act (SEAG). Executive Management manages the company's business by implementing the basic principles and standards set out by the Board. The Board concluded the Executive Management contracts for the period from 1 July 2018 to 30 June 2021. The MBB Group does not have a right of co-determination, meaning that all the members of the Board are shareholder representatives.

The individual subsidiaries each have independent operational management teams, some of which hold shares. The management teams of MBB SE and the subsidiaries cooperate closely on the development of the respective companies.

Diversity concept

When filling positions in the management of MBB SE and in the two management levels below the Executive Management, attention is paid to diversity and applicants of the male, female and diverse genders are always considered. Primarily, it is important for the Board, in accordance with the requirements of stock corporation law, that the candidate has the skills, knowledge and experience required for the work of the Executive Board.

On 14 April 2021, the Board of MBB SE resolved to achieve a 20% share of women for members of the Board and the Executive Management in the medium term. In the extended management level of MBB SE, 33% are women.

Disclosures in accordance with section 289a and section 315a HGB

In accordance with sections 289a and 315a HGB, the management report must contain the following disclosures:

Composition of issued capital

The share capital reported in the statement of financial position as of 31 December 2020 of €5,940,751.00 consists of 5,940,751 no-par value bearer shares and is fully paid in. Each share grants the bearer one vote at the Annual General Meeting. The company does hold 8,498 own non-voting shares not entitled to dividends as of the balance sheet date.

Restrictions on voting rights or the transfer of shares

There are no restrictions on voting rights or the transfer of shares.

Direct or indirect equity interests exceeding 10% of the voting rights

Direct or indirect equity interests exceeding 10% of voting rights are presented in the notes to the financial statements of MBB SE and in the notes to the consolidated financial statements under note 11.1 in II. Notes to the consolidated statement of financial position.

Bearers of shares conferring special rights

No shares conferring special rights have been issued.

Nature of control of voting rights in the event of employee participation

There are no corresponding employee participation schemes.

Statutory provisions and Articles of Association on the appointment and dismissal of members of the Executive Management and on amendments to the Articles of Association

Members of the Executive Management are appointed and dismissed in accordance with sections 84 et seq. AktG. Article 6 of the Articles of Association governs the appointment and dismissal of members of the Executive Management as follows:

“The company has one or more members of Executive Management. Individual members of the Board can be appointed as members of Executive Management provided that the majority of the Board still consists of non-executive members.

The Board is responsible for determining the number of members of the Executive Management and for their appointment, the conclusion of their employment contracts and the revocation of their appointment. Members of the Executive Management are elected for a maximum term of six years and can be dismissed by the Board at any time prior to the end of their term.

If more than one member of the Executive Management is appointed, the Board can nominate one of the members of the Executive Management as the Chairman or Chief Executive Officer (CEO). The Board can also nominate deputy members of the Executive Management.

The members of the Executive Management conduct the company’s business jointly in accordance with the law, the Articles of Association, the Rules of Procedure and the instructions issued by the Board. They implement the basic principles and standards set out by the Board. If only one member of the Executive Management is appointed, the company’s business is conducted solely by this member as described above.

The members of the Executive Management receive remuneration as determined by the Board in accordance with section 87 AktG.”

In accordance with section 179(1) AktG, all amendments to the Articles of Association require a corresponding resolution by the Annual General Meeting. In accordance with Article 24 of the Articles of Association, amendments to the Articles of Association require a simple majority of the votes cast at the Annual General Meeting, to the extent that this is permitted by law; abstentions do not count as votes cast.

Article 11(2) of the Articles of Association also states that the Board is authorized to make amendments to the Articles of Association that relate solely to their wording. In particular, the Board is authorized to amend the wording of the Articles of Association in the event of the full or partial implementation of an increase in the share capital."

Power of the Board with particular reference to the ability to issue or buy back shares

The Annual General Meeting on 30 June 2016 resolved Contingent Capital 2016/I. The Board is authorized to issue bearer or registered convertible bonds or bonds with warrants with a total volume of up to €66,000,000 and a maximum term of ten years in the period until 29 June 2021, and to grant the holders of these bonds conversion rights for new no-par value bearer shares of MBB SE with a proportionate interest in the share capital of up to a total of €3,300,000. The Company's share capital is contingently increased by up to €3,300,000 (Contingent Capital 2016/I). The purpose of this contingent capital increase is to issue shares to the creditors of convertible bonds or bonds with warrants. It is permitted to implement the contingent capital increase only to the extent that the creditors have exercised their conversion right or are subject to a conversion obligation.

The Annual General Meeting on 28 June 2018 cancelled the Authorized Capital 2015/I and created new Authorized Capital 2018. The Board is authorized to increase the company's share capital on one or more occasions by a total of up to €3,300,000 in the period until 27 June 2023 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions (Authorized Capital 2018).

The Annual General Meeting on 28 May 2019 authorized the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as at the authorization date while upholding the principle of equal treatment (section 53a AktG) in the period until 27 May 2024. The authorization can be exercised on one or more occasions, in part or in full. The shares can also be purchased by dependent Group companies or by third parties on the company's account. The authorization cannot be used for the purposes of trading in treasury shares. The authorization to acquire and use purchased treasury shares resolved by the Annual General Meeting on 28 June 2018 under item 9 of the agenda was cancelled when this authorization became effective.

On 18 March 2020, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on 28 May 2019. In the period from 20 March 2020 to 8 April 2020, MBB SE acquired 8,498 treasury shares of the company via the stock exchange with a total value of €424,782.67.

The Annual General Meeting on 24 August 2020 authorized the Company to issue stock options (Stock Option Program 2020), to create a new Contingent Capital 2020/I, to adjust the Contingent Capital 2016/I and to make the necessary amendments to the Articles of Association.

The stock option program authorizes the Board to grant up to 240,000 subscription rights to up to 240,000 no-par value bearer shares of the company to beneficiaries within the meaning of Section 192 (2) no. 3 of the German Stock Corporation Act (AktG) until 30 June 2025. For further information, we refer to the notes to the financial statements of MBB SE and to section VIII.8.2 (Remuneration of the executive bodies) of the Notes to the consolidated financial statements.

The capital stock of the company is conditionally increased by up to €240,000 through the issue of up to 240,000 new no-par value bearer shares (Contingent Capital 2020/I). The contingent capital increase serves exclusively to fulfill entitlements under the equity-based stock option program 2020.

The authorization to increase capital from Contingent Capital 2016/I on the basis of the resolution of the Annual General Meeting on 30 June 2016, which expires on 29 June 2021, is reduced from €3,300,000 to €2,500,000 with otherwise unchanged content.

Material agreements subject to the condition of a change of control as a result of a takeover bid

There are no such agreements.

Compensation agreements with members of the Managing Board or employees for the event of a takeover bid

There are no such compensation agreements.

The disclosures required in accordance with section 160 AktG(1) no. 2 can be found in the notes to the financial statements of MBB SE and in section II.11.1 Equity in the Notes to the consolidated financial statements.

Non-financial statement in accordance with section 289b HGB and section 315b HGB

MBB sees sustainability as a central business task. Accordingly, various sustainability aspects are integrated into its corporate strategy, Group-wide controlling and the regular meetings of Executive Management. MBB's philosophy is characterised by a business orientation accompanied by responsibility for the environment, employees and society. In our daily efforts to excel, we seek to combine sustainability targets with economic aspects.

In accordance with the German Act to Strengthen Non-Financial Reporting (CSR Directive Implementation Act) of 11 April 2017, MBB hereby publishes the non-financial statement for the company and the Group in accordance with section 289b HGB and section 315b HGB. The reporting period for the non-financial statement is the 2020 financial year. The quantitative information includes all consolidated subsidiaries of the MBB Group.

In line with section 289d HGB, we examined which national, European or international frameworks could be applied in preparing the non-financial statement. No framework is comprehensively applied at present, however, as the cost of doing so would be disproportionate to the benefit in light of MBB's corporate structure and we do not consider any of the existing frameworks to be suitable for us.

Business model

MBB is a medium-sized, family-owned company specialising in the acquisition and management of medium-sized industrial companies with considerable technology and engineering expertise. Further information on the business model and the individual segments and subsidiaries can be found in the "Segments" section in MBB's combined management report and group management report for 2020.

Stakeholders

Family owners: The family shareholders Gert-Maria Freimuth and Dr Christof Nesemeier are MBB SE's main equity providers. Their focus is on responsible action and sustainable value added.

Investors: The other shareholders also expect MBB to take sustainable and responsible action, with a clear strategic focus and transparent reporting.

Customers of the subsidiaries: The customers of our subsidiaries want reliable partners to reliably provide innovative solutions while exercising ecological and social responsibility.

Employees: Our employees value an attractive and secure workplace where they can apply their skills as trained. Continuing professional development is part of MBB's sustainable human resources policy.

MBB is in regular contact with all stakeholder groups. While family shareholders play a key role in the co-determination of MBB's sustainability strategy in their roles as members of the Board and Executive Management, other stakeholders are included through various channels, including direct dialogue, regular financial reporting, conferences and roadshows.

Materiality analysis

The materiality analysis, which was performed for the first time in 2017 and is regularly updated, identified "employee concerns" and "environmental concerns" as the core issues of MBB's sustainability strategy. These aspects are explained in more detail below. The issues of "social concerns", "respecting human rights" and "combating corruption and bribery" are also described. As we consider these topics important but, in our opinion, secondary as regards MBB's sustainability strategy, they will be discussed only briefly. Please see the table at the end of this section for an overview of key non-financial indicators.

Environmental issues

The responsible handling of natural resources is a key issue at all levels of the MBB Group, as operational decisions at our subsidiaries always have ecological consequences. This applies to the use of raw materials in addition to the energy efficiency of the individual subsidiaries. However, it also applies in particular to the impact of our products and services on our customers' environmental protection goals. By using natural resources responsibly and ensuring high energy efficiency, many MBB companies make an important contribution to environmental protection, and thus already have a strong interest in this topic for strategic reasons.

Friedrich Vorwerk takes a holistic approach in its project business, by managing projects on all phases of the project cycle and by also taking into account long term use and environmental issues beyond the project's scope. As, by definition, infrastructure projects mean intervening in existing structures, the Groups activities directly influence people and the environment. In order to minimize the resulting impact, Friedrich Vorwerk attaches particular importance to forward looking and comprehensive planning. Environmental factors include land usage, excavation, intervention in the water supply, the consumption of energy, water and raw materials in addition to the generation of noise, dust, vibrations, emissions, waste water and solid waste. These factors vary according to the type and extent of a project. For example, as a specialist in directional boring, Friedrich Vorwerk is able to lay power lines with minimal landscape impact. The goal is to protect and conserve the natural environment as far as possible, by integrating the special considerations of each project into individual project management.

The extensive environmental protection activities required in major projects carried out by Friedrich Vorwerk are typically set out in a legally binding landscape conservation plan. In Germany, this plan maps out the measures planned for a project that entails encroachment on nature and the landscape, in the immediate vicinity of the project or nearby, to compensate for or minimize this encroachment. These measures are a part of the planning documentation necessary for a project's approval, and become legally binding when the zoning plan for the project is adopted. Measures for smaller projects can include tree protection activities, in particular in inner city areas, which are also coordinated with the offices in charge of green areas.

Furthermore, Friedrich Vorwerk aims to enhance the economy and efficiency of its vehicle fleet and technical equipment. Fuel consumption and downtimes are therefore analyzed constantly and fleet management is adjusted accordingly. For example, old vehicles, machinery and equipment are constantly exchanged for newer, more efficient models with lower pollutant and noise emissions.

Energy efficiency and sustainability are taken into account when sourcing materials, and we expect our suppliers and service providers to fulfil the same environmental standards as us. Environmental certificates and indicators are therefore requested from potential suppliers in the procurement process and assessed alongside quality, delivery time and price.

By providing regular training for employees in all departments, Friedrich Vorwerk ensures that they have a high environmental impact awareness, adhere to systems for the separation and disposal of waste, are economical with all resources and comply with the applicable work instructions for the handling of hazardous substances and water pollutants.

For Delignit, strategic environmental protection considerations also play a central role: As a production material and energy resource, wood is ecologically unique and is Delignit's main source of raw materials. Accordingly, Delignit supports the Association of the German Wood-Based Panel Industry's responsible wood use initiative. Thanks to this, and also to the renewable nature of this material in particular, Delignit exemplifies the definition of ecological sustainability. In addition, the use of wood as a substitute for products made from non-renewable raw materials is a further example of active climate protection. For example, a beech panel weighs only a tenth of a piece of structural steel of the same dimensions but has a third of its strength. The use of Delignit beech in the automotive industry thus reduces fossil CO_2 emissions. Carbon footprint is a major concern for many of our customers. If different application solutions based on different materials and materials are available, the sustainability of Delignit products can be the deciding factor.

Aumann also makes a significant contribution to reducing emissions and protecting the environment. Aumann is a provider of special-purpose machinery and automated manufacturing solutions that enable car manufacturers to mass-produce highly efficient and technologically advanced e-motors with superior power-to-weight. In addition to solutions for e-engine components, Aumann also supplies special-purpose machinery and production lines for the manufacture of automotive energy storage systems and hybrid modules in addition to full electric powertrains. But Aumann's classic business area also contributes significantly to reducing emissions. Thus, Aumann's systems for the production of drive components for combustion engines, such as transmissions, assembled camshafts, cylinder activation and deactivation modules or lightweight structural components make a key contribution to reducing their customers' fleet fuel consumption and CO_2 emissions.

Finally, in line with rising customer demand for responsible action and sustainable products, the other companies of our Group are also making their contribution to our environment. For example, CT Formpolster's are certified according to ÖkoTex 100, Class 1 for Babies. Furthermore, its foams have the "LGA tested" quality mark. Like at CT Formpolster, the formulas used by OBO are continuously improved to eliminate the use of hazardous materials as far as possible. Our subsidiaries also lead by example in waste utilization and disposal. The majority of the waste produced by CT Formpolster is used as carpet underlay material. Waste prevention is a key issue at OBO as well. While up to 20% waste was incurred in the past as a result of production, a new extraction and briquetting system has been in use since 2018 to compress significant waste components, firstly to reduce logistics costs and secondly so that the compressed material can be used as insulation.

Hanke continuously develops and implements measures to reduce energy and water consumption and to recycle rejects. The share of non-recyclable scrap in the production volume of tissue products in tons was reduced overall from 5% to 7% in the previous year to 3% to 5% in the fiscal year. This share is sold to recycling companies.

DTS, which operates ISO 27001-certified high-performance data centres, is particularly committed to efficient energy usage. In the past, for example, a refrigeration system was replaced by highly efficient, state-of-the-art turbo compressors that reduced energy consumption considerably. The latest air conditioning technology findings are taken into account as regards maximum efficiency every time the Group increases its own data centre capacity.

Key environmental risks associated with the products and services of the subsidiaries result from accidents that are unlikely but that cannot be ruled out completely. We counter the theoretical risk of an accident with an environmental impact with established procedures at the individual subsidiaries. We attach particular importance to high quality requirements for our suppliers and high quality standards.

Five out of seven MBB subsidiaries are ISO 50001 certified and thus meet the internationally recognized basic principles of an energy management system. This corresponds to over 90% of Group sales and EBITDA. Four of our subsidiaries, and thus over 80% of Group sales and EBITDA, are ISO 14001 certified and thus also meet the relevant standards in the area of environmental management.

Employee matters

Protecting and respecting each and every person is a top priority in the MBB Group. It goes without saying that we comply with international human rights and labour standards. We condemn any and all forms of discrimination, including for reasons of ethnic background, religion, political views, gender, physical capacity, appearance, age or sexual orientation.

Our employees are our Group’s most important resource. It is therefore a central component of our sustainability strategy to attract new, motivated employees while attaining a high level of satisfaction and motivation with a low turnover within the staff body. We want to be an attractive employer for employees and junior executives.

MBB sees attracting qualified employees as its biggest challenge, and it is one that we actively address. In addition to conventional job adverts and recruitment consultants, we are increasingly also achieving this by using social media and positioning MBB and its individual subsidiaries as attractive employers. We intend to continue this approach moving ahead. Our Group currently has 3,457 employees and 245 trainees (including trainees on dual study programs). Furthermore, as of 31 December 2020 98 temporary employees who – assuming general suitability – have been taken on as regular employees in the past.

MBB considers supporting and challenging its employees to be a key factor in its success. Our employees take part in training and continuing professional development in all areas of the Group, with high standards of occupational health and safety and the selective promotion of junior executives. MBB currently has 203 trainees (previous year: 213) and 42 trainees on dual study programs (previous year: 41). The slight decline was driven by a small number of companies in the Group which were affected by restructuring measures. Other areas of the Group recorded disproportionately high growth in the number of apprenticeships compared with the workforce. The ratio of trainees to full-time employees at the DTS is around 17%. Our fundamental aim is to offer permanent employment to all trainees (including those on dual study programs) who complete their training with us. This approach yields impressive results: For example, the DTS recruits around a third of its employees from former trainees and students who have completed dual study programs.

To continue being an attractive employer, all our subsidiaries invest in their employees, either directly, by offering home office or at the state-of-the-art training centre at Aumann. In addition, some subsidiaries provide their employees with fruit free of charge or offer them health workshops in cooperation with various health insurance funds.

We are particularly committed to gender equality. Women, men and trans people have the same opportunities at our company. We seek to ensure a balance between the genders at all hierarchical levels. The focus on technical professions that is inherent to our business model means that women are still underrepresented among students and job applicants, with the latter posing a challenge when it comes to filling vacant positions.

When selecting managers, Executive Management always seeks to ensure diversity and takes male, female and trans candidates into account. Ultimately, appointments are always primarily based on the professional and personal qualifications of person in question.

At present, 16.7% of the MBB Group’s employees are women. The Group’s first management level consists entirely of men, while the second management level has 22 female managers (previous year: 19). Compared with the previous year, the Group was thus able to slightly increase the proportion of female employees and the number of female managers.

As most of its subsidiaries operate in the manufacturing industry, MBB is particularly committed to ensuring a safe working environment. Manufacturing employees are subject to an elevated health risk. This is why we apply high standards when it comes to security, particularly with regard to handling hazardous materials and other potential hazards. By regularly providing training and continuing professional development, we foster the knowledge and expertise required by our employees to work safely.

Reportable work accidents are recorded and analysed at regular intervals. The number of reportable work accidents decreased from 128 in the previous year to 84 in the year under review by 34%. As in the previous year, the number of fatal work accidents was zero. Our aim is to reduce the number of work accidents through the introduction of new and further development of existing safety concepts.

While the energy industry has focused on the technical and organizational aspects of occupational health and safety in the past, future work safety success can only be achieved with a pronounced culture of safety. The Safety Culture Ladder (SCL) is an assessment method for measuring safety awareness and conscious safe acting by each individual employee in the company. The higher the safety awareness in an organization, the higher the assigned ladder step. Bohlen & Doyen is a frontrunner here, and is the first part of the company to successfully complete level 3 SCL certification for the areas energy grids and directional boring technology, also referred to as horizontal directional drilling (HDD). However, the Group will consider rolling this out further based on the expected positive effects of heightening safety, health and environmental protection awareness as judged by the existing indicators.

Social issues, respecting human rights and combating corruption and bribery

Social issues: Dealing with our customer and supplier stakeholders respectfully and in a socially responsible manner is one of our guiding principles. We firmly believe that continuous product innovation, acting fairly with respect to suppliers and entering into a constant dialogue with our customers are key elements of our business success. The MBB Group companies are involved in voluntary social projects at municipal level. In addition to their role as an employer, they also contribute to the good of these communities through, for example, cooperations with schools or sports clubs. These social activities are not managed centrally, but rather are organised by the responsible officers at the respective subsidiaries.

Respecting human rights: MBB's subsidiaries have deep roots in Germany and Europe, and respect the human rights of employees, suppliers and business partners in their day-to-day operations. We have not identified any risks of non-standard remuneration, inappropriate working hours, restrictions on the freedom of assembly or equal rights at either our subsidiaries or their suppliers. MBB is committed to upholding internationally recognized human rights standards and does not tolerate any form of slavery, forced labor, child labor, human trafficking or exploitation in its own business activities or its supply chain.

Combating corruption and bribery: We have always considered compliance with legal provisions and guidelines, in addition to correct conduct in business transactions, to be a core component of sustainable corporate governance. In order to uphold this long-standing principle, compliance management systems were established at Group companies and are still being developed on an ongoing basis. The current Code of Conduct and the Group-wide anti-corruption policy serve as a framework for activities both within the company and in respect of third parties. The Code of Conduct is specified and defined in greater detail through guidelines and instructions. Using cyclical reporting structures, the respective management of the various Group companies is required to report regularly to the Executive Management of MBB SE on the effectiveness of the respective compliance management system and any incidents occurring.

Negative consequences and risks in connection with business activities

In our opinion, there are no material risks in connection with our business activities, our products or our services that could have serious negative consequences in terms of employee, environmental or social concerns, or that could lead to a violation of human rights and to corruption.

