



ANNUAL REPORT 2019

MBB SE, Berlin

MBB in figures

| Business year | 2019 | 2018 | Δ 2019 / 2018 |
|--|----------------------|----------------------|------------------|
| Earnings figures (adjusted*) | | | |
| | €k | €k | % |
| Revenue | 592,059 | 506,590 | 16.9 |
| Operating performance | 592,245 | 506,823 | 16.9 |
| Total performance | 609,767 | 522,226 | 16.8 |
| Cost of materials | -352,389 | -322,535 | 9.3 |
| Staff costs | -149,813 | -117,062 | 28.0 |
| EBITDA | 67,593 | 54,529 | 24.0 |
| <i>EBITDA margin</i> | <i>11.4%</i> | <i>10.8%</i> | |
| EBIT | 47,661 | 41,307 | 15.4 |
| <i>EBIT margin</i> | <i>8.0%</i> | <i>8.2%</i> | |
| EBT | 37,961 | 39,579 | -4.1 |
| <i>EBT margin</i> | <i>6.4%</i> | <i>7.8%</i> | |
| Consolidated net profit after non-controlling interests | 17,929 | 16,142 | 11.1 |
| eps in €* | 2.95 | 2.45 | 20.4 |
| Number of shares in circulation | 6,068 | 6,587 | |
| Earnings figures (IFRS) | | | |
| | €k | €k | % |
| EBITDA | 80,967 | 53,994 | 50.0 |
| Consolidated net profit | 26,945 | 15,392 | 75.1 |
| EPS in € | 4.44 | 2.34 | 89.7 |
| Cashflow figures (IFRS) | | | |
| | €k | €k | % |
| Share buy back | -62,083 | 0 | 100.0 |
| Dividend in €k | -4,099 | -4,347 | -5.7 |
| Dividend per share in € | 0 | -4,347 | |