Overview of key non-financial indicators

	2020	2019
Employees		
Number of female executives (first and second level)	22	19
Share of female employees in relation to total employees	16.7%	16.3%
Share of temporary workers in relation to total employees	3.2%	7.5%
Number of apprentices	203	213
Number of employees in cooperative study programs	42	41
Reportable work accidents	84	128
Deadly work accidents	0	0
Environment		
Energy intensity in MWh / €m revenue	263	293
Water intensity in m3 / €m revenue	471	540
Waste intensity in t / €m revenue	8.0	5.5
Social		
Charitable donations and sponsoring in €k	151	24

Sustainability Accounting Standards Board (SASB) Index

With Friedrich Vorwerk the largest subsidiary of MBB has published the Sustainability Accounting Standards Board (SASB) index for the first time in its annual report in order to ensure greater transparency in the area of sustainability. SASB aims to enable transparent communication between companies and investors on material information related to ESG data through standardised sustainability accounting. As the standard was only recently introduced in 2020, Friedrich Vorwerk does not yet have all the data and information required for reporting in full accordance with the "Engineering & Construction Services" standard as defined by the SASB organization.

The missing information will now be collected for future reporting years.

Our goal is to introduce sustainability accounting according to the SASB concept in further subsidiaries.

The SASB concept is presented below using the example of Friedrich Vorwerk.

	Code	Comment
Environmental Impacts of Project Development		
Number of incidents of non-compliance with environmental permits, standards, and regulations	IF-EN-160a.1.	In 2020, there were no incidents of non-compliance with environmental permits, standards and other regulations. Friedrich Vorwerk has measures and controls in place to ensure compliance with applicable rules and regulations in its industry.
Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	IF-EN-160a.2.	Friedrich Vorwerk is monitoring the environmental impacts of each project by employing specific environmental management systems such as ISO 14001 and ISO 50001. Furthermore, the company holds industry specific permits and licenses and is certified as a specialist in accordance with the German water conservation act.
Structural Integrity & Safety		
Amount of defect- and safety-related rework costs	IF-EN-250a.1.	In 2020, warranty rework costs amounted to approx. €112k (0.04% of revenue).
Total amount of monetary losses as a result of legal proceedings associated with defect- and safety-related incidents	IF-EN-250a.2.	n/a
Workforce Health & Safety		
(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	IF-EN-320a.1.	In 2020, Vorwerk's total recordable incident rate (TRIR)* was 1.8 for direct employees. The fatality rates for direct employees of the group in 2020 was 0. In 2020, no data was collected for contract employees but the aim is to do so in the future.
Lifecycle Impacts of Buildings & Infrastructure		
Number of (1) commissioned projects certified to a third-party multiattribute sustainability standard and (2) active projects seeking such certification	IF-EN-410a.1.	n/a
Discussion of process to incorporate operational-phase energy and water efficiency considerations into project planning and design	IF-EN-410a.2.	Energy and water efficiency considerations are based on customers' specifications and are incorporated into project planning and design. In every project we advise our clients on energy and water optimization solutions and engage in active innovation to fulfil their requirements.

Climate Impacts of Business Mix		
Amount of backlog for (1) hydrocarbon-related projects and (2) renewable energy projects	IF-EN-410b.1.	The backlog of Friedrich Vorwerk in 2020 for (1) hydro-carbon-related projects was €224m and for (2) renewable energy projects was €77m.
Amount of backlog cancellations associated with hydrocarbon-related projects	IF-EN-410b.2.	There have not been any cancellations in 2020.
Amount of backlog for non-energy projects associated with climate change mitigation	IF-EN-410b.3.	The amount of backlog for non-energy projects associated with climate change mitigation was €5m as of 31 December 2020.
Business Ethics		
(1) Number of active projects and (2) backlog in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	IF-EN-510a.1.	Currently, there is one project for a German customer that will be installed in Iraq. The remaining backlog of this project is €190k as of 31 December 2020 (less than 0.1% of backlog).
Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices	IF-EN-510a.2.	n/a
Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes	IF-EN-510a.3.	In order to prevent bribery, corruption, extortion and embezzlement, and also to uphold a high level of integrity in all business interactions, we have fortified our corporate governance codes. Nichteinhalten der Richtlinien wird nicht toleriert. Non-compliance with the guidelines will not be tolerated.

* Only includes incidents recorded in connection with our operating business

Report on expected developments

In 2021, MBB Group development will again strongly depend on further course of the COVID-19 pandemic. We expect a clear recovery in order intake in segments weakened by COVID-19 as soon as the negative impacts of the epidemic decrease. We further expect a continuous positive development in particular in Friedrich Vorwerk. The management currently forecasts consolidated revenue of around €720 million with an EBITDA margin of between 10% to 12%. We believe that MBB standout cash position and equity ratio will give a solid base for further growth also through acquisition of new subsidiaries. Such acquisitions possibly undertaken within the course of the current financial year did not have any impact on the forecast.

Berlin, 14 April 2021

The Executive Management of MBB SE

MBB SE Condensed Annual Financial Statements for 2020

Income statement (HGB)	2020 audited €k	2019 audited €k
Revenue	1,902	1,715
Other operating income	1,356	1,992
Cost of purchased services	521	420
Staff costs	3,139	3,106
Depreciation and amortization of intangible assets and property, plant and equipment	98	82
Other operating expenses	4,006	5,348
Income from equity investments	1,314	10,609
Income from other securities and loans of financial assets	5,504	4,953
Other interest and similar income	265	249
Write-downs on securities	3,805	1,004
Interest and similar expenses	116	34
Tax expense	566	854
Net loss (-) / profit (+) for the year	**-1,910**	**8,670**
Profit carried forward from the previous year	188,335	245,796
Dividends paid	4,153	4,099
Expenses from the withdrawal of shares	0	-62,032
Purchase of treasury shares	-416	0
Retained earnings	**181,856**	**188,335**

Statement of financial position (HGB) Assets	2020 audited €k	2019 audited €k
Intangible assets	59	88
Property, plant and equipment	98	118
Financial assets	120,283	101,441
Non-current assets	**120,440**	**101,647**
Receivables and other assets	3,840	11,292
Securities	112	1,567
Cash in hand and bank balances	84,096	104,561
Current assets	**88,048**	**117,420**
Prepaid expenses	**52**	**40**
Total assets	**208,540**	**219,107**
Equity and liabilities	€k	€k
Equity	**207,370**	**213,521**
Provisions and accruals	**515**	**2,828**
Liabilities	**655**	**2,758**
Total Equity and liabilities	**208,540**	**219,107**

Appropriation of earnings

The HGB net loss for the year of €1,909,818.06 is reported with the profit carryforward of €184,182,227.56 less the purchase of treasury shares of €416,284.67 as retained earnings. As in previous years, the Executive Management and the Board will propose to the Annual General Meeting the payment of a dividend. The proposed dividend shall be €0.88 per entitled share plus an additional €0.88 per entitled share due to the successful IPO of Friedrich Vorwerk Group SE, i.e. a total of €1.76 per share.

IFRS Consolidated Financial Statements for 2020

IFRS consolidated statement of profit or loss	Notes	1 Jan - 31 Dec 2020 €k	1 Jan - 31 Dec 2019 €k
Revenue	III.1.	**689,806**	**592,059**
Increase (+), decrease (-) in finished goods and work in progress		-2,467	186
Operating performance		**687,338**	**592,245**
Badwill		0	14,137
Income from joint ventures and associates	III.2.	10,551	1,145
Other operating income	III.3.	15,720	16,376
Total performance		**713,609**	**623,903**
Cost of raw materials and supplies		-213,184	-243,198
Cost of purchased services		-159,396	-109,191
Cost of materials		**-372,580**	**-352,389**
Wages and salaries		-169,924	-119,477
Social security and pension costs		-42,161	-30,336
Staff costs		**-212,084**	**-149,813**
Other operating expenses	III.4.	-58,973	-40,734
Earnings before interest, taxes, depreciation and amortization (EBITDA)		**69,972**	**80,967**
Depreciation and amortization expense	III.5.	-39,996	-26,575
Earnings before interest and taxes (EBIT)		**29,976**	**54,392**
Finance income	III.6.	436	526
Finance costs	III.7.	-3,867	-2,915
Earnings attributable to non-controlling interests		-3,183	-7,704
Net finance costs		**-6,614**	**-10,093**
Earnings before taxes (EBT)		**23,362**	**44,299**
Income tax expense	III.8.	-11,332	-9,225
Other taxes	III.8.	-1,310	-476
Profit or loss for the period		**10,720**	**34,598**
Non-controlling interests		1,965	-7,653
Consolidated net profit		**12,685**	**26,945**
Earnings per share (in €)	III.9.	2.14	4.44
Diluted earnings per share (in €)	III.9.	2.18	4.44

IFRS consolidated statement of comprehensive income	Notes	1 Jan - 31 Dec 2020 €k	1 Jan - 31 Dec 2019 €k
Consolidated net profit		**12,685**	**26,945**
Non-controlling interests		-1,965	7,653
Profit or loss for the period		**10,720**	**34,598**
Items that may be subsequently reclassified to profit and loss			
Fair value changes bonds and gold		87	895
Currency translation differences	II.11.4	-1,730	235
Items that will not be subsequently reclassified to profit and loss			
Fair value changes shares		4,939	12,701
Reserve for pensions	II.11.4	311	-4,236
thereof deferred taxes		-91	1,272
Other comprehensive income after taxes		**3,516**	**10,867**
Comprehensive income for the reporting period		**14,236**	**45,465**
there of attributable to:			
- Shareholders of the parent company		15,397	38,245
- Non-controlling interests		-1,162	7,220

Statement of financial position Assets (IFRS)	Notes	31 Dec 2020 audited €k	31 Dec 2019 audited €k
Non-current assets			
Concessions, industrial property and similar rights	II.3.	21,731	25,278
Goodwill	II.2.	44,449	44,449
Advance payments	II.3.	1,149	134
Intangible assets		**67,330**	**69,861**
Land and buildings including buildings on third-party land	II.4.	77,091	80,021
Technical equipment and machinery	II.4.	52,544	51,176
Other equipment, operating and office equipment	II.4.	23,816	22,138
Advance payments and assets under development	II.4.	11,575	4,514
Property, plant and equipment		**165,026**	**157,849**
Joint ventures and associates	II.5.	8,715	13,214
Long-term securities	II.5.	116,005	89,549
Other loans	II.5.	838	1,281
Financial assets		**125,559**	**104,044**
Deferred tax assets	II.10.	**11,832**	**14,330**
		369,747	**346,084**
Current assets			
Raw materials and supplies	II.6.	16,286	17,778
Work in progress	II.6.	6,350	7,384
Finished goods and commodities	II.6.	10,664	13,876
Advance payments		4,949	8,023
Inventories		**38,249**	**47,061**
Trade receivables	II.7.	64,312	73,101
Contract assets	II.8.	98,727	113,042
Other current assets	II.9.	17,472	14,760
Trade receivables and other current assets		**180,511**	**200,903**
Gold	II.5.	3,979	3,570
Securities	II.5.	452	3,169
Financial assets		**4,431**	**6,739**
Cash in hand	V.	74	84
Bank balances	V.	209,654	243,821
Cash in hand, bank balances		**209,728**	**243,905**
		432,920	**498,608**
Total assets		**802,667**	**844,692**

Statement of financial position Equity and liabilities (IFRS)	Notes	31 Dec 2020 audited €k	31 Dec 2019 audited €k
Equity			
Issued capital	II.11.1	5,932	5,941
Capital reserve	II.11.2	253,180	253,260
Legal reserve	II.11.3	61	61
Retained earnings and other comprehensive income	II.11.4	95,684	82,286
Non-controlling interests	II.11.5	144,835	133,004
		499,692	**474,552**
Non-current liabilities			
Liabilities to banks	II.13.	37,441	47,297
Lease liabilities	II.16.	13,213	12,068
Liabilities from participation rights	II.13.	10,213	9,963
Liabilities to non-controlling interests	II.13.	2,711	20,686
Other liabilities	II.14.	7,020	6,469
Pension provisions	II.12.	28,124	28,387
Other provisions	II.15.1	1,468	1,195
Deferred tax liabilities	II.10.	20,811	23,854
		121,001	**149,919**
Current liabilities			
Liabilities to banks	II.13.	17,495	22,128
Lease liabilities	II.16.	9,449	8,863
Trade payables	II.13.	47,132	56,707
Contract liabilities	II.13.	21,780	35,424
Liabilities to non-controlling interests	II.13.	4,894	7,540
Other liabilities	II.14.	15,681	28,962
Accruals	II.15.1	26,348	35,438
Current tax liabilities	II.15.2	11,767	7,750
Other provisions	II.15.1	27,429	17,409
		181,974	**220,221**
Total equity and liabilities		**802,667**	**844,692**

Consolidated statement of cash flows	1 Jan - 31 Dec 2020 €k	1 Jan - 31 Dec 2019 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**29,976**	**54,392**
Depreciation and amortization expense	39,996	26,575
Increase (+), decrease (-) in provisions	10,342	-3,047
Losses (+), Gains (-) from disposal of non-current assets	422	-737
Income from joint ventures and associates	-10,551	-1,145
Other non-cash expenses and income	-896	-17,887
Adjustments for non-cash transactions	**39,312**	**3,759**
Increase (-), decrease (+) in inventories, trade receivables and other assets	29,783	10,077
Decrease (-), increase (+) in trade payables and other liabilities	-45,432	7,097
Change in working capital	**-15,650**	**17,174**
Income taxes paid	-9,007	-6,621
Interest received	436	526
Dividend proceeds from joint ventures and associates	10,934	0
Cash flow from operating activities	**56,001**	**69,230**
2. Cash flow from investing activities		
Investments (-), divestments (+) intangible assets	-6,909	-6,425
Investments (-), divestments (+) property, plant and equipment	-27,256	-13,733
Investments (-), divestments (+) financial assets and securities	-19,473	-13,522
Business combinations (less cash received)	-563	-22,535
Cash flow from investing activities	**-54,199**	**-56,215**
3. Cash flow from financing activities		
Payments to non-controlling interests	-6,141	-2,394
Profit distribution to shareholders	-4,153	-4,099
Payments for (-), proceeds from disposal of (+) shares without change of control	-2,208	0
Purchase of treasury shares	-425	0
Payments to shareholders from capital reductions	0	-62,083
Proceeds from borrowings	7,827	27,401
Repayments of loans	-18,583	-27,097
Payments for lease liabilities	-9,445	-5,468
Interest payments	-2,767	-2,911
Cash flow from financing activities	**-35,895**	**-76,651**
Cash and cash equivalents at end of period		
Change in cash and cash equivalents (Subtotal 1-3)	-34,093	-63,636
Effects of changes in foreign exchange rates (non-cash)	-84	25
Cash and cash equivalents at start of reporting period	243,905	307,516
Cash and cash equivalents at end of period	**209,728**	**243,905**
Reconciliation to liquid funds as of 31 Dec		
Cash in hand	74	84
Bank balances	209,654	243,821
Cash and cash equivalents at end of period	**209,728**	**243,905**
Gold	3,979	3,570
Securities	116,457	92,718
Liquid funds as of 31 Dec	**330,165**	**340,193**

Statement of changes in consolidated equity

				Retained earnings and other comprehensive income							
	Issued capital	Capital reserve	Legal reserve	Currency translation difference	Fair value reserve	Reserve for pensions	Other reserve	Retained earnings	Attributable to MBB SE shareholders	Non-controlling interests	Consolidated equity
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
1 Jan 2019	**6,587**	**316,241**	**61**	**-703**	**130**	**-1,774**	**0**	**53,228**	**373,770**	**125,522**	**499,292**
Dividends paid	0	0	0	0	0	0	0	-4,099	-4,099	-2,394	-6,493
Subtotal	**6,587**	**316,241**	**61**	**-703**	**130**	**-1,774**	**0**	**49,129**	**369,671**	**123,128**	**492,799**
Amounts recognized in other comprehensive income	0	0	0	0	12,413	-1,338	0	0	11,075	-443	10,632
Currency translation difference	0	0	0	225	0	0	0	0	225	10	235
Consolidated net profit	0	0	0	0	0	0	0	26,945	26,945	7,653	34,598
Total comprehensive income	**0**	**0**	**0**	**225**	**12,413**	**-1,338**	**0**	**26,945**	**38,245**	**7,220**	**45,465**
Put-Option ISL	0	0	0	0	0	0	-2,741	0	-2,741	-685	-3,426
Share buy back	-646	-61,418	0	0	0	0	0	0	-62,064	0	-62,064
Acquisition ISL	0	0	0	0	0	0	0	0	0	1,778	1,778
Other changes	0	-1,563	0	0	0	0	0	0	-1,563	1,563	0
31 Dec 2019	**5,941**	**253,260**	**61**	**-478**	**12,543**	**-3,112**	**-2,741**	**76,074**	**341,548**	**133,004**	**474,552**
Dividends paid	0	0	0	0	0	0	0	-4,153	-4,153	-408	-4,561
Subtotal	**5,941**	**253,260**	**61**	**-478**	**12,543**	**-3,112**	**-2,741**	**71,921**	**337,395**	**132,596**	**469,991**
Amounts recognized in other comprehensive income	0	0	0	0	4,205	101	0	0	4,306	940	5,246
Currency translation difference	0	0	0	-1,594	0	0	0	0	-1,594	-136	-1,730
Consolidated net profit	0	0	0	0	0	0	0	12,685	12,685	-1,965	10,720
Total comprehensive income	**0**	**0**	**0**	**-1,594**	**4,205**	**101**	**0**	**12,685**	**15,397**	**-1,161**	**14,236**
Purchase of treasury shares	-8	-416	0	0	0	0	0	0	-424	0	-424
Acquisition of non-controlling interests	0	0	0	0	0	0	0	1,685	1,685	-3,894	-2,209
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	17,762	17,762
Other changes	0	336	0	0	0	0	467	0	803	-467	336
31 Dec 2020	**5,932**	**253,180**	**61**	**-2,072**	**16,748**	**-3,010**	**-2,274**	**86,291**	**354,856**	**144,835**	**499,692**

Notes to the Consolidated Financial Statements for 2020

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

MBB SE is headquartered at Joachimsthaler Str. 34, 10719 Berlin, Germany. It is entered in the commercial register of the Berlin-Charlottenburg District Court under HRB 165458. MBB SE has been listed since 9 May 2006 and included in the Prime Standard of the Frankfurt Stock Exchange under the securities identification number A0ETBQ since 20 June 2008. It is the parent company of the MBB Group.

MBB SE is a family-owned, medium-sized group that has expanded continuously since its formation through organic growth and company acquisitions. The business model focuses on the sustainable value growth of the individual companies and the Group as a whole.

The consolidated financial statements of MBB SE for the 2020 financial year were approved by the Board of MBB SE on 14 April 2021 and published on 16 April 2021.

1.2 Accounting policies

Due to its admission to the regulated market, MBB SE prepares its consolidated financial statements in accordance with IFRS. The consolidated financial statements for the year ended 31 December 2020 are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as adopted by the EU and effective at the end of the reporting period. The term “IFRS” includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRS IC). The consolidated financial statements are supplemented by a combined management report and Group management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

The following new or amended standards and interpretations were applied for the first time in the 2020 financial year.

Regulation	Title	Effects
IFRS 3	Amendment - Definition of a Business	none
IFRS 9	Amendment - Interest Rate Benchmark Reform	none
IAS 1	Amendment - Definition of 'material'	none
IFRS 16	Amendment - COVID-19-Related Rent Concessions	none
	Revised Conceptual Framework for Financial Reporting	none

The following newly issued standards, standards endorsed in the year under review or amended standards or interpretations that were not yet effective were not applied early in these consolidated financial statements. Where amendments affect MBB, their future effect on the consolidated financial statements is still being examined or is not material.

Regulation	Title	Application	Effect
IFRS 17	Insurance Contracts	01/01/2023	no material effects
IAS 1	Amendment - Classification of Liabilities	01/01/2023	no material effects
IFRS 3	Amendment - Reference to the Conceptual Framework	01/01/2022	no material effects
	Annual Improvements 2018-2020	01/01/2022	no material effects
IAS 16	Amendment - Property, Plant and Equipment: Proceeds before Intended Use	01/01/2022	no material effects
IAS 37	Amendment - Onerous Contracts - Cost of Fulfilling a Contract	01/01/2022	no material effects
Diverse	Amendment - Interest Rate Benchmark Reform	01/01/2021	no material effects
IFRS 4	Amendment - Deferral of effective date of IFRS 9	01/01/2021	no material effects
IFRS 16	Amendment - COVID-19-related rent concessions	03/01/2021	no material effects

1.3 Company law changes and structural changes in 2020

On 3 July 2020, Youco M19-H-99 dual Vorrats-SE was acquired as a shelf company by MBB SE at 66.7% and ALX Beteiligungsgesellschaft mbH, Tostedt, at 33.3%. The extraordinary General Meeting on 14 July 2020 resolved to change the company's name to Friedrich Vorwerk Group SE. By resolution of the extraordinary General Meeting of this company on 25 September 2020, both a contribution agreement was decided and the share capital was increased from €120,000.00 to €3,120,000.00 by newly issuing 3,000,000 no-par value shares with a notional value of €1.00 in the subscribed capital in return for a contribution in kind from MBB SE and ALX Beteiligungsgesellschaft mbH.

In the reporting year, MBB SE and ALX Beteiligungsgesellschaft mbH contributed 59.95% and 29.975%, respectively, of their shares in Friedrich Vorwerk SE & Co. KG (formerly: Friedrich Vorwerk KG (GmbH & Co.), the previous parent company of the Friedrich Vorwerk Group, to Friedrich Vorwerk Group SE, which thus became the new parent company of the Friedrich Vorwerk Group. MBB SE thus holds 66.7% of the shares in Friedrich Vorwerk Group SE. This reorganization of the corporate structure represents a capital reorganization which does not fall within the scope of IFRS 3. The assets and liabilities of Friedrich Vorwerk SE & Co. KG are continiously accounted for as at carrying amounts. In the comparative period until the date of the reorganization, the amortized carrying amounts of the assets and liabilities and the equity of Friedrich Vorwerk SE & Co. KG are shown.

The non-controlling interests held directly and indirectly by ALX Beteiligungsgesellschaft mbH, Tostedt in Friedrich Vorwerk SE & Co. KG and its subsidiaries were derecognized from liabilities to non-controlling interests at the time of the reorganization and have since been recognized in consolidated equity. The remaining limited partnership interests in Friedrich Vorwerk SE & Co. KG are 10% attributable to Irene Vorwerk, 0.05% to MBB SE and 0.025% to ALX Beteiligungsgesellschaft mbH. They were not contributed to Friedrich Vorwerk Group SE. The corresponding non-controlling interests in the net assets of Friedrich Vorwerk SE & Co. KG in the amount of 10.025% remain at MBB Group level in liabilities to non-controlling interests.

On 21 July 2020, Friedrich Vorwerk Group SE acquired 100% of the shares in the shelf company Friedrich Vorwerk Management SE (formerly: Youco D20-H-130 dual Vorrats-SE). As the company did not meet the definition of a business as defined by IFRS 3 at the acquisition date, no purchase price allocation was performed. Instead, the transaction was accounted for as an acquisition of assets and liabilities. Since November 2020, the Company has been the general partner of Friedrich Vorwerk SE & Co. KG.

In the first half of 2020, MBB SE acquired a total of 305,000 shares in Aumann AG on the stock exchange at a purchase price of €2.5 million. The shareholding ratio as of the balance sheet date is therefore 40.00% (31 December 2019: 38.00%).

As of 10 December 2020, MBB SE sold 50,000 shares in Delignit AG over the counter at a selling price of €0.3 million. The shareholding ratio as of the balance sheet date is therefore 75.47% (31 December 2019: 76.08%).

2. Group of consolidated companies

In addition to the parent company MBB SE, the companies listed below are included in consolidation in the consolidated financial statements. The ownership interests are calculated by multiplying the number of shares held in the respective company. The companies listed in bold hold direct or indirect interests in the companies below them.

Companies included in the consolidated financial statements Name and registered office of the company	Ownership interest in %
Susidiaries (fully consolidated)	
Aumann AG, Beelen, Germany	**40.00**
Aumann Beelen GmbH, Beelen, Germany	40.00
Aumann Berlin GmbH, Hennigsdorf, Germany*	40.00
Aumann Winding and Automation Inc., Clayton, USA	40.00
Aumann Espelkamp GmbH, Espelkamp, Germany	40.00
Aumann Immobilien GmbH, Espelkamp, Germany	40.00
Aumann Technologies (China) Ltd. Changzhou, China	40.00
Aumann Limbach-Oberfrohna GmbH, Limbach-Oberfrohna, Germany	40.00
CT Formpolster GmbH, Löhne, Germany	**100.00**
Delignit AG, Blomberg, Germany	**75.47**
Blomberger Holzindustrie GmbH , Blomberg, Germany	75.47
Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany	75.47
Delignit Immobiliengesellschaft mbH, Blomberg, Germany	75.47
Delignit North America Inc., Atlanta, USA	75.47
DHK automotive GmbH, Oberlungwitz, Germany	75.47
DTS IT AG, Herford, Germany	**80.00**
DTS CLOUD SECURITY MonEPE, Athens, Greece	80.00
DTS Systeme GmbH, Herford, Germany	80.00
DTS Systeme Münster GmbH, Münster, Germany	80.00
DTS Systeme Wien GmbH, Vienna, Austria	80.00
ISL Internet Sicherheitslösungen GmbH, Bochum, Germany**	52.80
Friedrich Vorwerk Group SE, Tostedt, Germany	**66.67**
Friedrich Vorwerk Management SE, Tostedt, Germany	66.67
Friedrich Vorwerk SE & Co. KG, Tostedt, Germany	**60.00**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	60.00
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	60.00
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	60.00
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	60.00
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	60.00
European Pipeline Services GmbH, Tostedt, Germany	60.00
Vorwerk - ASA GmbH, Herne, Germany	60.00
Vorwerk-EEE GmbH, Tostedt, Germany	60.00
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	60.00
Vorwerk Verwaltungs GmbH, Tostedt, Germany	60.00
Hanke Tissue Sp. z o.o., Kostrzyn, Poland	**95.84**
OBO-Werke GmbH, Stadthagen, Germany	**100.00**

* Business operations at the Aumann Hennigsdorf site were discontinued at the end of 2020.

** In the first quarter of 2021, DTS IT AG acquired 14.34% of the 34% non-controlling interests in ISL Internet Sicherheitslösungen GmbH. The calculated shareholding at MBB group level has thus increased from 52.80% to 64.27% after the balance sheete date.

The following table shows the associates and joint ventures included in the consolidated financial statements. The ownership interests are stated from the perspective of the respective subgroup parent.

Name and registered office of the company	Ownership interest in %
Joint ventures (Consortiums)	
ARGE Austausch von Knotenpunkten	30.00
ARGE Bavaria Loop Nord	33.33
ARGE Bavaria Loop Süd	33.33
ARGE Buhneninstandsetzung Wangerooge 2019	50.00
ARGE CCP II Step 1	50.00
ARGE CCP-Projekt Rühlersmoor	50.00
ARGE DOW Ohrensen K28	50.00
ARGE EGL 442	58.00
ARGE EmCo KÜA	50.00
ARGE ETL 178 Walle - Wolfsburg	50.00
ARGE EUGAL Los 7+8	37.50
ARGE FWT HafenCity / Peute	50.00
ARGE Kabeltrasse GSH	40.00
ARGE Katharina	50.00
ARGE Loopleitung Epe-Legten	35.00
ARGE LSR Los 2	50.00
ARGE NEL Niedersachsen	33.33
ARGE NEP Werne RB	33.33
ARGE Neubau B71n Wedringen	50.00
ARGE NWKG K113/K311	50.00
ARGE NWKG K301/K603	50.00
ARGE NWKG K302/K308	50.00
ARGE Reha Südfeld Los 2 BA 3+4	33.33
ARGE Storag Etzel Reha Südfeld II, 2. BA	50.00
ARGE STORAG ETZEL VT 8 / VT 16	50.00
ARGE TG Ochtrup Wester II	50.00
ARGE Umlegungen Gießen	50.00
ARGE Umverlegung A1 Leverkusen	50.00
ARGE Umverlegung Quartier Klosterwall	32.00
ARGE VS Würselen - MCC-I	45.00
ARGE VS Würselen - Vorabmaßnahmen	50.00
ARGE Werne-Schlüchtern	50.00
ARGE Zeelink 3+5	50.00
Dach-ARGE BAB7 Medientunnel - Los 2	73.00
Dach-ARGE DolWin 6	45.60
Dach-ARGE EUGAL Los 5+6	53.35
Dach-ARGE Fernwärme Trasse 60	30.00
Dach-ARGE GDRM Anlagen Zeelink	50.00
Dach-ARGE HD-Leitung Iserlohn	52.34
Dach-ARGE Mantelrohrausbau	50.00
Dach-ARGE Neubau B71n Wedringen	50.00
Dach-ARGE Pipelinesanierung Gascade 2019/2020	50.00
Dach-ARGE Rückbau Altleitungen NFL LU 2017/2018	50.00
Dach-ARGE San. FGL 86 JS 2019/2020	51.00
Dach-ARGE Sanierung FGL 301	50.00
Dach-ARGE Sanierung FGL 301, NB West, LU 2018	51.24
Dach ARGE Sanierungsarbeiten Pipelinenetz GASCADE 2017-2018	50.00

Name and registered office of the company	Ownership interest in %
Dach-ARGE Spülbohrung Coca-Cola Los 3	65.00
Dach-ARGE Stadtbeleuchtung	50.00
Dach-ARGE TAV	50.00
Dach-ARGE Technische Dienstleistung Gasunie Deutschland	33.33
Dach-ARGE Teilneubau FGL 61, NB West Archäologischer Oberbodenabtrag, BA 1-8	66.66
Dach-ARGE Thyssengas STEAG Leitung	63.70
Dach-ARGE Uferrenaturierung Asseler Sand	37.79
Dach-ARGE Umlegung Leitung Nr. 6	50.00
Dach-ARGE Zeelink Los 3 - 5	25.00
Associates	
SKS Straßenbau GmbH, Tostedt, Germany	50.00
Associates at amortized cost	
S.C. Cildro Plywood S.R.L., Drobeta Turnu Severin, Romania	24.00
S.C. Cildro S.A., Drobeta Turnu Severin, Romania	17.90
S.C. Cildro Service S.R.L., Drobeta Turnu Severin, Romania	17.90

There are significant non-controlling interests in Aumann AG. MBB's ownership interest amounts to 40.00% as of the end of the reporting period (previous year: 38.00%). Please see note I.5 g) in the notes to the consolidated financial statements for information on the consolidation of Aumann AG.

With regards to financial information for Aumann AG we refer to Aumann AG published annual report available on https://www.aumann.com/en/investor-relations/financial-reports/.

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of MBB SE and its subsidiaries as of 31 December of each financial year. The financial statements of the subsidiaries are prepared using uniform accounting policies and for the same reporting period as the financial statements of the parent company.

The balance sheet date for all subsidiaries included in the consolidated financial statements is 31 December of the relevant financial year.

3.1 Subsidiaries

Subsidiaries are the companies controlled by MBB SE. A company controls another when there are rights embodying a present ability to control the significant activities of the other entity. Significant activities are those activities affecting the return generated by an entity significantly. Subsidiaries are consolidated from the date on which the parent can control the subsidiary and ends when this is no longer possible.

Acquisition accounting is performed using the purchase method in accordance with IFRS 3, under which the acquisition cost of the acquired shares is offset against the proportion of the acquired subsidiary's equity attributable to the parent company at the acquisition date. All identifiable assets, liabilities and contingent liabilities are recognized at fair value and included in the consolidated statement of financial position. If the acquisition cost exceed the fair value of the net assets attributable to the Group, the difference is capitalized as goodwill.

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognized in profit or loss immediately. If not all the shares in a subsidiary were acquired, non-controlling interests are initially measured at the proportionate share of the acquiree's identifiable net assets as at the acquisition date.

Receivables and liabilities between the consolidated companies are offset against each other. This also applies to intragroup transactions and to intragroup revenue, income and expenses. Accordingly, the earnings of the subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the acquisition becomes effective or until the disposal date respectively.

3.2 Associates

Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% are usually classified as an associate if MBB has significant influence but does not control them. Companies in which MBB holds an interest in the share capital of between 20.0% and 50.0% are fully consolidated if MBB controls them. This control can arise, for example, from the fact that MBB accounts for the majority of the members of the supervisory board of listed companies or a majority of the attendance at the annual general meeting.

Associates are included in the consolidated financial statements using the equity method. Under this method, the pro rata profits and losses of the associate are added to or deducted from the reported carrying amount of the equity investment. The amount of the loss allocation is limited to the amount of the acquisition cost of the associated company. If the equity investment reports a loss after its carrying amount has been reduced to a pro mem value of €1.00, these losses are recognized in an auxiliary account. For acquisitions of associates, the purchase method is applied in the same way. Associates that were acquired or disposed of during the financial year are included in the consolidated financial statements from the acquisition date or until the disposal date respectively. Associates not accounted for using the equity method due to immateriality are measured at amortized cost and reported under „Financial assets“ within non-current assets.

3.3 Joint arrangements

Joint ventures are those in which the Group has joint control with a third party. Joint control is when decisions on business and financial policy require the unanimous consent of the parties that collectively control the arrangement. Joint ventures are accounted for at MBB using the equity method and reported under “Financial assets” within non-current assets. Joint ventures not accounted for using the equity method due to immateriality are measured at amortized cost.

Consortiums are particularly common in Germany, where they are most frequently found in the construction industry. According to a statement by the Institute of Public Auditors in Germany, a typical German consortium satisfies the requirements for classification as a joint venture. The results of consortiums are reported pro rata under Income from joint ventures and associates. In particular, receivables from and liabilities to consortiums include cash receipts and payments and cost allocations, and are reported under trade receivables and other liabilities.

4. Presentation of accounting policies

4.1 General information

With the exception of the remeasurement of certain financial instruments, the consolidated financial statements were prepared using the historical cost method. Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

The statement of financial position is structured according to current and non-current assets and liabilities. The statement of comprehensive income is prepared in line with the nature of expense method for calculating the consolidated net profit for the period.

4.2 Reporting currency

The consolidated financial statements are prepared in euro, as the majority of Group transactions are conducted in this currency. Unless stated otherwise, all figures are rounded up or down to thousands of euro in line with standard commercial practice. The amounts are stated in euro (€), thousands of euro (€ thousand) and millions of euro (€ million).

4.3 Currency translation

Each company within the Group determines its own functional currency. The items included in the financial statements of the respective company are measured using this functional currency. Foreign currency transactions are then translated into the functional currency at the spot exchange rate on the date of the transaction.

Foreign currency monetary assets and liabilities are translated into the functional currency at the end of each reporting period using the closing rate. All exchange differences are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The assets and liabilities of the foreign operations are translated into euro at the closing rate. Income and expenses are translated at the average exchange rate for the financial year. The resulting currency translation differences are recognized as a separate component of equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities resulting from the acquisition of that foreign operation are translated at the closing rate.

The following exchange rates were applied (for €1.00):

	Closing rate 31 Dec 2020	Average rate 2020
Polish zloty (PLN)	4.5597	4.4404
Chinese renminbi (CNY)	8.0225	7.8708
US-Dollar (USD)	1.2271	1.1413

	Closing rate 31 Dec 2019	Average rate 2019
Polish zloty (PLN)	4.2568	4.2975
Chinese renminbi (CNY)	7.8205	7.7338
US-Dollar (USD)	1.1234	1.1196

4.4 Intangible assets

Intangible assets not acquired as part of a business combination are initially carried at cost. The cost of an intangible asset acquired in a business acquisition corresponds to its fair value at the acquisition date.

Intangible assets are recognized when it is probable that the future economic benefits that are attributable to the asset will be received by the enterprise and the cost of the asset can be measured reliably.

Costs for research activities are charged as expenses in the period in which they are incurred.

Development costs are capitalized as internally generated intangible assets if all of the following criteria are met:

- Completion of the project is technically feasible.
- The company intends and is able to complete the intangible asset and to use or sell it.
- It is assumed that the intangible asset is likely to generate a future economic benefit.
- In addition, the Group has the technical, financial and other resources to complete the development work and it is possible to reliably determine the expenses directly attributable to the project.

If these criteria are not met, the development costs are expensed in the period in which they are incurred.

For the purposes of subsequent measurement, intangible assets are recognized at cost less cumulative amortization and cumulative impairment losses (reported under Depreciation and amortization expense). Intangible assets (not including goodwill) are amortized on a straight-line basis over their estimated useful life. The amortization period and amortization method are reviewed at the end of each financial year.

Apart from goodwill, the Group does not have any intangible assets with indefinite useful lives.

The cost of acquisition of new software is capitalized and treated as an intangible asset unless it forms an integral part of the associated hardware. Software is amortized on a straight-line basis over a period of up to three years.

Capitalized development costs are amortized on a straight-line basis over a period of up to seven years.

Patents are amortized over a useful life of 10 years.

Costs incurred in order to restore or maintain the future economic benefits that the company had originally expected are recognized as an expense.

Gains and losses from the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in profit or loss in the period in which the asset is disposed of.

4.5 Goodwill

Goodwill from business combinations is the residual amount of the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not amortized but instead is tested for impairment at least once a year in accordance with IAS 36. For the purposes of impairment testing, the goodwill acquired in the business combination is allocated to the cash-generating units (CGUs) of the Group that benefit from the combination starting from the acquisition date. Goodwill is then written down if the recoverable amount of a cash-generating unit is lower than its carrying amount. Once recognized, impairment losses on goodwill are not reversed in future periods.

If a subsidiary is sold, the amount of the goodwill attributable to the subsidiary is taken into account in calculating the gain on disposal.

4.6 Property, plant and equipment

Property, plant and equipment is recognized at cost less cumulative depreciation and cumulative impairment losses. The cost of an item of property, plant and equipment consists of the purchase price and other non-refundable purchase taxes incurred in connection with the purchase as well as all directly attributable costs incurred to bring the asset to its location and to bring it to working condition for its intended use. Subsequent expenditure, such as servicing and maintenance costs, that is incurred after the non-current asset is put into operation is expensed in the period in which it is incurred. If it is likely that expenditure will lead to additional future economic benefits to the company in excess of the originally assessed standard of performance of the existing asset, the expenditure is capitalized as an additional cost.

Assets newly identified in the course of acquisitions are measured at the fair value (market value) calculated at the acquisition date, which is then depreciated over the subsequent periods.

Depreciation is calculated on a straight-line basis over the expected useful economic life, assuming a residual value of €0.00. The following estimated useful lives are used for the individual asset groups:

- Buildings and exterior installations: 5 to 50 years
- Technical equipment and machinery: 1 to 21 years
- Computer hardware: 3 years
- Other office equipment: 2 to 23 years

Land is not depreciated.

The useful life, the depreciation method for property, plant and equipment and the residual values are reviewed periodically.

If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are derecognized. Any realized gain or loss from the disposal is reported in the statement of comprehensive income. The profit or loss resulting from the sale of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognized in profit or loss.

4.7 Leases

All contracts that transfer the right to use a specific asset for a period of time in return for consideration are deemed leases. This also applies to contracts that do not expressly describe the transfer of such a right. In particular, the Group uses properties, vehicles and other technical equipment and machinery as a lessee.

As a lessee, the Group has recognized right-of-use assets for leased assets and liabilities for the payment obligations entered into for all leases at present value in its statement of financial position. Lease liabilities include the following lease payments:

- fixed payment, including in-substance fixed payments, less lease incentives yet to be paid by the lessor,
- variable payments that depend on an index or a rate,
- amounts expected to be payable on the basis of residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments are not included in the measurement of the lease liability. Lease payments are discounted at the interest rate implicit in the lease, if this can be readily determined. Otherwise they are discounted using the incremental borrowing rate. MBB uses the incremental borrowing rate. This incremental borrowing rate is a risk-adjusted interest rate derived for the specific term and currency, also taking into account the credit rating of the individual Group companies.

The right-of-use asset is initially measured at cost as at the commencement date. This consists of the amount of the initial measurement of the lease liability, the lease payments made at or before the commencement date of the lease less any incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is subsequently measured at cost less cumulative depreciation, impairment losses and adjustments required to remeasure the lease liability upon the occurrence of certain events. The right-of-use asset is depreciated on a straight-line basis over the term of the lease.

For contracts that contain lease and non-lease components, these components are separated.

Some leases, in particular those for property, include extension options. These contractual terms offer the Group the greatest possible flexibility. When determining the lease term, all facts and circumstances that create an economic incentive to exercise extension options are taken into account. When determining the term of the lease, such options are only taken into account if they are reasonably certain. The assessment of whether options are reasonably certain to be exercised affects the term of the lease and can therefore have a significant influence on the measurement of the lease liabilities and the right-of-use assets.

MBB exercises the option under IFRS 16 not to recognize right-of-use assets and lease liabilities for low-value (i.e. value of underlying asset €5.0 thousand or less on acquisition) and short-term leases (remaining term of twelve months or less). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term of the lease.

In rare cases, MBB is the lessor if the company agrees subleases for properties with third parties. These leases are not material to the company's consolidated financial statements.

MBB has no investment property.

4.8 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are incurred for the acquisition, construction or manufacture of qualifying assets. In this case, the borrowing costs are added to the cost of these assets. Interest expenses are capitalized for qualifying assets.

4.9 Impairment of non-financial assets

Non-financial assets are tested for impairment when facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For impairment testing, the recoverable amount of the asset or the cash-generating unit (CGU) must be determined. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell is defined as the price obtainable from the sale of an asset or CGU between knowledgeable, willing and independent parties less costs of disposal. The value in use of an asset or CGU is determined by the present value of an estimated anticipated cash flow on the basis of its current use. If the recoverable amount falls below the carrying amount, an impairment loss in the amount of the difference is immediately recognized in profit or loss.

An adjustment in profit or loss of impairment recognized in profit or loss in previous years is carried out for an asset (except for goodwill) if there are indications that the impairment no longer exists or could have decreased. The reversal is recognized in the income statement as income. However, the increase in value (or reduction in impairment) of an asset is only recognized to the extent that it does not exceed the carrying amount that would have resulted if no impairment loss had been recognized in the previous years (taking depreciation into account).

4.10 Financial instruments – Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I) Financial assets

Initial recognition and measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets on initial recognition is dependent on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. Except for trade receivables that do not contain a significant financing component, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price calculated in accordance with IFRS 15.

To ensure that a financial asset can be classified and measured as measured at amortized cost or fair value through other comprehensive income, cash flows must consist solely of payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the level of the individual financial instrument.

The Group's business model for managing financial assets reflects how an entity manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from collecting contractual cash flows, the sale of financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets measured at amortized cost (debt instruments),
- financial assets measured at fair value through other comprehensive income with the reclassification of cumulative gains and losses (debt instruments),
- financial assets measured at fair value through other comprehensive income without the reclassification of cumulative gains and losses on derecognition (equity instruments),
- financial assets measured at fair value through profit or loss.

Financial assets measured at amortized cost (debt instruments)

This is the category most relevant to the Group. The Group measures financial assets at amortized cost when both the following conditions are met:

- the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method and are tested for impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or becomes impaired.

The Group's financial assets measured at amortized cost essentially comprise trade receivables.

Financial assets measured at fair value through other comprehensive income (debt instruments)

The Group measures debt instruments at fair value through other comprehensive income if both the following conditions are met:

- the financial asset is held within the framework of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments measured at fair value through other comprehensive income, interest income, gains and losses on currency translation and impairment losses or reversals of impairment losses are recognized in profit or loss and calculated in the same way as for financial assets measured at amortized cost.

The remaining changes in fair value are recognized in other comprehensive income. On derecognition, the cumulative gain or loss from changes in fair value recognized in other comprehensive income is reclassified to profit or loss.

The Group's debt instruments measured at fair value through other comprehensive income include listed bonds reported under short-term securities.

Financial assets measured at fair value through other comprehensive income (equity instruments)

On initial recognition, the Group can irrevocably elect to classify its equity instruments as equity instruments designated at fair value through other comprehensive income if they satisfy the definition of equity in accordance with IAS 32 and are not held for trading. This classification decision is made individually for each instrument.

Gains and losses from these financial assets are not reclassified to profit or loss. Dividends are recognized in profit or loss as other income when the right to receive payment of the dividend is established, unless the dividend represents a recovery of part of the acquisition cost of the financial asset. In this case, the gains are recognized in other comprehensive income. Equity instruments at fair value through other comprehensive income are not tested for impairment. The Group has elected to assign some of its listed equity instruments to this category.

Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss on initial recognition and financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as hedging instruments being effectively hedged. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model. Notwithstanding the above criteria for classifying debt instruments as “measured at amortized cost” or “at fair value through other comprehensive income”, debt instruments can be classified as at fair value through profit or loss on initial recognition if this would eliminate or significantly reduce an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

This category includes derivative financial instruments and listed equity instruments that the Group has not elected to classify as at fair value through other comprehensive income. Dividends from listed equity instruments are also recognized as other income in the income statement when the right to receive payment is established.

As in the previous year, the carrying amounts of the financial assets and liabilities not measured at fair value are essentially equal to their fair values.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group’s consolidated statement of financial position) if one of the following conditions is met:

- the rights to receive cash flows from the asset have expired.
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes impairment for expected credit losses on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows payable and the total cash flows the Group expects to receive. The forecast cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages. For financial instruments for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognized in the amount of the expected cash shortfalls from an event of default within the next twelve months (12-month ECL). For financial assets for which the risk of default has increased significantly since initial recognition, an entity must recognize the lifetime expected credit losses regardless of when the default event occurs (lifetime ECL).

The Group uses a simplified method to calculate the expected credit losses on trade receivables and contract assets. It therefore does not track changes in credit risk, and instead recognizes a loss allowance at the end of each reporting period based on the lifetime ECL. On the basis of its past experience of credit losses, the Group has prepared a provision matrix that is adjusted for future factors if specific future factors for the borrower and the economic environment can be determined at reasonable expense.

For debt instruments measured at fair value through other comprehensive income, the Group uses the simplification for financial instruments with low credit risk. To do so, it uses reasonable and supportable information that is available without undue cost or effort to assess whether the debt instrument has a low credit risk at the end of each reporting period. It also takes a significant increase in credit risk into account if contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through other comprehensive income exclusively consist of listed bonds that management sees as investments with low credit risk. The Group measures the expected credit losses for these instruments on a 12-month basis. However, if the credit risk has increased significantly since initial recognition, the impairment loss is based on the lifetime ECL. The Group uses issuer credit default spreads to determine whether the credit risk on a debt instrument has increased significantly and to estimate the expected credit losses.

The Group considers a financial asset to be in default if contractual payments are 90 days past due and a subsequent detailed review of the debtor does not reveal other information. Moreover, it can assume in certain cases that a financial asset is in default if internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual amounts in full before all credit enhancements held are taken into account. A financial asset is written down when there is no valid expectation that the contractual cash flows will be collected.

II) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, contract liabilities, other liabilities and loans, including overdrafts.

Subsequent measurement

The subsequent measurement of financial liabilities is dependent on their classification:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated on initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as hedging instruments and are within an effective hedge.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated on initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has designated only a small amount of financial liabilities as at fair value through profit or loss.

Loans and liabilities

After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized and through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation underlying the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

III) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.11 Derivative financial instruments

The Group uses derivative financial instruments to a limited extent, such as currency futures, interest rate swaps or commodity swaps to hedge against commodity price risks. These derivative financial instruments are initially carried at fair value and remeasured at fair value in subsequent periods. Derivative financial instruments with a positive fair value are recognized as financial assets, while derivative financial instruments with a negative fair value are recognized as financial liabilities. These derivative financial instruments are not designated as hedges, but instead are classified as held for trading.

4.12 Inventories

Inventories are reported at the lower of cost or net realizable value (less costs necessary to make the sale) taking their planned use into account. Raw materials, consumables, supplies and purchased goods are measured at cost using the average price method or, if lower, at their market prices at the end of the reporting period. In addition to the cost of production material and production wages, the production cost of work in progress and finished goods also includes pro rata material and production overheads assuming normal capacity utilization. Appropriate write-downs were recognized for inventory risks from storage periods and reduced usability.

4.13 Contract assets and contract liabilities

Construction contracts with customers (Service & Infrastructure segment)

In accordance with IFRS 15, revenue from construction contracts with customers is recognized over a period of time as the construction projects are built on the customers' land, and the customers therefore always have control of the assets created or improved. Construction is carried out on the basis of individual contracts. The transaction price is allocated to separate performance obligations on the basis of cost estimates. The MBB Group uses the value of a contract agreed with the principal to determine the transaction price for construction contracts.

Revenue from construction contracts is recognized over a period of time using the output-oriented method on the basis of work performed to date. The work performed and the corresponding revenue are calculated at the level of the individual items according to the cost estimate. The direct derivation of progress from work performed to date is the best indicator due to unforeseen deviations in budget costs. Work performed must be ascertained directly by the construction team each month.

The contract assets represent the Group's claim to consideration from construction contracts with customers. If the contract asset for a construction contract exceeds the advances received on it, it is recognized as an asset under "Contract assets". If the reverse is true, amounts are reported under "Contract liabilities".

Payments for construction contracts are typically made in line with performance on the basis of regular invoices. Advances before performance are sometimes typical in plant engineering.

If it is likely that the cost will exceed the recoverable amount, a provision for onerous contracts is recognized in accordance with IAS 37. This is analyzed on a case-by-case basis to recognize the amount required to settle the present obligation under the construction contract. In such cases, impairment is recognized up to the amount of the respective contract asset or – if the contract asset is exceeded – a provision for onerous contracts is recognized under short-term provisions.

Inventories not yet used in construction but already available on construction sites are reported separately under inventories. Work already invoiced is recognized under trade receivables.

Supplementary work in connection with construction contracts is work that cannot be charged under existing contractual agreements, whose chargeability or acknowledgement has yet to be agreed with the principal. While the costs are recognized immediately in profit or loss when they are incurred, the revenue from supplementary work is only recognized after the principal's written acknowledgement has been received or on payment of the supplementary work, if payment is received before written acknowledgement.

Revenue in plant engineering (Service & Infrastructure segment)

The consideration for revenue from plant engineering, which is recognized over a period of time on the basis of work already performed as at the end of the reporting period, is recognized under "Contract assets". The contract asset represent the Group's claim.

Revenue is recognized over a period of time when a contractual arrangement precludes any alternative use and there is a claim to payment including a profit margin on work already performed. The comments on construction contracts with customers apply mutatis mutandis.

Advances received on them are deducted from the contract asset. If the advances received exceed the contract asset, they are reported under "Contract liabilities".

Construction contracts (Technological Applications segment)

For long-term construction contracts in the Technological Applications segment, revenue is recognized over a period of time if there is no alternative use and there is a claim to payment including a profit margin on work already performed. When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognized by reference to the stage of completion of the contract at the reporting date. The percentage of completion is calculated as the ratio of the contract costs incurred by the end of the reporting period to the total estimated contract costs as at the end of the reporting period (cost-to-cost method).

Construction contracts accounted for over time are recognized as contractual assets in the amount of the contract costs incurred by the end of the reporting period plus the proportionate profit resulting from the percentage of completion less advances received. Changes to contracts, additional amounts invoiced and incentive payments are recognized to the extent that a binding agreement has been concluded with the customer. If the result of a construction contract cannot be reliably estimated, the probable revenue is recognized up to a maximum of the costs incurred. Contract costs are recognized in the period in which they are incurred. If it is foreseeable that the total contract costs will exceed the contract revenue, the expected losses are expensed immediately.

4.14 Cash and cash equivalents

Cash and cash equivalents shown in the statement of financial position comprise cash in hand, bank balances and short-term deposits with an original term of less than three months. Cash and cash equivalents are measured at cost.

Cash and cash equivalents in the consolidated statement of cash flows are defined in line with the above.

4.15 Provisions

Provisions are reported when the Group has a current (legal or de facto) obligation due to a past event, it is probable that fulfilment of the obligation will lead to an outflow of resources embodying economic benefits and the amount of the obligation can be reliably estimated. If the Group expects at least a partial refund of a provision recognized as a liability, the refund is recognized as a separate asset provided the receipt of the refund is almost certain. The expense from recognising the provision is reported in the income statement less the refund.

Provisions are reviewed at the end of each reporting period and adjusted to the current best estimate. The amount of the provision corresponds to the present value of the expenses expected to be required to fulfil the obligation where the time effect of money is material. The increase in the provision over time is recognized as interest expense.

Accruals are recognized for obligations for which an exchange of services has taken place and the amount of the consideration is established with sufficient certainty. They are reported under liabilities.

4.16 Pensions and other post-employment benefits

The pension obligations are measured in accordance with IAS 19. Payments for defined contribution pension plans are expensed. For defined benefit pension plans, the obligation is recognized in the statement of financial position as a pension provision. These pension commitments are regarded as defined benefit plan commitments and are therefore measured in line with actuarial principles using the projected unit credit method.

Actuarial gains and losses are reported in other comprehensive income. The interest expense from pension discounting is reported in net finance costs.

4.17 Revenue recognition

Revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for promised goods or services to customers. Revenue is recognized when the customer acquires control of the goods or services.

Sale of goods and products, provision of services

The customer achieves control when the goods and products are delivered or accepted. Revenue from service transactions is only recognized when it is sufficiently probable that the economic benefits associated with the transaction will flow to the Group. It is recognized in the accounting period in which the corresponding services are rendered, thereby giving the customer control of the service.

Revenue from construction contracts (Technological Applications segment)

Revenue from long-term construction contracts is recognized over a period of time in accordance with IFRS 15. Revenue is recognized over a period of time based on the input-oriented method.

Please see the information on contract assets for further details.

Revenue from construction contracts with customers (Service & Infrastructure segment)

Revenue from construction contracts with customers is recognized over a period of time in accordance with IFRS 15. Revenue is recognized over a period of time using the output-oriented method on the basis of work performed to date.

Please see the information on contract assets for further details.

Revenue from construction contracts performed in consortiums is recognized over a period of time based on the work actually performed as at the end of the reporting period. Impending losses from the further course of the project are taken into account through corresponding write-downs.

Revenue from plant engineering projects (Service & Infrastructure segment)

Plant engineering revenue is recognized over a period of time on the basis of the work performed by the end of the reporting period, if a contractual arrangement precludes the MBB Group from having an alternative use and the contractual arrangement establishes a claim to payment including a profit margin on work already performed.

Interest income

Interest income is recognized when the interest arises (using the effective interest rate, i.e. the computational interest rate at which estimated future cash inflows are discounted to the net carrying amount of the financial asset over the expected term of the financial instrument).

Dividends

Dividend income is recognized when the legal right to payment arises.

4.18 Taxes

a) Current income taxes

Current tax assets and liabilities for the current period and earlier periods are measured at the amount of the refund expected to be received from the tax authority or the payment expected to be made to it. The calculation is based on tax rates and tax laws applicable at the end of the reporting period.

b) Deferred taxes

In accordance with IAS 12, deferred taxes are recognized using the liability method for temporary differences as at the end of the reporting period between the carrying amount of an asset or liability in the statement of financial position and its tax base and for tax loss carryforwards.

Deferred tax liabilities are recognized for all taxable temporary differences with the exception of deferred tax liabilities from the initial recognition of goodwill or of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit.

Deferred tax assets are recognized for all deductible temporary differences and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards and tax credits can be applied. Deferred tax assets from deductible temporary differences due to the initial recognition of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit, are not recognized.

Tax credits that are dependent on investments are recognized in line with IAS 12. They are not offset against the corresponding investments.

At individual companies, deferred tax assets and liabilities are offset to the extent that they can be allocated to future charges or reductions of the same taxable entity with respect to the same tax authority.

The carrying amount of deferred tax assets is tested at the end of each reporting period and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can be at least partly utilized. Unrecognized deferred tax assets are tested at the end of each reporting period and recognized to the extent that it has become probable that taxable result in future will allow the realization of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the periods in which an asset is realized or a liability is settled. This is based on the tax rates and tax laws applicable at the end of the reporting period. Future changes in the tax rates must be taken into account at the end of the reporting period if the material conditions for validity in a legislative process are fulfilled.

Deferred taxes are reported as tax income or tax expense in the statement of comprehensive income unless they relate to items reported directly in equity, in which case the deferred taxes are also directly reported in equity. Deferred taxes and tax liabilities are offset against each other if the Group has a legally enforceable right to set off tax assets against tax liabilities and they relate to income taxes of the same taxable entity levied by the same tax authorities.

4.19 Contingent liabilities and contingent assets

Contingent liabilities are either potential obligations that could lead to an outflow of resources but whose existence will be determined by the occurrence or non-occurrence of one or more future events, or current obligations that do not fulfil the criteria for recognition as a liability. They are disclosed separately in the notes unless the probability of an outflow of resources embodying economic benefits is low. In the year under review, there were no contingent liabilities apart from guarantees and other commitments.

In the context of business combinations, contingent liabilities are recognized in accordance with IFRS 3.23 if their fair value can be reliably determined.

Contingent assets are not reported in the financial statements, but are disclosed in the notes when receipt of economic benefits is probable.

4.20 Government grants

Government grants are recognized as profit or loss on a systematic basis in the periods in which the related expenses are recognized and where it is sufficiently certain that the conditions imposed in connection with the grants will be fulfilled.

The grants received are reported as deferred income in the statement of financial position under liabilities.

5. Material judgements, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations calculated as at the end of the reporting period and the reporting of expenses and income. The actual amounts can differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of non-financial assets

The Group determines whether there are indications of impairment of non-financial assets at the end of each reporting period. Goodwill with an indefinite useful life is tested for impairment at least once a year and when there are indications of impairment. Other non-financial assets are tested for impairment when there are indications that the carrying amount is higher than the recoverable amount. To estimate the value in use, management measures the expected future cash flows of the asset or cash-generating unit and selects an appropriate discount rate to determine the present value of these cash flows.

b) Pensions and other post-employment benefits

The expense of defined benefit post-employment plans is determined using actuarial calculations. The actuarial calculation is based on assumptions regarding discount rates, future increases in wages and salaries, mortality and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty.

c) Provisions

Other provisions are recognized and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known at the end of the reporting period. The actual obligation can differ from the amounts recognized as provisions.

d) Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carryforwards and for temporary differences to the extent that it is probable that taxable income will be available for this, meaning that the loss carryforwards can actually be used. In calculating the amount of deferred tax assets, management must make judgements with regard to the expected timing and amount of future taxable income and the future tax planning strategies.

e) Revenue from contracts with customers

The majority of the transactions conducted by the companies of the Aumann and Vorwerk Groups are construction contracts over time, for which revenue is recognized by reference to the percentage of completion. This method requires an estimate of the percentage of completion. Depending on the method applied in determining the percentage of completion, the material estimates comprise the services already provided, the total contract costs, the costs to be incurred until completion, the total contract revenue, the contract risks and other judgements. The estimates are continuously reviewed by the company's management and adjusted as necessary. For technically complex and sophisticated projects especially, there is a risk that the estimate of total costs could differ considerably from the costs actually incurred.

f) Accounting for gold reserves

MBB SE owns physical gold reserves that are held as a liquidity reserve and reported in total liquidity. Despite containing a wide range of regulations, IFRSs do not provide conclusive guidance on accounting for gold reserves. Gold reserves cannot be accounted for in accordance with IAS 2 as they are not held for use in a production process. Accounting in accordance with IFRS 9 is problematic as gold does not meet the definition of a financial asset as set out in IAS 32.11, and hence does not fall within the scope of IFRS 9. None of the other IFRSs are relevant.

As such, there is a gap in the IFRS regulation when it comes to accounting for physical gold reserves that the MBB Group seeks to close by applying the provisions of IFRS 9 analogously. Physical gold reserves are measured at fair value on initial recognition. In subsequent periods, changes in the value of gold reserves are recognized directly in equity in other comprehensive income.

g) Consolidation of Aumann AG

In conjunction with the purchase of shares in Aumann AG, MBB SE's ownership interest in Aumann AG was increased from 38.00% as of 31 December 2019 to 40.00% as of 31 December 2020. Aumann AG is still consolidated as a subsidiary in the consolidated financial statements of MBB SE. In accordance with IFRS 10, this is based not only on the ownership interest, but also on actual control. As MBB SE held the absolute majority of the voting rights at the Annual General Meeting of Aumann AG and two of the three positions on the Supervisory Board of Aumann AG are held by members of the Board of MBB SE, the criterion of control in accordance with IFRS 10 is still satisfied.

II. Notes to the consolidated statement of financial position

1. Non-current assets

1.1 Statement of changes in non-current assets of the MBB Group as of 31 December 2020

31 Dec 2020	Opening balance cost €k	Additions in the financial year €k	Reclassification €k	Disposals in the financial year €k	Currency translation differences €k	Write downs (accumulated) €k	Carrying mount at the end of financial year €k	Carrying amount at the end of previous year €k	Write downs in the financial year €k	Reclassification on write downs €k	Disposals on write downs €k	Currency translation differences €k
I. Intangible assets												
1. Concessions, industrial property rights and similar rights	25,978	3,710	287	-27	-35	-19,367	10,545	11,421	-4,851	-7	27	20
2. Development Costs	10,557	1,904	0	0	0	-2,943	9,518	8,926	-1,312	0	0	0
3. Customer base	882	0	0	0	0	-490	392	490	-98	0	0	0
4. Order backlog	10,550	0	0	0	0	-9,273	1,277	4,441	-3,164	0	0	0
5. Goodwill	44,449	0	0	0	0	0	44,449	44,449	0	0	0	0
6. Advance payments	134	1,295	-280	0	0	0	1,149	134	0	0	0	0
	92,550	**6,909**	**7**	**-27**	**-35**	**-32,074**	**67,330**	**69,861**	**-9,425**	**-7**	**27**	**20**
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	96,734	4,809	2,563	-3,284	-1,138	-22,593	77,091	80,021	-4,701	-1,738	371	189
2. Technical equipment and machinery	99,678	11,502	3,726	-2,992	-2,423	-56,947	52,544	51,176	-12,209	-100	2,364	1,500
3. Other equipment, operating and office equipment	49,865	11,718	-1,757	-2,494	-107	-33,409	23,816	22,138	-9,576	1,845	1,970	80
4. Advance payments and assets under development	4,514	13,290	-4,538	-1,606	-53	-31	11,575	4,514	-31	0	0	0
	250,791	**41,318**	**-7**	**-10,375**	**-3,721**	**-112,980**	**165,026**	**157,849**	**-26,518**	**7**	**4,705**	**1,768**
Total	**343,341**	**48,227**	**0**	**-10,403**	**-3,756**	**-145,053**	**232,356**	**227,710**	**-35,943**	**0**	**4,732**	**1,788**

1.2 Statement of changes in non-current assets of the MBB Group as of 31 December 2019

31 Dec 2019	Opening balance cost €k	Additions in the financial year €k	Businss acquisition €k	Reclassification €k	Disposals in the financial year €k	Currency translation differences €k	Write downs (accumulated) €k	Carrying mount at the end of financial year €k	Carrying amount at the end of previous year €k	Write downs in the financial year €k	Disposals on write downs €k	Currency translation differences €k
I. Intangible assets												
1. Concessions, industrial property rights and similar rights	16,190	2,301	8,163	547	-1,225	2	-14,557	11,421	4,166	-3,735	1,204	-2
2. Development Costs	6,546	4,011	0	0	0	0	-1,630	8,926	5,772	-857	0	0
3. Customer base	882	0	0	0	0	0	-392	490	588	-98	0	0
4. Order backlog	2,614	0	7,936	0	0	0	-6,109	4,441	0	-3,496	0	0
5. Goodwill	40,300	0	4,149	0	0	0	0	44,449	40,300	0	0	0
6. Advance payments	549	134	0	-549	0	0	0	134	549	0	0	0
	67,081	**6,446**	**20,248**	**-2**	**-1,225**	**2**	**-22,688**	**69,861**	**51,375**	**-8,186**	**1,204**	**-2**
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	72,381	1,948	18,311	4,010	-93	176	-16,713	80,021	55,508	-3,731	2	-27
2. Technical equipment and machinery	69,866	3,986	24,326	2,553	-1,428	375	-48,502	51,176	26,307	-6,503	1,381	-228
3. Other equipment, operating and office equipment	36,877	6,136	10,223	-612	-2,775	16	-27,727	22,138	11,317	-6,773	2,294	-12
4. Advance payments and assets under development	5,351	5,195	119	-5,949	-204	2	0	4,514	5,351	0	0	0
	184,475	**17,265**	**52,979**	**2**	**-4,500**	**569**	**-92,942**	**157,849**	**98,483**	**-17,007**	**3,677**	**-267**
Total	**251,556**	**23,711**	**73,227**	**0**	**-5,725**	**571**	**-115,630**	**227,710**	**149,858**	**-25,193**	**4,881**	**-269**

2. Goodwill

The carrying amount of goodwill is €44,449 thousand (previous year: €44,449 thousand).

Goodwill is subject to an annual impairment test. In conjunction with impairment testing, goodwill acquired in business combinations was allocated to the cash-generating units Aumann Limbach-Oberfrohna (€28,426 thousand), Aumann EBI [comprising the companies Aumann Espelkamp GmbH and Aumann Immobilien GmbH] (€10,057 thousand), ISL (€4,149 thousand), DTS (€1,180 thousand) and Hanke Tissue (€637 thousand). The Aumann Limbach-Oberfrohna and Aumann EBI cash-generating units are allocated to the Technical Applications segment, the ISL and DTS cash-generating units are allocated to the Service & Infrastructure segment, and the Hanke Tissue cash-generating unit is allocated to the Consumer Goods segment.

The impairment test as of 31 December 2020 confirmed the recoverability of capitalized goodwill.

Aumann Limbach-Oberfrohna and Aumann EBI cash-generating units

The recoverable amount of the Aumann Limbach-Oberfrohna CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a three-year period. The calculation of the budget figures took into account current and future probabilities, the expected economic development and other circumstances. The pre-tax discount rate applied to the cash flow projections is 8.2% (previous year: 8.8%). Cash flows beyond the detailed planning period are extrapolated using a growth rate of 3.0%. Perpetual annuity is calculated using a long-term growth rate of 1.0%.

The calculation of the recoverable amount of the cash-generating unit Aumann EBI was performed analogously, using the same methodology and assumptions.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of value in use for the two significant cash-generating units, Aumann Limbach-Oberfrohna and Aumann EBI, is most sensitive to the following assumptions:

- EBITDA margins,
- discount rates,
- growth rates used to extrapolate cash flows beyond the detailed forecast period.

EBITDA margins: EBITDA margins are based on average values achieved in the three financial years preceding the beginning of the budget period. The values calculated thus are adjusted for the detailed planning period, if necessary, if management receives better information about their amount. The EBITDA margins from the detailed planning period are extrapolated at a constant level. A reduction in the EBITDA margin of 1.0 percentage points would not result in impairment for either the Aumann Limbach-Oberfrohna CGU or the Aumann EBI CGU.

Discount rates: Discount rates represent the market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments. Adjustments to the discount rate are made to factor in the specific amount and timing of tax flows in order to reflect a pre-tax discount rate. An increase in the pre-tax discount rate of 0.5 percentage points would not result in impairment for either the Aumann Limbach-Oberfrohna CGU or the Aumann EBI CGU.

Growth rates: The estimated growth rates are based on past experience and growth assumptions for the target markets of the respective CGUs. The Group recognises that possible new competitors or a changing market environment can have a significant impact on growth rate assumptions. Such a development could yield a reasonably possible alternative to the estimated long-term growth rate of 3.0% for the two cash-generating units. A reduction in the growth rate of two percentage points would not result in impairment for either the Aumann Limbach-Oberfrohna CGU or the Aumann EBI CGU.

3. Intangible assets

Please see the statement of changes in non-current assets for information on the development of intangible assets.

4. Property, plant and equipment

Please see the statement of changes in non-current assets for information on the development of property, plant and equipment. Borrowing costs amounted to Nil both for the year under review and previous year.

The following table provides an overview of the capitalized right-of-use assets in each asset class as of 31 December 2020:

Right-of-use assets	31 Dec 2020 €k	31 Dec 2019 €k
Land and buildings	3,988	6,698
Technical equipment and machinery	7,146	3,987
Other equipment, operating and office equipment	4,952	4,329
Total	**16,085**	**15,014**

The rights-of-use assets shown separately here are also included in the statement of changes in non-current assets in note II.1. Additions to right-of-use assets amounted to €11,227 thousand (previous year: €11,940 thousand), €0 thousand of which relates to business combinations (previous year: €9,893 thousand).

5. Financial assets

Financial assets	31 Dec 2020 €k	31 Dec 2019 €k
Long-term securities	116,005	89,549
Joint ventures and associates	8,715	13,214
Other loans	838	1,281
Carrying amount as of 31 Dec	**125,559**	**104,044**

The development of financial assets is shown in the following tables.

Long-term securities	31 Dec 2020 €k	31 Dec 2019 €k
Carrying amount as of 1 Jan	**89,549**	**59,459**
Additions during the period	41,921	39,090
Disposals during the period	-18,155	-20,229
Revaluation	2,690	11,229
Carrying amount as of 31 Dec	**116,005**	**89,549**

Joint ventures and associates	31 Dec 2020 €k	31 Dec 2019 €k
Carrying amount as of 1 Jan	**13,214**	**0**
Additions to scope of consolidation	0	13,376
Share in net income	10,563	1,145
Amortization of hidden reserves	-4,053	-1,382
Distributions	-10,934	0
Additions and disposals during the period	-75	75
Carrying amount as of 31 Dec	**8,715**	**13,214**

Disclosures on consortiums

In the Group, consortiums are classified as joint ventures and their results are reported under Income from joint ventures and associates. The table below shows the ten biggest consortiums in terms of performance for the 2020 financial year.

Consortiums	Ownership interest in %
(DZ3) Dach-ARGE Zeelink Los 3 - 5	25.00
(AZ3) ARGE Zeelink 3+5	50.00
(TSL) Dach-ARGE Thyssengas STEAG Leitung	63.70
(E78) ARGE EUGAL Los 7+8	37.50

Consortiums	Ownership interest in %
(442) ARGE EGL 442	58.00
(E56) Dach-ARGE EUGAL Los 5+6	53.35
(VWV) ARGE VS Würselen - MCC-I	45.00
(RH2) ARGE Reha Südfeld Los 2 BA 3+4	33.33
(GAZ) Dach-ARGE GDRM Anlagen Zeelink	50.00
(KÜA) ARGE EmCo KÜA	50.00

The financial information for these working groups for the 2020 financial year is presented at 100%.

Consortium	Revenue €k	Non-current assets €k	Current assets €k	thereof liquid funds €k	Non-current liabilities €k	Current liabilities €k
(DZ3)	89,474	0	139,737	155	0	139,736
(AZ3)	50,747	38	102,503	518	0	102,582
(TSL)	35,040	0	50,203	1,342	0	50,396
(E78)	34,221	0	219,912	12,706	0	209,630
(442)	29,206	55	56,480	1,636	0	50,741
(E56)	27,639	18	240,204	1,038	0	239,572
(VWV)	20,837	12	63,707	800	0	59,379
(RH2)	11,355	0	15,689	2,572	0	13,933
(GAZ)	8,087	0	20,558	1,071	0	20,560
(KÜA)	4,719	0	8,610	647	0	8,280

Disclosures on cumulative losses from associates

In the period under review all pro rata losses from associates have been recognized in profit or loss. In previous year, pro rate losses of €160 thousand were not recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income

The financial assets of the MBB Group recognized at fair value through other comprehensive income comprise physical gold reserves and securities. The value of the physical gold reserves was €3,979 thousand (previous year: €3,570 thousand). The increase is due in full to fair value measurement as of 31 December 2020.

Of the securities, shares and bonds recognized at fair value through other comprehensive income totalling €100,527 thousand (previous year: €92,718 thousand), €100,075 thousand (previous year: €89,549 thousand) were reported under non-current assets and €452 thousand (previous year: €3,169 thousand) were reported under current assets. No impairment was recognized either in the year under review or in the previous year. Income from securities (essentially dividends) of €1,396 thousand was generated in the financial year, (previous year: €1,880 thousand), which is reported in other operating income.

6. Inventories

	31 Dec 2020 €k	31 Dec 2019 €k
Raw materials and supplies	16,286	17,778
Work in progress	6,350	7,384
Finished goods and commodities	10,664	13,876
Advance payments	4,949	8,023
Carrying amount as of 31 Dec	**38,249**	**47,061**

Impairment losses of €2,413 thousand were recognized on inventories in the period under review (previous year: €1,448 thousand). Impairment losses on inventories were reversed in the amount of €28 thousand (previous year: €0 thousand).

7. Trade receivables

	31 Dec 2020 €k	31 Dec 2019 €k
Trade receivables	63,652	69,297
Receivables from consortiums	2,830	4,839
Less specific valuation allowances	-2,122	-998
Less expected credit loss	-49	-37
Carrying amount as of 31 Dec	**64,312**	**73,101**

The trade receivables are all due within one year. Receivables are written down on an individual basis if there are indications of default risks. Indications of impairment include failure to receive payments and information on changes in customers' credit rating. Given the broad customer base, there is no significant concentration of credit risk.

8. Contract assets and contract liabilities

Contract assets comprise the claims for remuneration from construction contracts from customers, plant engineering projects and long-term construction contracts for work already performed as at the end of the reporting period. If the advances received exceed the claim to payment, they are reported under "Contract liabilities".

	31 Dec 2020 €k	31 Dec 2019 €k
Gross contract assets	379,392	357,140
advance payments received thereon	-280,665	-244,098
Contract assets	**98,727**	**113,042**
Contract liabilities	21,780	35,424

9. Other current assets

Other assets maturing within one year break down as follows:

	31 Dec 2020 €k	31 Dec 2019 €k
Tax receivables	5,576	4,405
Prepaid expenses	2,614	1,593
Receivables due from personnel	2,368	1,119
Factoring receivables	1,964	2,225
Receivables from related companies	1,468	2,615
Other current assets	3,483	2,803
Carrying amount as of 31 Dec	**17,472**	**14,760**

Tax receivables consist of corporate income tax and trade tax refunds in the amount of €3,952 thousand (previous year: €3,435 thousand) and input tax refunds of €1,624 thousand (previous year: €970 thousand). Receivables from related companies are for receivables from SKS Straßenbau GmbH, Tostedt. Receivables due from employees are essentially for employee loans.

10. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as of 31 December 2020 and 31 December 2019.

	31 Dec 2020 €k	31 Dec 2019 €k
Deferred tax assets	11,832	14,330
Deferred tax liabilities	20,811	23,854
Net	**-8,978**	**-9,524**

	31 Dec 2020 €k	31 Dec 2019 €k
Temporary differences from:		
Liabilities	6,365	2,245
Pension provisions	4,973	5,352
Provisions	3,784	866
Intangible assets	3,284	3,569
Unused tax losses	2,775	3,501
Special economic zone tax benefits	2,010	3,054
Other current assets	1,962	176
Financial assets	123	2,409
Receivables	85	0
Property, plant and equipment	61	1,044
Inventories	46	0
Securities	11	0
Others	17	410
Netting	-13,664	-8,296
Deferred tax assets	**11,832**	**14,330**

	31 Dec 2020 €k	31 Dec 2019 €k
Temporary differences from:		
Receivables	19,893	15,438
Property, plant and equipment	7,514	6,003
Intangible assets	4,938	6,595
Financial assets	1,861	3,815
Provisions	198	77
Pension provisions	71	88
Liabilities	0	70
Inventories	0	64
Netting	-13,664	-8,296
Deferred tax liabilities	**20,811**	**23,854**

The tax benefit from the Special Economic Zone reported in deferred tax assets relates to Hanke Tissue Sp. z o.o. in the Kostrzyn Special Economic Zone in Poland. The Special Economic Zone promotes investments and the creation of jobs by allowing up to 50% of the investment volume to be offset against the income tax due on income generated in the Special Economic Zone.

11. Equity

Please see the "Statement of changes in consolidated equity" for information on the development of equity.

11.1 Issued capital

MBB SE's issued capital amounts to €5,940,751.00 as of 31 December 2020 and is fully paid in. It is divided into 5,940,751 no-par value bearer shares.

The nominal value of the treasury shares of 8,498 acquired in 2020 as part of a share buyback program is deducted from issued capital. The difference (€416,284.67) between the acquisition cost of the treasury shares and the nominal value of the treasury shares acquired was offset against the capital reserves in 2020.

Authorized capital and contigent capital

Ry resolution of the Annual General Meeting on 28 June 2018 the Board is authorized to increase the company's share capital on one or more occasions by a total of up to €3,300,000 in the period until 27 June 2023 by issuing new no-par value bearer shares in exchange for cash and/or non-cash contributions (Authorized Capital 2018).

The Annual General Meeting on 30 June 2016 resolved Contingent Capital 2016/I, which was entered in the commercial register on 19 August 2016. The Board was thus authorized to issue bearer or registered convertible bonds or bonds with warrants with a total volume of up to €66,000,000 and a maximum term of ten years in the period until 29 June 2021, and to grant the holders of these bonds conversion rights for new no-par value bearer shares of MBB SE with a proportionate interest in the share capital of up to a total of €3,300,000. The Company's share capital is contingently increased by up to €3,300,000 (Contingent Capital 2016/I). The purpose of this contingent capital increase is to issue shares to the creditors of convertible bonds or bonds with warrants. It is permitted to implement the contingent capital increase only to the extent that the creditors have exercised their conversion right or are subject to a conversion obligation.

The Annual General Meeting on 24 August 2020 authorized the Company to issue stock options (Stock Option Program 2020), to create a new Contingent Capital 2020/I and to adjust the Contingent Capital 2016/I and to make the necessary amendments to the Articles of Association.

The stock option program authorizes the Board to grant up to 240,000 subscription rights to up to 240,000 no-par value bearer shares of the company to beneficiaries within the meaning of Section 192 (2) no. 3 of the German Stock Corporation Act (AktG) until 30 June 2025. For further information, please refer to section VIII.8.2 (Remuneration of the executive bodies).

The capital stock of the company is conditionally increased by up to €240,000 through the issue of up to 240,000 new no-par value bearer shares (Contingent Capital 2020/I). The contingent capital increase serves exclusively to fulfill entitlements under the equity-based stock option program 2020.

The authorization to increase capital from Contingent Capital 2016/I on the basis of the resolution of the Annual General Meeting on 30 June 2016, which expires on 29 June 2021, is reduced from €3,300,000 to €2,500,000 with otherwise unchanged content.

The individual shareholdings of MBB SE are as follows:

	31 Dec 2020		31 Dec 2019	
	Number of shares	%	Number of shares	%
MBB Capital Management GmbH	1,984,770	*33.409%*	1,900,613	*31.993%*
MBB Capital GmbH	1,900,613	*31.993%*	1,900,613	*31.993%*
Anton Breitkopf	45,000	*0.757%*	41,112	*0.692%*
Dr Peter Niggemann	38,534	*0.649%*	35,534	*0.598%*
Treasury shares	8,498	*0.143%*	0	*0.000%*
Others	1,963,336	*33.049%*	2,062,879	*34.724%*
Total	**5,940,751**	**100.00%**	**5,940,751**	**100.00%**

The shares in MBB Capital Management GmbH are held by Dr Christof Nesemeier, while the shares in MBB Capital GmbH are held by Mr Gert-Maria Freimuth.

Purchase of treasury shares

The Annual General Meeting on 28 May 2019 authorized the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as of the authorization date while upholding the principle of equal treatment (section 53a AktG) in the period until 27 May 2024. The authorization can be exercised on one or more occasions, in part or in full. The shares can also be purchased by dependent Group companies or by third parties on the company's account. The authorization cannot be used for the purposes of trading in treasury shares. The authorization to acquire and use purchased treasury shares resolved by the Annual General Meeting on 28 June 2018 under item 9 of the agenda was cancelled when this authorization became effective.

On 18 March 2020, the Board of MBB SE resolved to make use of the authorization to acquire treasury shares resolved at the Annual General Meeting on 28 May 2019. In the period from 20 March 2020 to 8 April 2020, MBB SE acquired 8,498 treasury shares of the company via the stock exchange with a total value of €424,782.67.

11.2 Capital reserve

The capital reserve amounts to €253,180 thousand (previous year: €253,260 thousand).

The nominal value of the treasury shares of 8,498 acquired in 2020 as part of a share buyback program is deducted from issued capital. The difference (€416,284.67) between the acquisition cost of the treasury shares and the nominal value of the treasury shares acquired was offset against the capital reserve in 2020.

In the opposite direction, the capital reserve increased by €336 thousand in the reporting year as a result of the 2020 stock option program.

11.3 Legal reserve

5% of the parent company's net profit for 2006 was transferred to the legal reserve.

11.4 Retained earnings and other comprehensive income

Currency translation difference

The currency translation difference results from translation in line with the modified closing rate method.

The difference arises from the translation of items of the income statements of subsidiaries that prepared their accounts in a foreign currency at the average rate and conversion of the statement of financial position items at the closing rate on the one hand, and the conversion of the equity of the respective subsidiaries at the historical rate on the other hand.

Fair value reserve

The fair value reserve results from the remeasurement of financial assets at fair value at the end of the reporting period. In the statement of comprehensive income, other comprehensive income is broken down depending on whether these remeasurement gains/losses can be reclassified to profit or loss when they are realized.

Reserve for pensions

In accordance with IAS 19 (rev. 2011), actuarial gains/losses (adjusted for the associated deferred tax effects) are recognized in the reserve for pensions and reported in the statement of comprehensive income under other comprehensive income.

Other reserve

MBB SE acquired 66% of shares in ISL Internet Sicherheitslösungen GmbH, Bochum, through DTS IT AG on 19 February 2019. Put and call options were mutually agreed for the remaining 34% of the shares as part of the transaction. A financial liability was recognized for the put option and deducted from equity. An amount of €-2.7 million was added to other reserves after taking deferred tax effects and non-controlling interests into account.

After the balance sheet date, in February 2021, DTS IT AG acquired a further 14.34% of the outstanding shares in ITS Internet Sicherheitslösungen GmbH, thereby increasing its shareholding from 66% to 80.34%. Other reserve will be derecognized pro rata as of 31 March 2021.

Retained earnings

This item comprises the net income generated by the Group less distributed profits. A dividend of 70 cents per share (€4.2 million) was paid to the shareholders of MBB SE in the 2020 financial year.

The changes in the shareholdings in Aumann AG and Delignit AG described in section I.1.3 (Company law changes and structural changes in 2020) led to an increase in retained earnings of €1,685 thousand.

11.5 Non-controlling interests

Non-controlling interests in the MBB Group result from the equity investments in Aumann AG, Delignit AG, DTS IT AG, Friedrich Vorwerk Group SE and Hanke Tissue Sp. z o.o.

In accordance with IAS 32, the non-controlling interests in Friedrich Vorwerk SE & Co. KG are reported under current and non-current liabilities rather than in equity.

12. Provisions for pensions and similar obligations

Given the business model of MBB SE, employees' claims to post-employment benefits are not governed at Group level. Regulations on pensions are determined at the level of the individual subsidiaries, resulting in different works agreements. What all pension obligations have in common is that the claim arises when there is also a claim to the statutory pension. There are pension obligations for Blomberger Holzindustrie GmbH, CT Formpolster GmbH, Aumann Beelen GmbH, Aumann Limbach-Oberfrohna GmbH and Friedrich Vorwerk SE & Co. KG, Tostedt. The pension agreements are closed, meaning that no further occupational pension agreements are entered into for new appointments.

	31 Dec 2020 €k	31 Dec 2019 €k
Pension provisions at beginning of the financial year	**28,908**	**24,062**
Addition through company acquisition	0	421
Utilization	-748	-780
Addition to provisions (service cost)	470	396
Addition to provisions (interest cost)	221	410
Actuarial gains (-) /losses (+)	-239	4,399
Pension provisions at end of the financial year	**28,612**	**28,908**
- Plan assets	488	521
Pension provision recognized in the balance sheet	**28,124**	**28,387**

Of the actuarial gains, €-390 thousand resulted from experience adjustments and €151 thousand from actuarial adjustments.

The following actuarial assumptions were applied:

	2020	2019
Actuarial interest rate	0.20 - 0.60%	0.55 - 0.80%
Salary trend	0.00 - 2.00%	0.00 - 3.00%
Pension trend	1.00 - 2.00%	1.00 - 2.00%

The post-employment benefit plans are unfunded. The liabilities are equal to the obligation (DBO).

The expenses and income recognized in profit and loss are as follows:

	31 Dec 2020 €k	31 Dec 2019 €k
Addition to provisions (service cost)	-470	-396
Addition to provisions (interest cost)	-221	-410
Total	**-691**	**-806**

The expected pension payments from the pension plans for 2021 amount to €811 thousand.

The maximum potential sensitivity of the total pension obligation to changes in the weighted main assumptions is as follows:

	Change in assumption	Impact on obligation: Increase in assumption	Impact on obligation: Decrease in assumption
Interest rate	0.25%	-5.1%	+5.5%
Pension growth rate	0.50%	+7.5%	-6.7%
Life expectancy	+ 1 year	+4.1%	-

The sensitivity of the defined benefit obligation to actuarial assumptions was calculated using the same method as the measurement of the pension provision on the statement of financial position. The sensitivity analysis is based on the change in an assumption while all other assumptions remain constant. It is unlikely that this would occur in reality. There could be a correlation between changes in some assumptions.

13. Liabilities

The liabilities mature as follows:

31 Dec 2020	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	17,495	31,683	5,758	54,935
Lease liabilities	9,449	12,500	713	22,662
Liabilities from participation rights	0	0	10,213	10,213
Trade payables	47,132	0	0	47,132
Contract liabilities	21,780	0	0	21,780
Liabilities to non-controlling interests	4,894	2,711	0	7,605
Other liabilities	15,681	7,020	0	22,700
Accruals	26,348	0	0	26,348
As of 31 Dec 2020	**142,779**	**53,914**	**16,684**	**213,376**

31 Dec 2019	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	22,128	40,407	6,890	69,425
Liabilities from participation rights	0	0	9,963	9,963
Trade payables	56,707	0	0	56,707
Contract liabilities	35,424	0	0	35,424
Liabilities to non-controlling interests	7,540	0	20,686	28,226
Other liabilities	28,962	5,920	549	35,431
Accruals	35,438	0	0	35,438
As of 31 Dec 2019	**186,199**	**46,327**	**38,088**	**270,614**

Liabilities to banks have both fixed and floating interest rates of between 0.55% and 5.60% (previous year: 0.7% and 5.60%). The weighted average interest rate for 2020 is 1.55% (previous year: 1.99%).

Land and buildings, technical equipment and machinery as well as inventories were pledged as collateral. The carrying amount of the pledged assets was €52,269 thousand (previous year: €52,736 thousand) as of the end of the reporting period, €41,491 thousand of which relates to property, plant and equipment (previous year: €46,001 thousand) and €10,778 thousand of which to inventories (previous year: €6,735 thousand).

As of the end of the reporting period, there is profit participation capital of €10,213 thousand in total (previous year: €9,963 thousand) issued by Friedrich Vorwerk SE & Co. KG. The profit participation rights grant a guaranteed interest rate of 2.5% above the applicable 3-month EURIBOR. Furthermore, the bearer of the profit participation certificates participates in the sub-group earnings of the Friedrich Vorwerk

Group in the form of floating-rate interest. The total return on profit participation rights in the reporting year was 4.0% (previous year: 3.6%). The profit participation rights can be cancelled for the first time effective 31 December 2039.

Non-controlling interests in partnerships relate exclusively to Friedrich Vorwerk SE & Co. KG. Liabilities to non-controlling interests comprise earnings attributable to non-controlling interests and a long-term shareholder loan. With the exception of the profit distributions already resolved, the claims are reported as long-term in accordance with the underlying company agreement. The decrease in liabilities to non-controlling interests is explained by changes under company law and structural changes at the Friedrich Vorwerk Group, which are presented in section I.1.3 Company law changes and structural changes in 2020.

In conjunction with the acquisition of 66% of the shares in ISL Internet Sicherheitslösungen GmbH, Bochum, by DTS IT AG, Herford, on 19 February 2019 it was agreed that the original shareholders will have a put option to tender their remaining shares (34%) to DTS IT AG. At the same time, DTS IT AG has a call option to acquire their shares. The call and put options are designed identically. The option can be exercised from 1 January 2025 at the earliest. The exercise price is based on ISL's average EBIT. A financial liability was recognized for the put option at fair value through profit or loss. When calculating the financial liability, it was assumed that the option will be exercised at the earliest possible date.

In the first quarter of 2021, DTS IT AG acquired a further 14.34% of the shares from the existing shareholders, thus increasing its shareholding from 66.0% to 80.34%. The agreements with the remaining existing shareholders remain unchanged.

14. Other liabilities

Other liabilities break down as follows:

	31 Dec 2020 €k	31 Dec 2019 €k
Current		
Value added tax	3,731	11,486
Consortiums	2,374	2,930
Wage tax	2,155	1,529
Wages and salaries	2,145	5,922
Deferred income	2,074	1,360
Social security benefits	932	1,023
Debtors with credit balances	644	494
Commissions	308	303
Capital gains tax	86	457
Consulting services and board remuneration	58	24
Associates	28	1,149
Contingent considerations from Earn-out arrangements	0	563
Bonus	0	40
Miscellaneous	1,146	1,682
	15,681	**28,962**
Non-current		
Contingent considerations from put options	5,762	4,884
Investment grant received	1,005	1,112
Support funds	151	170
Other deferred income	103	254
Bonus program	0	49
	7,020	**6,469**
Total	**22,700**	**35,431**

15. Provisions and accruals

15.1 Other provisions and accruals

Other long-term provisions, current provisions and accruals are composed as follows:

in € thousand	31 Dec 2019	Reclassification	Use	Release	Additions	Currency effect	31 Dec 2020
Long-term provisions							
Partial retirement	897	0	-360	0	325	0	861
Anniversaries	283	0	-16	-13	21	0	276
Death grants	15	0	0	-1	0	0	13
Bonus program	0	0	0	0	318	0	318
	1,195	**0**	**-376**	**-14**	**664**	**0**	**1,468**
Accruals and short-term provisions							
Outstanding invoices	22,559	-2,103	-18,294	-498	12,894	-8	14,550
Project completion costs	7,542	0	-4,633	-1,913	8,893	-45	9,844
Restructuring	0	0	0	0	7,517	0	7,517
Vacation	5,974	-50	-6,200	-149	5,790	-13	5,352
Guarantees and warranties	3,452	0	-433	-516	2,116	-4	4,615
Flexitime	492	3,834	-4,117	0	2,885	0	3,093
Variable salary and commissions	3,127	55	-2,670	-66	2,000	0	2,446
Onerous and unfavourable contracts	659	14	-603	-6	2,047	-7	2,104
Legal disputes and damage compensation	0	2,097	-1,150	-52	666	0	1,561
Accounting and audit costs	823	-10	-591	-22	747	-1	947
Employers' liability insurance association	582	0	-456	-127	643	0	643
Staff costs	4,706	-3,839	-542	-88	353	0	590
Reduction in earnings	20	45	-63	-2	66	0	66
Bonus program	2,034	84	-2,034	-47	3	0	40
Other	877	-127	-337	-75	71	0	408
	52,847	**0**	**-42,122**	**-3,560**	**46,690**	**-79**	**53,777**
Total	**54,042**	**0**	**-42,498**	**-3,574**	**47,354**	**-79**	**55,245**

in € thousand	31 Dec 2018	Reclassification	Initial consolidation	Use	Release	Additions	31 Dec 2019
Long-term provisions							
Partial retirement	883	0	0	-446	0	460	897
Anniversaries	260	0	0	-22	0	45	283
Death grants	15	0	0	-1	0	1	15
Bonus program	5,242	-2,034	0	-2,050	-1,158	0	0
	6,400	**-2,034**	**0**	**-2,519**	**-1,158**	**506**	**1,195**
Accruals and short-term provisions							
Outstanding invoices	5,177	0	12,842	-5,477	-790	10,807	22,559
Project completion costs	8,752	0	1,687	-9,341	-813	7,257	7,542
Vacation	3,224	0	4,416	-4,760	-67	3,161	5,974
Staff costs	5,090	0	573	-5,006	-216	4,265	4,706
Guarantees and warranties	4,191	-61	742	-2,487	-594	1,661	3,452
Variable salary and commissions	5,122	-419	221	-4,383	-146	2,732	3,127
Bonus program	0	2,034	0	0	0	0	2,034
Accounting and audit costs	471	0	196	-386	0	542	823
Provisions for onerous and unfavourable contracts	316	0	3	-305	-6	651	659
Employers' liability insurance association	258	0	222	-242	-61	405	582
Flexitime	67	0	356	-80	0	149	492
Reduction in earnings	211	0	0	-209	0	18	20
Contractual penalty	10	0	0	-10	0	0	0
Other	539	480	215	-547	-274	464	877
	33,428	**2,034**	**21,473**	**-33,233**	**-2,967**	**32,112**	**52,847**
Total	**39,828**	**0**	**21,473**	**-35,752**	**-4,125**	**32,618**	**54,042**

The provision for project completion costs relates to various projects at the Aumann Group and Friedrich Vorwerk Group that are already complete and for which the final invoice has been issued, but which are still subject to costs for follow-up work and fault remediation. The provisions for bonus program is described under VIII.2. Executive body remuneration.

The outflow of economic resources for current provisions is expected in the following year.

15.2 Current tax liabilities

Current tax liabilities break down as follows:

	31 Dec 2020 €k	31 Dec 2019 €k
Trade income tax	7,057	5,009
Corporate income tax	4,710	2,741
Carrying amount as of 31 Dec.	**11,767**	**7,750**

16. Leases

As of the balance sheet date lease liabilities break down as follows:

Lease liabilities by asset type	31 Dec 2020 €k	31 Dec 2019 €k
Land and buildings	4,036	6,724
Technical equipment and machinery	7,166	3,992
Other equipment, operating and office equipment	4,972	4,338
Total	**16,174**	**15,054**

Taking into account the contracts recognized as finance lease liabilities, total lease liabilities are as follows as of the end of the reporting period:

Lease liabilities by maturity	31 Dec 2020 €k	31 Dec 2019 €k
Long-term	13,213	12,068
Short-term	9,449	8,863
Total	**22,662**	**20,931**

The following amounts were recognized in the consolidated statement of comprehensive income in connection with leases in 2020 and 2019 financial year:

Amounts recognized in the consolidated statement of comprehensive income	2020 €k	2019 €k
Depreciation and amortization expense	9,245	4,667
therof buildings	1,680	1,224
thereof technical equipment and machinery	4,938	1,838
thereof other equipment, operating and office equipment	2,627	1,605
Interest expense	318	203
Expenses for short-term leases	11,499	3,137
Expenses for low-value leasing objects	15	6
Total	**21,077**	**8,013**

The cash outflows for leases (including payments for short-term and low-value leases) amount to €21,276 thousand in total in the 2020 financial year (previous year: €6,710 thousand).

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €689.8 million in the 2020 financial year (previous year: €592.1 million). Revenue of €445.6 million (previous year: €330.7 million) relates to contracts with customers recognized over time.

Revenue development is discussed in the management report. Segment reporting for revenue is structured primarily by business segment and secondly by geographic segment.

2. Income from joint ventures and associates

	2020 €k	2019 €k
Income from joint ventures and associates recognized in financial assets	10,563	1,145
Income from joint ventures and associates recognized in receivables and liabilities	-12	0
Total	**10,551**	**1,145**

MBB Group's share in the cumulative profits of consortiums classified as joint ventures are reported under financial assets as Joint ventures and associates. The Group's revenue from deliveries and services to consortiums are recognized under revenue. The capital paid into a consortium, together with trade accounts receivable from the consortium after deduction of capital withdrawals and accumulated losses, is included in trade receivable or, if there is a net liability, in other liabilities.

3. Other operating income

	2020 €k	2019 €k
Own work capitalized	3,211	4,153
Settlement of benefits in kind	1,937	1,247
Refunds	1,906	252
Reversal of provisions	1,627	4,125
Securities	1,396	1,880
Sale of non-current assets	522	1,044
Rentals and leases	485	375
Insurance and damage compensation	468	795
Exchange rate gains	465	79
Subsidies and investment grants	275	549
Reversal of valuation allowances on receivables	229	320
Relating to former periods	113	722
Badwill	0	14,137
Other	3,087	835
Total	**15,720**	**30,513**

The income from refunds and the income from subsidies and investment grants include grants related to income of €1,743 thousand (previous year: €553 thousand). They include reimbursements of social security contributions during short-time work in Germany in connection with the COVID-19 pandemic in the amount of €1,393 thousand and grants related to income in particular in the form of reimbursements in connection with other taxes and wages as well as subsidies in connection with the participation of group companies in research projects. There are no unfulfilled conditions or other contingencies associated with the grants.

4. Other operating expenses

	2020 €k	2019 €k
Maintenance expenses	-12,779	-8,819
Rental agreements and leasing	-11,513	-3,144
Travel costs/vehicle costs	-6,136	-5,967
Legal and consulting	-3,269	-4,067
Other services	-3,117	-3,165
Insurance	-2,331	-1,396
Write-offs and bad debt allowances on receivables	-1,441	-472
Contributions and fees	-1,370	-705
Costs for telephone, post and data communication	-1,295	-907
Foreign currency losses	-1,134	-147
Office supplies	-1,086	-533
Other personnel-related expenses	-920	-521
Advertising costs	-749	-1,214
Costs for training and apprenticeship	-749	-621
Incidental costs for monetary transactions	-426	-495
Expenses from security transactions	-371	-1,685
Expenses from the disposal of non-current assets	-92	-440
Previous period expenses	-64	-316
Warranty expenses	0	-9
Miscellaneous operating expenses	-10,129	-6,111
Total	**-58,973**	**-40,734**

5. Depreciation and amortization expense

	2020 €k	2019 €k
Depreciation and amortization on intangible assets and property, plant and equipment	-34,919	-25,193
Importment losses on property, plant and equipment	-1,023	0
Release of revaluation reserves on joint ventures and associates	-4,053	-1,382
Total	**-39,996**	**-26,575**

6. Finance income

	2020 €k	2019 €k
Other interest and similar income	390	407
Interest and similar income from securities transactions	46	119
Total	**436**	**526**

7. Finance costs

	2020 €k	2019 €k
Bank interest	-1,283	-1,366
Bank guarantee commissions	-389	-321
Interest expense from leases	-318	0
Interest expense from pensions	-216	-410
Other interest and similar expenses	-1,660	-818
Total	**-3,867**	**-2,915**

8. Taxes

Details on deferred tax assets and liabilities can be found under I.4.18 b) “Deferred taxes”. In recognizing deferred taxes, the future local tax rate is applied. The income tax rate is 19% in Poland and 25% in China.

The reconciliation of income tax expense and the net profit multiplied by the Group’s applicable tax rate for the 2020 and 2019 financial years is as follows:

	2020 €k	2019 €k
Corporate income tax	-6,540	-4,224
Trade income tax	-5,967	-4,428
Deferred taxes	1,175	-572
Total	**-11,332**	**-9,224**

	2020 €k	2019 €k
Consolidated net profit before taxes and non-controlling interests	22,052	34,598
Income taxes	-11,332	-9,224
Current tax rate	**51.4%**	**26.7%**

	2020 €k	2019 €k
Earnings before taxes (EBT)	23,362	44,299
Other taxes	-1,310	-476
Applicable (statutory) tax rate	30.0%	30.0%
Expected tax expense	**6,615**	**13,147**
Effects due to the use or increase of losses carried forward	3,059	-638
Effect from expenses not deductible for tax purposes	2,295	0
Effects from tax-exempt income	-942	-3,624
Effects due to deviations from the expected income tax rate	-656	-94
Taxes relating to other periods	456	569
Other tax effects	503	-135
Current tax expense	**11,332**	**9,224**

9. Earnings per share

Earnings per share are calculated by dividing the profit for the year attributable to holders of ordinary shares of the parent by the weighted average number of ordinary shares outstanding during the year.

In accordance with IAS 33.32, diluted earnings per share are calculated by adjusting net profit for dilutive effects and then dividing it by the number of ordinary shares outstanding, including dilutive effects.

The only dilutive effect in the 2020 financial year arose from the 2020 stock option program of MBB SE. For the calculation of diluted earnings per share, the staff costs incurred in the financial year in connection with MBB SE's stock option program 2020 were adjusted in the amount of €653.7 thousand (previous year: €0 thousand). In addition, 230,000 (previous year: 0) option rights issued were included in the weighted average number of ordinary shares.

	2020	2019
Profit attributable to holders of ordinary shares of the parent before adjustments (in € thousand)	12,685	26,945
Weighted average number of ordinary shares used to calculate earnings per share (in thousand)	5,934	6,068
Earnings per ordinary share (in €) - basic	**2.14**	**4.44**
Profit attributable to holders of ordinary shares of the parent after adjustments (in € thousand)	13,339	26,945
Weighted average number of ordinary shares used to calculate earnings per share - after diluting effects (in thousand)	6,133	6,068
Earnings per ordinary share (in €) - diluted	**2.18**	**4.44**

IV. Segment reporting

1. Information by segment

Segment reporting was prepared using IFRS 8 (Operating Segments), under which operating segments are defined as the components of an entity for which discrete financial information is available and under which the segment’s operating results are reviewed regularly by the segment’s chief operating decision maker to allocate resources to the segment and assess its performance.

The composition of the business segments is unchanged compared to the previous year and is as follows as of the balance sheet date:

Technological Applications

This segment bundles subsidiaries with technical products and industrial customers. The segment consists of the companies of the Aumann Group, the Delignit Group and OBO-Werke GmbH.

Consumer Goods

The Consumer Goods segment includes the subsidiaries whose products are predominantly used by private consumers. Accordingly, this segment contains the subsidiaries Hanke and CT Formpolster.

Service & Infrastructure

The Service & Infrastructure segment comprises the companies of the DTS Group, which specialize in IT security and cloud services, and the companies of the Friedrich Vorwerk Group, a leading provider in the field of pipeline and plant engineering for gas, power grid and hydrogen applications.

Segment results

The accounting policies applied in segment reporting are as described under I. 4. Segment earnings are based on the EBIT of the individual segments, as this is the basis on which the segments are managed. Transfer pricing between the operating segments is calculated on an arm's-length basis.

Segment figures - reporting period	Technological Applications	Consumer Goods	Service & Infrastructure	Reconciliation	Group
	€k	€k	€k	€k	€k
Revenue from third parties	247,452	74,353	368,001	0	689,806
Other segments	0	78	427	-505	0
Total revenue	**247,452**	**74,431**	**368,428**	**-505**	**689,806**
EBIT	**-18,281**	**6,526**	**43,364**	**-1,634**	**29,976**
Depreciation and amortization	-9,617	-3,677	-26,364	-339	-39,996
Investments	-4,919	-5,207	-26,826		
Segment assets	**236,756**	**52,581**	**159,154**		
Segment liabilities	**88,162**	**14,359**	**84,001**		

Segment figures - prior year	Technological Applications	Consumer Goods	Service & Infrastructure	Reconciliation	Group
	€k	€k	€k	€k	€k
Revenue from third parties	344,455	85,933	161,671	0	592,059
Other segments	0	118	337	-455	0
Total revenue	**344,455**	**86,051**	**162,008**	**-455**	**592,059**
EBIT	**18,685**	**5,645**	**22,926**	**7,136**	**54,392**
Depreciation and amortization	-8,252	-3,491	-14,587	-245	-26,575
Investments	-10,145	-5,233	-6,252		
Segment assets	**278,251**	**52,963**	**143,624**		
Segment liabilities	**105,382**	**14,272**	**114,596**		

Investments include payments for property, plant and equipment and intangible assets.

Segment assets do not include any deferred tax assets, current cash funds or financial assets. Segment liabilities do not include any deferred tax liabilities, current tax liabilities, lease liabilities, or liabilities to banks.

The income and expenses of the holding company not derived from transactions with subsidiaries are included in the reconciliation to Group EBIT. In particular, this includes income and expenses from securities and remuneration of holding company personnel.

Reconciliation of EBIT to consolidated net profit of the group	2020 €k	2019 €k
Total EBIT of the segments	**31,610**	**47,256**
Reconciliation to Group EBIT	-1,634	7,136
Net finance costs	-6,614	-10,093
Earnings before taxes (EBT)	**23,362**	**44,299**
Income tax expense	-11,332	-9,225
Other taxes	-1,310	-476
Profit or loss for the period	**10,720**	**34,598**
Non-controlling interests	1,965	-7,653
Consolidated net profit	**12,685**	**26,945**

Reconciliation of segment assets to assets of the group	2020 €k	2019 €k
Technological Applications segment	236,756	278,251
Consumer Goods segment	52,581	52,963
Service & Infrastructure segment	159,154	143,624
Total segment assets	**448,491**	**474,838**
Deferred tax assets	11,832	14,330
Cash in hand, bank balances and short-term financial assets	214,160	250,644
Financial assets	125,559	104,044
Other assets	2,625	836
Total assets	**802,667**	**844,692**

Reconciliation of segment liabilities to equity and liabilities of the group	2020 €k	2019 €k
Technological Applications segment	88,162	105,382
Consumer Goods segment	14,359	14,272
Service & Infrastructure segment	84,001	114,596
Total segment liabilities	**186,521**	**234,250**
Equity	499,692	474,552
Deferred tax liabilities	20,811	23,854
Current tax liabilities	11,767	7,750
Liabilities to banks	54,935	69,425
Lease liabilities	22,662	20,931
Other equity and liabilities	6,278	13,930
Total equity and liabilities	**802,667**	**844,692**

2. Information by region

2.1 Revenue from external customers

	2020 €k	2019 €k
Europe	645,426	523,497
China	17,180	34,535
USMCA (former NAFTA)	14,416	20,369
Miscellaneous	12,784	13,658
Total	**689,806**	**592,059**

The USMCA region comprises Canada, Mexico and the United States of America.

2.2 Non-current assets

The MBB Group's non-current assets are predominantly located in Europe. The non-current assets of our subsidiaries in China and the US amount to €287 thousand (previous year: €275 thousand).

3. Information on main customers

No single customer contributed more than 10% of consolidated revenue in the 2020 and 2019 financial years.

V. Notes to the consolidated statement of cash flows

The statement of cash flows is presented separately. It shows the changes in cash and cash equivalents at the MBB Group. The reported cash funds are not subject to any third-party restrictions. The Group made no payments for extraordinary transactions. Payments for income taxes and interest are reported separately. The statement of cash flows was prepared in accordance with IAS 7 and breaks down the changes in cash and cash equivalents into cash flows from operating, investing and financing activities. Cash flow from operating activities is presented using the indirect method.

The following table shows the changes in liabilities from financing activities.

	Non-current liabilities to banks	Current liabilities to banks	Non-current lease liabilities	Current lease liabilities	Total
	€k	€k	€k	€k	€k
Balance sheet as of 1 Jan 2019	**36,554**	**22,197**	**6,792**	**4,984**	
Proceeds	13,596	13,805	0	0	27,401
Repayments	-5,643	-21,454	-119	-5,349	-32,565
Cash-effective changes	**7,953**	**-7,649**	**-119**	**-5,349**	**-5,164**
Changes in exchange rates	76	61	1	22	160
Reclassifications	-1,736	2,084	-2,699	2,351	0
Changes in the scope of consolidation	4,450	5,435	6,582	6,376	22,843
New leases	0	0	1,511	479	1,990
Derecognitions	0	0	0	0	0
Non-cash changes	**2,790**	**7,580**	**5,395**	**9,228**	**24,993**
Balance sheet as of 31 Dec 2019	**47,297**	**22,128**	**12,068**	**8,863**	
Proceeds	1,850	5,559	0	418	7,827
Repayments	-6,248	-12,335	-575	-8,870	-28,028
Cash-effective changes	**-4,398**	**-6,776**	**-575**	**-8,451**	**-20,201**
Changes in exchange rates	-420	-341	-27	-114	-902
Reclassifications	-5,037	2,294	-3,921	6,664	0
Accrued interest	0	189	0	0	189
New leases	0	0	8,432	2,866	11,298
Derecognitions	0	0	-2,764	-379	-3,143
Non-cash changes	**-5,457**	**2,143**	**1,720**	**9,038**	**7,443**
Balance sheet as of 31 Dec 2020	**37,441**	**17,495**	**13,213**	**9,449**	

VI. Additional disclosures on financial instruments

Financial instruments break down as follows as at the end of the reporting period:

€k	Classification according to IFRS 9*	31 Dec 2020 Carrying amount	31 Dec 2020 Fair value
Assets			
Long-term securities	FVTOCI	100,075	100,075
Long-term securities	FVTPL	15,931	15,931
Trade receivables	AC	64,312	n/a
Other financial assets	AC	1,468	n/a
Securities (debt instruments)	FVTOCI	452	452
Cash in hand, bank balances	AC	209,728	n/a
Liabilities			
Liabilities to banks	FLaC	54,935	56,591
Liabilities from participation rights	FLaC	10,213	15,903
Trade payables	FLaC	47,132	n/a
Liabilities to non-controlling interests	FLaC	7,605	n/a
Contingent considerations from put options	FVTPL	5,762	5,762
Derivatives without hedge relationship	FVTPL	18	18
Other financial liabilities	FLaC	2,459	n/a
Aggregated according to categorie			
Assets	AC	275,508	n/a
	FVTOCI	100,527	100,527
	FVTPL	15,931	15,931
Liabilities	FLaC	122,345	n/a
	FVTPL	5,780	5,780

€k	Classification according to IFRS 9*	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value
Assets			
Long-term securities	FVTOCI	87,497	87,497
Long-term securities	FVTPL	2,052	2,052
Trade receivables	AC	73,101	n/a
Other financial assets	AC	2,615	n/a
Securities (debt instruments)	FVTOCI	3,169	3,169
Cash in hand, bank balances	AC	243,905	n/a
Liabilities			
Liabilities to banks	FLaC	69,425	71,361
Liabilities from participation rights	FLaC	9,963	13,346
Trade payables	FLaC	56,707	n/a
Liabilities to non-controlling interests	FLaC	28,226	n/a
Contingent considerations from put options	FVTPL	4,884	4,884
Liabilities from contingent consideration arrangements	FVTPL	563	563
Other financial liabilities	FLaC	1,149	n/a
Aggregated according to categorie			
Assets	AC	319,621	n/a
	FVTOCI	90,667	90,667
	FVTPL	2,052	2,052
Liabilities	FLaC	165,470	n/a
	FVTPL	5,446	5,446

* FVTPL: fair value through profit or loss; FVTOCI: fair value through other comprehensive income; AC: amortized cost; FLaC: financial liabilities at amortized cost

The fair value of financial instruments for which the carrying amount is a reasonable approximation of fair value is not disclosed separately.

Cash funds and trade receivables predominantly have short remaining terms. Their carrying amounts as at the end of the reporting period are therefore approximately their fair value. The fair values of securities at fair value are based on the market price quoted on an active market. Investments in equity instruments are predominantly measured at fair value through other comprehensive income. This reporting is based on strategic management decisions.

Trade payables and other financial liabilities are typically short-term; the amounts recognized are approximately the fair values. The fair value of the financial liabilities, liabilities from profit participation rights, liabilities from contingent consideration and contingent considerations from put options are recognized at the present value of the expected future cash flows. Discounting is based on market interest rates for the respective maturities and credit ratings.

The fair values for financial instruments reported at fair value in the statement of financial position were calculated as follows:

	31 Dec 2020			
€k	Level 1	Level 2	Level 3	Total
Assets				
Long-term securities	116,005			116,005
Securities (debt instruments)	452			452
Total	**116,457**			**116,457**
Liabilities				
Contingent considerations from put options			5,762	5,762
Total			**5,762**	**5,762**

	31 Dec 2019			
€k	Level 1	Level 2	Level 3	Total
Assets				
Long-term securities	89,549			89,549
Securities (debt instruments)	3,169			3,169
Total	**92,718**			**92,718**
Liabilities				
Liabilities from contingent consideration arrangements			563	563
Contingent considerations from put options			4,884	4,884
Total			**5,446**	**5,446**

There were no changes between levels in either the current financial year or the previous financial year.

Both the liabilities from contingent consideration arrangements and the liabilities from the ISL put option result from the acquisition of Internet Sicherheitslösungen GmbH, Bochum, and were recognized for the first time in the financial year 2019. Interest expenses of €50 thousand (previous year: €46 thousand) on the ISL put option liability and remeasurement expense of €-828 thousand (previous year: income of €57 thousand) were recognized in the financial year due to increase in fair value.

The following table shows the measurement methods used to determine fair values.

Financial instrument	Valuation technique	Material, unobservable input factors
Securities	The fair value is based on the market price of equity and debt instruments as of 31 December 2020.	not applicable
Liabilities from contingent consideration arrangements	Discounted cash flows based on contractually fixed mechanisms	ISL's performance The fair value of contingent consideration liabilities would decrease if ISL's performance were lower.
Contingent considerations from put options	Discounted cash flows based on contractually fixed mechanisms	ISL's performance The fair value of contingent consideration liabilities would decrease if ISL's performance were lower.

VII. Objectives and methods of financial risk management

1. Financial assets and liabilities

The Group’s financial liabilities mainly include current and non-current liabilities to banks, liabilities from profit participation rights, current trade payables and other current and non-current liabilities. The Group’s financial assets are essentially cash, securities and trade receivables. The carrying amount of the financial assets less impairment losses reported in the consolidated financial statements represents the maximum exposure to credit risk; this totalled €391,965 thousand in the year under review (previous year: €412,339 thousand). Business relationships are only entered into with creditworthy partners. Trade receivables relate to a number of customers in various industries and regions. Ongoing credit assessments are performed for the financial receivables portfolio. Payment terms of 30 days without deduction are usually granted. Impairment was not recognized for trade receivables that were past due at the end of the reporting period if no material changes in the customer’s creditworthiness were observed and it is assumed that the outstanding amount will be paid.

Please see II.13 “Liabilities” and II.14 “Other liabilities” for details of the maturities of financial liabilities.

The measurement of the financial assets and liabilities of the MBB Group is described under I.4.10 Financial instruments – Initial recognition and subsequent measurement.

2. Capital risk management

The Group manages its capital (equity plus liabilities less cash and cash equivalents) with the aim of achieving its financial goals while simultaneously optimizing its finance costs by way of financial flexibility. In this respect, the overall strategy is the same as in the previous year.

Management reviews the capital structure at least once every half-year. The cost of capital, the collateral provided, open lines of credit and available credit facilities are reviewed.

The capital structure in the year under review is as follows:

	31 Dec 2020	31 Dec 2019
Equity in €k	499,692	474,552
- in % of total capital	62.3%	56.2%
Liabilities in €k	302,974	370,140
- in % of total capital	37.7%	43.8%
Current liabilities in €k	181,974	220,221
- in % of total capital	22.7%	26.1%
Non-current liabilities in €k	121,001	149,919
- in % of total capital	15.1%	17.7%
Net gearing*	-0.5	-0.5

* Calculated as the ratio of liabilities to banks and lease liabilities less cash and cash equivalents, securities and physical gold in relation to equity.

The agreement of multiple financial covenants when borrowing loans means that the Group and individual subsidiaries are required to comply with certain equity ratios.

3. Financial risk management

Financial risk is monitored centrally by management. The individual financial risks are reviewed at least four times per year.

The material Group risks arising from financial instruments include liquidity risks and credit risks. Business relationships are only entered into with creditworthy partners.

Assessments from independent rating agencies, other financial information and trading records are used to assess creditworthiness, especially for major customers. In addition, receivables are monitored on an ongoing basis to ensure that the MBB Group is not exposed to major credit risks. The maximum default risk is limited to the respective carrying amounts of the assets reported in the statement of financial position.

Impairment on trade receivables and contract assets is determined using a the simplified approach.

The Group manages liquidity risks by holding appropriate reserves, monitoring and maintaining loan agreements and planning and coordinating cash inflows and outflows.

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the respec-tive local currency, thereby largely avoiding exchange rate risks.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The MBB Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Hedging by derivatives (e.g. interest rate swaps or forward interest rate transactions) is carried out in exceptional cases. The Group had liabilities with floating interest rates in the amount of €26,850 thousand as of the end of the reporting period (previous year: €33,345 thousand) and an interest rate swap with a nominal volume of €786 thousand. If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €602 thousand lower (higher).

5. Price risk

The listed equity and debt instruments held by the Group are subject to the market price risk resulting from the uncertain future value development of these securities. The Group manages price risk through diversification and by limiting its investments in individual instruments. Group management is provided with regular reports on the portfolio. Company management examines and approves all decisions concerning investments in these instruments.

6. Liquidity risk

Liquidity risk describes the risk that the Group will be unable to meet its payment obligations on maturity. The high level of cash and cash equivalents means there is no liquidity risk from financial liabilities. Responsibility for liquidity risk management ultimately lies with Executive Management and the managing boards and managing directors of the subsidiaries, each of which has established an adequate concept for managing short-term and long-term financing and liquidity requirements. The Group and its subsidiaries manage liquidity risks by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and coordinating the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for financial liabilities. The following maturity analysis shows how the undiscounted cash flows in connection with the liabilities as of 31 December 2020 affect the future liquidity situation of the Group.

31 Dec 2020 Type of liability	Carrying amount €k	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k
Liabilities to banks	54,935	18,315	32,846	5,902
Lease liabilities	22,662	9,681	13,073	721
Liabilities from participation rights	10,213	351	1,779	15,311
Trade payables	47,132	47,132	0	0
Liabilities to non-controlling interests	7,605	4,971	3,150	0
Contingent considerations from put options	5,762	0	6,001	0
Other financial liabilities	2,459	2,459	0	0
Total	**150,769**	**82,909**	**56,849**	**21,934**

31 Dec 2019 Type of liability	Carrying amount €k	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k
Liabilities to banks	69,425	21,598	36,917	13,864
Lease liabilities	20,931	7,635	11,387	2,450
Liabilities from participation rights	9,963	360	1,478	16,348
Trade payables	56,707	56,707	0	0
Liabilities to non-controlling interests	28,226	7,540	0	20,686
Contingent considerations from put options	4,884	0	5,139	0
Liabilities from contingent consideration arrangements	563	563	0	0
Other financial liabilities	1,149	1,149	0	0
Total	**191,848**	**95,552**	**54,921**	**53,348**

If the contract partner can call a payment at different points in time, the liability relates to the earliest possible maturity date. Interest payments of floating-rate financial instruments are calculated on the basis of forward interest rates. If interest is performance-based, the interest for the year under review is assumed unless better information is available. The cash flows of financial and lease liabilities consist of their undiscounted interest and principal payments.

VIII. Other mandatory information

1. Executive bodies

In line with the one-tier structure, MBB SE is represented by a Board and the Executive Management. In a one-tier system, management is not institutionally separate from monitoring, and instead both functions are performed by the Board.

Board

- Gert-Maria Freimuth, business graduate, Chairman and member of the Audit Committee (Board member since 9 March 2015),
- Dr Peter Niggemann, lawyer, Deputy Chairman (Board member since 9 March 2015),
- Anton Breitkopf, business management graduate, Chairman of the Audit Committee (Board member since 18 July 2018),
- Dr Christof Nesemeier, business graduate, Board member and Chief Executive Officer (CEO of MBB SE; Board member since 9 March 2015).

Gert-Maria Freimuth is also the Chairman of the Supervisory Board of Aumann AG and DTS IT AG in addition to being the Deputy Chairman of the Supervisory Board of Delignit AG, of Friedrich Vorwerk Group SE (until 10 February 2021) and Friedrich Vorwerk Management SE (until 10 February 2021).

Anton Breitkopf is the Deputy Chairman of the Supervisory Board of DTS IT AG and a member of the Supervisory Board of Delignit AG, of Friedrich Vorwerk Group SE (until 10 February 2021) and Friedrich Vorwerk Management SE (until 10 February 2021).

Dr Christof Nesemeier is the Chairman of the Supervisory Board of Delignit AG, of Friedrich Vorwerk Group SE and Friedrich Vorwerk Management SE and a member of the Supervisory Board of Aumann AG.

All previous members of the Board were reappointed by the Annual General Meeting on 24 August 2020 until the end of the Annual General Meeting that resolves on the approval of the actions of the respective board member for the fiscal year 2025, but no longer than until 23 August 2026.

Executive Management

- Dr Christof Nesemeier, business graduate, Chief Executive Officer (CEO),
- Klaus Seidel, business graduate, Chief Operating Officer (COO),
- Dr Constantin Mang, economist, Chief Investment Officer (CIO).

Dr Christof Nesemeier, CEO (Chief Executive Officer) and Board member of MBB, is responsible for Strategy, Capital Allocation and Finance. Klaus Seidel, COO (Chief Operating Officer), is responsible for the development of the investment portfolio, technology development and Legal. As CIO (Chief Investment Officer), Dr Constantin Mang is responsible for Mergers & Acquisitions and Investor Relations.

Klaus Seidel is also a member of the Supervisory Board of DTS IT AG.

2. Remuneration of the executive bodies

Structure of Executive Management remuneration

The remuneration packages for the members of Executive Management are determined in line with their respective function. They are composed of the following three main components:

- fixed basic annual remuneration,
- short-term variable remuneration based on the financial year and
- long-term variable remuneration tied to MBB SE's share price performance and the beneficiary remaining in employment with MBB SE until the allocation date.

Basic salary and fringe benefits

The basic salary takes the form of fixed remuneration paid in twelve monthly instalments. In particular, remuneration in kind and fringe benefits include insurance contributions, travel costs and other fringe benefits. A D&O insurance policy with a deductible and accident insurance have also been concluded. The CEO is also entitled to an extended package of benefits in kind, including the provision of company cars and the payment of any taxes and duties on benefits in kind.

Short-term variable remuneration (short term incentive plan)

Members of Executive Management who are not also members of the Board receive variable remuneration in the form of a collective bonus calculated as follows:

The assessment base for the voluntary variable bonus is a percentage of the amount by which the equity of MBB SE at the end of each financial year (final value) exceeds the equity at the beginning of the financial year (starting value). In each case, equity comprises the items set out in section 266(3a) HGB. The calculation of the final value and the starting value is based on the latest audited annual financial statements with the following modifications: Assets with a stock exchange price are recognized at this price. Sales of assets in which MBB SE holds more than 5% are not taken into account. Any form of expenses in connection with the remuneration and any form of compensation to Board members, e.g. for their work as members of Executive Management or as consultants, that are borne by MBB SE are not taken into account. Dividend distributions during the year and repayments of equity must be added to this final value, while additions to equity must be deducted from it. If the assessment base is negative in one or more financial years, the respective negative amount is carried forward to the following financial years and offset against the future positive amounts until the negative amounts carried forward are offset.

The bonus pot is calculated as a percentage of the assessment base: 2019: 4.3%; 2020 onwards: 4.0%. If the assessment base is negative, the bonus pot is calculated as 2% of the dividend of MBB SE paid in the respective financial year. Voluntary annual payments by MBB SE to its employees are deducted from the bonus pot. The amount of the voluntary payments by MBB SE is proposed to the Board by Executive Management.

Dr Christof Nesemeier, member of Executive Management and the Board, receives a bonus of 3% of the same assessment base; his Executive Management remuneration is not counted towards the assessment base.

The finalization of the allocation ratio, the amount of the bonus and the establishment of the bonus entitlement for the respective member of Executive Management are determined at the reasonable discretion of the Board at the first ordinary Board meeting after the end of the financial year; this can also result in a bonus of €0, for example.

Applying the principles of section 87 AktG as currently amended, the company reserves the right to modify the assessment base, including limiting the loss carryforward or introducing additional long-term assessment bases. This is done at the reasonable discretion of the Board on the basis of the statutory guidelines.

As the success of the business activities of MBB SE is strongly determined by the success of individual acquisitions and subsequent capital market transactions, the Board also establishes short-term, project-related bonus programs, as was the case, for example, in 2016 in the run-up to the IPO of Aumann AG. In 2020, it was decided that an IPO was an option for the further development of the Friedrich Vorwerk Group. Accordingly, in 2020, the Board decided on a short-term variable remuneration for the management of MBB SE depending on the potential proceeds from the capital increase at Friedrich Vorwerk Group SE and the replacement of shares in Friedrich Vorwerk Group SE by MBB SE, which will be dependent on the success of the transaction and will amount to approximately 5% of the issue proceeds.

Long-term bonus program (long term incentive plan)

The business model of MBB SE is essentially based on the commitment of qualified, dedicated managers, who are to receive a long-term incentive with these models on the one hand to increase the value of MBB permanently and sustainably and on the other hand to remain connected to the company in the long term. In December 2013, MBB SE therefore introduced a share price-based long-term bonus program that is paid to management and free of charge for employees, in order to underpin the long-term investment character of the company as a family-run, medium-sized group of companies listed in the Prime Standard of the German stock exchange. In 2014, 2015 and 2017, further tranches of this share price-based long-term bonus program were issued, each with a term of five years. In 2020, MBB SE launched a new equity-based stock option program 2020, which runs until 2024.

Share price-based long-term bonus program 2013, 2014, 2015 and 2017

A new tranche was last issued for this program in December 2017.

The value of virtual options is calculated for the share price-based bonus program. When the virtual options mature, the beneficiary receives shares or the value of the virtual options in cash at the company's discretion.

The method for the current bonus program is: the 90-day average price before 15 December in the year the options are issued is set as the reference price (P1). If the average share price for the 90 days prior to the third 15 December after the issue date falls below the reference price plus dividends paid and assumed to have been reinvested (performance price P2), the option is extinguished (knock-out). If performance price P2 on this date is higher than the reference price, the intrinsic value (IV) of the option is fixed in accordance with the formula (P2-P1)/P2=IV and the option term continues until the fifth 15 December (allocation date) and the issue date. On this date the option is settled at its allocation value (AV) based on the average price for the 90 days prior to this date plus dividends paid and assumed to have been reinvested (performance price P3) in accordance with the formula AV=IV*P3. This figure is multiplied by the number of virtual options and converted into shares at the allocation value.

The beneficiary must be in a non-terminated employment or other service relationship with MBB SE throughout the term of the virtual option, and on the allocation date in particular; if this is not the case the option expires without substitution. MBB SE can agree to postpone the delivery date by one year, on one or more occasions, providing the service relationship remains in place.

Ultimately, the beneficiaries have a strong incentive to remain with the company in the longer term in order to participate in its positive share price performance. If they leave the company prior to the allocation date or the share price develops negatively, however, they bear the risk up to and including the loss of the option premium paid.

Equity-based stock option program 2020

By resolution dated 24 August 2020, the Annual General Meeting authorized the Board to grant up to 240,000 no-par value bearer shares of the company to beneficiaries with subscription rights in accordance with section 192 (2) no. 3 of the AktG until 30 June 2025. The program is based on the performance of the MBB SE share price. The amount at which the subscription rights can be exercised is determined using a price-criteria model. The exercise price of a subscription right is €60.00 and the term and waiting period of the subscription rights is 4 years. The equity-based stock option program 2020 is composed of a criterion A (exceeding of price thresholds) and a criterion B (average price achieved). Each criterion determines a percentage exercisability related to the issued stock option rights.

Criterion A is based on the achievement of a price threshold. The respective threshold is deemed to be met if this value is reached or exceeded within the term of the stock option program on 90 XETRA trading days (not necessarily consecutively and as a moving average based on the respective daily closing price) and a total of at least 90,000 shares were traded on XETRA during this period. The following price thresholds apply:

Price threshold	Cumulative percentage vesting of issued stock option rights
EUR 77.00	1.8%
EUR 88.00	4.8%
EUR 99.00	9.0%
EUR 111.00	14.4%
EUR 122.00	21.0%
EUR 133.00	28.8%
EUR 144.00	37.8%
EUR 155.00	48.0%
EUR 166.00	60.0%

At the end of the stock option program, criterion B evaluates the average price achieved with its increase measured against the target. The target is an average price at the end of the vesting period of EUR 110.00, which results in a price increase of EUR 50.00 on the exercise price of EUR 60.00 as a further target value.

The arithmetical results of both criteria are added together, whereby the maximum exercisability of the issued stock options is limited to 100%.

The absolute maximum amount per beneficiary for exercisable stock option rights is EUR 199.00 less the exercise price per share, then multiplied by the total number of stock option rights allocated to the beneficiary in each case.

The tax burden arising for each employee from the monetary advantage of the exercised stock option rights borne by MBB SE.

The subscription rights were valued using a Monte Carlo simulation taking into account the absolute performance targets. The following parameters were included in the valuation of the subscription rights:

Parameter	
Valuation date	24/08/2020
Exercise price	60.00 €
Share price	72.40 €
Risk-free interest rate	-0.73 %
Dividend yield	1.32 %
Expected volatility	41.84 %
Term	4.1 years
Fair value	16.57 €

The estimates for the expected volatility were derived from the historical share price development of MBB SE. The remaining term of the option rights was used as the time slot.

A total of 230,000 subscription rights were granted from the stock option program in the 2020 financial year.

Board:

Fixed remuneration for Board members was expensed in the amount of €110.0 thousand in the year under review; no variable remuneration was granted. Dr Christof Nesemeier's remuneration entitlement as a member of the Board is covered by his Executive Management remuneration.

At its meeting on 24 August 2020, the annual general meeting approved new consulting contracts for specific individual projects with Gert-Maria Freimuth and Anton Breitkopf. These go beyond the extent of their responsibility as members of the executive bodies. Mr Gert-Maria Freimuth receives a daily rate of €2.0 thousand within an annual budget of €140.0 thousand, while Mr Anton Breitkopf receives a daily rate of €1.5 thousand within an annual budget of €150.0 thousand. An amount of €140.0 thousand for Mr Gert-Maria Freimuth and €76.0 thousand for Mr Anton Breitkopf was expensed in the 2020 financial year under the terms of these contracts. Furthermore, Mr Anton Breitkopf received remuneration owed under the 2015 long-term bonus program on the basis of the contract for his former position as a member of the Executive Management of MBB SE.

Amount of remuneration

The following tables show the individual remuneration of the members of Executive Management and the Board for the financial year under review and the previous year.

2020 Remuneration €k	Fixed	Bonus 2020	Repayment VAT Solleone bonus	Long-term bonus programme 2015	Supervisory Board remuneration[1]	Consulting fees	Total
Executive Management							
Dr Christof Nesemeier	574	61	-139	968	38	0	1,502
Klaus Seidel	230	0	-139	645	0	0	736
Dr Constantin Mang	180	0	0	258	0	0	438
Board							
Gert-Maria Freimuth	60	0	0	0	38	140	238
Dr Peter Niggemann	30	0	0	0	0	0	30
Anton Breitkopf	20	0	-139	645	10	76	612
Dr Christof Nesemeier	0	0	0	0	0	0	0

[1] Remuneration is made by Delignit AG and Aumann AG.

The input tax deductions withheld on payment of the Solleone bonuses were only partially recognized by the tax office for corporations I, Berlin, in a letter dated 28 July 2020. The resulting subsequent payment of taxes were reclaimed from the respective contractual partners with whom an active contractual relationship existed in the financial year by resolution of the Board on 23 September 2020.

2019 Remuneration €k	Fixed	Bonus 2019	Long-term bonus programme 2014	Supervisory Board remuneration[1]	Consulting fees	Total
Executive Management						
Dr Christof Nesemeier	574	600	779	38	0	1,991
Klaus Seidel	230	341	519	0	0	1,090
Dr Constantin Mang	180	341	104	0	0	625
Board						
Gert-Maria Freimuth	60	0	0	38	138	236
Dr Peter Niggemann	30	0	0	0	0	30
Anton Breitkopf	20	0	519	10	100	649
Dr Christof Nesemeier	0	0	0	0	0	0

[1] Remuneration is made by Delignit AG and Aumann AG.

Share price-based long-term bonus program 2013, 2014, 2015 and 2017

The entitlements from the 2015 tranche of the share price-based bonus program were paid out in full in the financial year. The number of outstanding virtual options from this tranche is zero as of the balance sheet date. The virtual options from the 2017 option program lapsed without replacement as the 90-day share price determined as of 15 December 2020 was below the knock-out price K2. The 2017 tranche of the share price-based bonus program has the following parameters:

	2017
Sum of all options	43,000
Reference price	98.34
90-day average price	82.74
Knock-out price K2	87.95
Intrinsic value	0.00
Closing price 31/12/2020	108.50

The options break down among the members of Executive Management and the employees of MBB as follows:

Options from long-term bonus program 2017	Number of options
Dr Christof Nesemeier	13,000
Klaus Seidel	10,000
Dr Constantin Mang	8,000
Anton Breitkopf	10,000
Team	2,000

The total obligation under the long-term bonus program 2013, 2014, 2015 and 2017 amounted to €2,033.9 thousand as of 31 December 2019. This obligation was fully reduced within financial year 2020 due to payment of the 2015 tranche of the share price-based bonus program. The provision for the share price-based bonus program 2013, 2014, 2015 and 2017 amounts to €0.0 thousand as of 31 December 2020.

The provision for the share price-based bonus program 2013, 2014, 2015 and 2017 developed as follows in the year under review:

Development Provisions from long-term bonus program 2013, 2014, 2015, 2017 (€k)	31 Dec 2019	Addition	Use	Release	31 Dec 2020
Executive Management					
Dr Christof Nesemeier	744	0	744	0	0
Klaus Seidel	496	0	496	0	0
Dr Constantin Mang	198	0	198	0	0
Anton Breitkopf	496	0	496	0	0

Development Provisions from long-term bonus program 2013, 2014, 2015, 2017 (€k)	31 Dec 2018	Addition	Use	Release	31 Dec 2019
Executive Management					
Dr Christof Nesemeier	1,955	0	779	432	744
Klaus Seidel	1,304	0	519	289	496
Dr Constantin Mang	387	0	104	85	198
Anton Breitkopf	1,304	0	519	289	496

Equity-based stock option program 2020

The equity-based options from the 2020 stock option program were measured on a non-recurring basis at the time of issue, and the fair value attributable pro rata to the 2020 financial year was recognized for the first time in personnel expenses and in the capital reserve in the amount of €336.0 thousand. A provision of €317.7 thousand was recognized for the corresponding tax expense in the 2020 financial year.

The options break down among the Executive Directors and the employees of MBB as follows:

Options from stock option program 2020	Number of options
Dr Christof Nesemeier	100,000
Klaus Seidel	50,000
Dr Constantin Mang	50,000
Team	30,000

3. Related party transactions

Parties are considered to be related if they have the ability to control the MBB Group or exercise significant influence over its financial and operating decisions.

3.1 Related persons

MBB SE also reports on transactions with related parties and their relatives in accordance with IAS 24. Executive Management, the Board and their relatives were identified as related parties as defined by IAS 24. There were no business transactions with relatives in either the financial year or the previous year.

The remuneration of management in key positions to be disclosed in accordance with IAS 24 comprises the remuneration of active members of Executive Management and the Board.

Their remuneration was as follows:

	2020 €k	2019 €k
Salaries and other short-term benefits	1,040	2,700

	2020	2019
Share-based payments	2,516	1,921
Total	**3,556**	**4,621**

Executive Management and Board

Please refer to the information on the remuneration paid to the members of the executive bodies for further details. Other than the remuneration mentioned above, the members of the executive bodies have not entered into any other transactions with the MBB Group.

Notification of transactions in accordance with section 15a WpHG

Persons with management duties, especially the members of Executive Management and the Board of MBB SE, and their related parties in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) are required to disclose their transactions involving shares of MBB SE or related financial instruments. Notifications of relevant transactions are published on our website at https://www.mbb.com/investor-relations/corporate-governance.html.

3.2 Related companies

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry. Related companies are also considered to be those companies described as associated with the above related persons. Group companies performed the following transactions with related parties that do not belong to the Group over the course of the year:

MBB SE pays Mr Gert-Maria Freimuth for his consulting activities through MBB Capital GmbH, Münster. Consulting services provided by Mr Anton Breitkopf are billed to Tolea GmbH, Cologne. Please refer to the information above for the amounts of remuneration.

Please refer to notes II.5 (Consortium disclosures), II.7 (Trade receivables) and II.14 (Other liabilities) for further information on relations to consortiums.

4. Employees

The number of employees in the 2020 financial year and in the previous year breaks down as follows:

Average number of employees	2020 Headcount	2019 Headcount
Technological Applications segment	1,467	1,576
Consumer Goods segment	480	460
Service & Infrastructure segment	1,534	707
Total	**3,481**	**2,743**

As of the reporting date	31 Dec 2020 Headcount	31 Dec 2019 Headcount
Technological Applications segment	1,411	1,572
Consumer Goods segment	474	474
Service & Infrastructure segment	1,572	1,459
Total	**3,457**	**3,505**

MBB Group has 245 (previous year: 254) trainees as of 31 December 2020 who are not included in the above figures.

5. Auditor's fees

The auditor's fees recognized in the 2020 financial year break down as follows:

	2020 €k	2019 €k
Audit services	440	438
Tax consulting services	0	0
Other assurance services	0	0
Other services	0	0
Total	**440**	**438**

6. Events after the end of the reporting period

MBB SE placed 4.8 million shares in Friedrich Vorwerk Group SE at a price of €45.00 on 25 March 2021. MBB will remain the largest shareholder of Friedrich Vorwerk Group SE with 36% and also plans to fully consolidate Friedrich Vorwerk Group SE in the MBB Group in the future. The net issue proceeds of MBB SE after bank commissions, expenses and bonuses amount to approximately €190 million, will lead to a significant strengthening of equity and net cash of the Group and will be used for the further expansion and diversification of the MBB portfolio.

Friedrich Vorwerk Group SE acquired 100% of the shares in Korupp GmbH, one of the leading providers of services and products in the field of cathodic corrosion protection (CCP), in the first quarter of 2021.

In February 2021, DTS IT AG acquired a further 14.34% of the shares in IST Internet Sicherheitslösungen GmbH, thus increasing its shareholding from 66.00% to 80.34%.

There were no other significant events after the end of the reporting period.

7. Contingent liabilities and off-balance sheet transactions

In the construction industry and in plant engineering, it is normal and necessary to issue various guarantees to secure contractual obligations. These guarantees are typically issued by banks or credit insurance companies and essentially comprise contract performance, advance payment and performance guarantees. In the event that a guarantee is utilised, the banks have claims for recourse against the Group. There is only a risk of a guarantee being utilised if the underlying contractual obligations are not properly fulfilled. Such guarantees have not given rise to claims against the Group either in the financial year or in the past.

Obligations and probable risks under such guarantees are recognized in the statement of financial position as liabilities or provisions.

Furthermore, as is customary within the industry, there is joint and several liability with other partners for consortiums in which interests are held by companies in which the MBB Group holds investments.

8. Other financial obligations

Other financial obligations mainly relate to obligations from purchases and lease obligations that have not been accounted for as a right of use asset and lease liability according to IFRS 16. As of 31 December 2020 their terms break down as follows:

Other financial obligations	31 Dec 2020 €k	31 Dec 2019 €k
Up to one year	2,999	1,134
More than one year and up to five years	2,191	1,141
Over five years	157	95
Total	**5,347**	**2,370**

9. Declaration in accordance with section 161 AktG

As a listed stock corporation in accordance with section 161 AktG, MBB SE is required to submit a declaration on the extent to which the recommendations contained in the Corporate Governance Code of the German Government Commission have been complied with. The Board submitted the latest version of this declaration on 4 March 2021. It forms part of the combined management report and Group management report and is published online at http://www.mbb.com/investor-relations/corporate-governance.html.

10. Responsibility statement

To the best of our knowledge, and in accordance with the generally accepted principles of proper Group financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Berlin, 14 April 2021

The Executive Management of MBB SE

Independent Auditor's Report

To the MBB SE, Berlin, Germany

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of MBB SE and its Subsidiaries (the Group) – consisting of consolidated statement of financial position as of 31 December 2020, the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year from 1 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including a summary of the significant accounting policies. Furthermore, we have audited the Group management report of MBB SE for the financial year from 1 January 2020 to 31 December 2020, which is combined with the management report of the company. In accordance with German legal requirements, we have not audited the content of those part listed in "Other Information" section of our auditor's report.

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

- the accompanying consolidated financial statements comply, in all material respects with IFRS as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e (1) of the Handelsgesetzbuch (HGB) and give a true and fair view of the net assets and financial position of the Group as of 31 December 2020 and of its results of operations for the financial year from 1 January 2020 to 31 December 2020 in compliance with these provisions, 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 those parts of the Group management report listed in the "Other Information" section of our auditor's report.

Pursuant to section 322 (3) 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 Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter "EU-APrVO") 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 European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) of the EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU-APrVO. 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.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those that, based on our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and in the forming our opinion thereon; we have not issued a separate opinion on these matters.

In our view, the following key audit matters were most significant:

- Goodwill impairment
- Revenue recognition from construction contracts

We have structured our presentation of these key audit matters as follows:

1. Matter and problem definition
2. Audit approach and findings
3. Reference to further information

The key audit matters are presented below:

Goodwill impairment

1. Goodwill of €44.4 million is reported under the statement of financial position item "Intangible assets" in the consolidated financial statements of MBB SE. The company allocates the goodwill to the relevant groups of cash-generating units. The company tests goodwill for impairment annually as at the end of the reporting period or on an ad hoc basis. This is done by comparing the calculated value in use to the carrying amount of the corresponding group of cashgenerating units. These values are usually based on the present value of the future cash flows of the cash-generating unit to which the respective goodwill has been allocated. The values are calculated using forecasts for the individual cash-generating units based on the financial planning approved by management. Discounting is performed using the weighted average cost of capital of the respective cash-generating unit. The result of this is largely dependent on the estimate of future cash inflows by the company's officers and the discount rate used, and is therefore subject to considerable uncertainty, hence this is a key audit matter.

2. To address this risk, we critically examined the assumptions and estimates by management, and performed audit procedures including the following:

   - We verified the methodological procedure for performing the impairment tests and assessed the calculation of the weighted average cost of capital.
   - We satisfied ourselves that the future underlying cash flows and discount rates used in measurement form an appropriate basis for the impairment testing of the individual cash-generating units.
   - In our assessment, we used comparisons against general and industry-specific market expectations and extensive information from management on the key value drivers in planning, and we compared this information against the current budget in the planning approved by the Board.
   - Knowing that even relatively small changes in the discount rate can have a material impact on the value in use calculated thus, we examined the parameters used to determine the discount rate applied, including the weighted average cost of capital, and verified the company's calculation scheme.
   - Furthermore, we conducted our own additional sensitivity analysis to be able to estimate a possible impairment risk in the event of a possible change in a key measurement assumption. The selection was based on qualitative aspects and the amount by which the respective carrying amount is exceeded by the value in use.

We found that the respective goodwill and, in general, the total carrying amounts of the relevant groups of cash-generating units as at the end of the reporting period are covered by the discounted future cash flows.

3. The information provided by the company on goodwill can be found in note II.2. to the consolidated financial statements.

Revenue recognition from construction contracts

1. A significant portion of the Group's business activities takes the form of construction contracts. Revenue recognition in accordance with IFRS 15 is dependent on the fulfilment of the performance obligation and must be assessed on the basis of the underlying contracts. Given the complexity of revenue recognition, revenue recognition is an area with a significant risk of material misstatement (including the potential risk of managers bypassing controls) and is therefore a key audit matter.

2. To address this risk, we critically examined the assumptions and estimates by management, and performed audit procedures including the following:

   - In the context of our audit, we reviewed the company's internal methods, procedures and project management control mechanisms in the bidding and performance phase of construction contracts. We also assessed the design and effectiveness of accounting-related internal controls by tracking business transactions specific to contract manufacturing, from the time they arise to their presentation in the consolidated financial statements, and by testing controls.
   - Using samples selected on a risk-oriented basis, we assessed the estimates and assumptions made by the company's officers in the context of individual audits. Our audit procedures also included a review of the contractual basis and contractual conditions, including contractually agreed regulations on partial delivery of goods and services, termination rights, default and contractual penalties and damages. For the selected projects, in order to assess the calculation of revenue on an accrual basis, we also examined the revenue billable as at the end of the reporting period and the associated costs of sales recognised in profit or loss in line with the percentage of completion and reviewed the accounting of the related balance sheet items.
   - Furthermore, we questioned project management (both commercial and technical project managers) on the development of projects, the reasons for discrepancies between planned costs and actual costs, the current assessment of the costs expected to be incurred by the time of completion and the assessments of the company's officers of potential contract risks.

Our audit procedures did not give rise to any objections regarding revenue recognition from construction contracts.

3. The information provided by the company on the accounting methods used for accounting for construction contracts can be found in note I.4.17 to the consolidated financial statements.

Other information

The legal representatives are responsible for other information. The other information comprises:

- the group declaration on corporate governance,
- the consolidated non-financial statement,
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and Group management report and our audit opinion,
- the assurance in accordance with section 297 (2) sentence 4 of the HGB for the consolidated financial statements and the assurance in accordance with section 315 (1) sentence 5 of the HGB for the Group management report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we do not express any audit opinion or any other form of audit conclusion thereon.

In connection with our audit, we have the responsibility to read the other information and consider whether the other information

- contains material inconsistencies with the consolidated financial statements, the Group Management Report or our findings from the audit; or
- otherwise appears to be materially misstated.

Responsibilities of the Legal Representatives and the Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS, as adopted by the EU, and the additional requirements of German law pursuant to section 315e (1) HGB and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with German Legally Required Accounting Principles. In addition, the legal representatives are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives 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, provided no actual or legal circumstances conflict therewith.

Furthermore, the legal representatives as 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 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 section 317 HGB and the EU-APrVO 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence for the accounting information of the Companies or business activities within the Group to express audit opinions on the consolidated financial statements and the Group management report. We are responsible for the direction, monitoring, and performance of the group audit. We are 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 system that we identify during our audit.

We make a declaration to those charged with governance, that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

From the matters that we have discussed with those charged with governance, we have identified those matters that were most significant in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matters.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance report in Accordance with sec. 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with sec. 317 (3b) HGB to obtain reasonable assurance about whether reproduction of the consolidated financial statements and the Group management report (hereinafter "ESEF documents") contained in the attached electronic file "MBB_SE_IFRS_2020" and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format ("ESEF-Format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the Group management report into the ESEF format and therefore relates neither the information contained within the reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of sec. 328 (1) HGB for the electronic reporting format. We do not express an opinion on the information contained in this reproduction nor any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated Financial statements and the accompanying Group management report for the financials year from 1 January through 31 December 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the Group management report contained in the above-mentioned attached electronic file in accordance with sec. 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard (ED IDW AsS 410). Accordingly, our responsibilities are further described in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF-Documents" section. Our audit firm has applield the IDW Standard for Quality Management in the Audit Firm (IWD QS 1).

Responsibilities of Executive Directors and the Board for the ESEF-Documents

The executive directors of the company are responsible for the preparation of the ESEF-documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with sec. 328 (1) sentence 4 No. 1 HGB and the tagging of the consolidated financial statements in accordance with sec. 328 (1) sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF-Documents free from material non-compliance with the requirements of sec. 328 (1) HGB for the electronic reporting format, whether due to fraud our error.

The executive directors of the company are also responsible for the submission of the ESEF-Documents together with the auditor's report and the attached consolidated financials statements and audited Group management report as well as other documents will be published to the operator of the German Federal Gazette (Bundesanzeiger).

The board is responsible for overseeing the preparation of the ESEF-Documents as part of the financial reporting process.

Group Auditor's responsibilities for the assurance engagement on the ESEF-Documents

Our objective is to obtain reasonable insurance about whether the ESEF-Documents are free from material non-compliance with the requirements of sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of sec. 328 (1) HGB, whether du to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of the internal control relevant to the assurance engagement on the ESEF-Documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF-Documents, i.e. whether this file meets the electronic requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as of the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF-Documents enables a HTML reproduction with content equivalent to the audited consolidated financial statements and to the audited Group management report.
- Evaluate whether the tagging of the ESEF-Documents with Inline XBRL technology (iXBRL) anables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other information according to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 24 August 2020. We were engaged by the Board on 20 January 2021. As the auditor of the consolidated financial statements, we have audited the consolidated financial statements as of 31 December 2020 and the Group management report for the 2020 financial year to be legally obligatory prepared and audited. We have been the auditors of the consolidated financial statements of MBB SE without interruption since fiscal year 2017.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Board in accordance with Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Till Geller.

Düsseldorf, 14 April 2021

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Grote	Geller
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial calendar

Berenberg US Conference
18 until 20 May 2021

Quarterly Report Q1 2021
25 May 2021

Annual General Meeting 2021
7 June 2021 (pending COVID-19)

Quirin Champions 2021
10 June 2021

Half-year financial report 2021
20 August 2021

Berenberg and Goldman Sachs Tenth German Corporate Conference
20 until 22 September 2021

Quarterly Report Q3 2021
12 November 2021

Deutsches Eigenkapitalforum
22 until 24 November 2021

End of Fiscal Year
31 December 2021

Contact

MBB SE
Joachimsthaler Str. 34
10719 Berlin
Tel.: +49 (0) 30 844 15 330
Fax.: +49 (0) 30 844 15 333
www.mbb.com
request@mbb.com

Imprint

© MBB SE
Joachimsthaler Str. 34
10719 Berlin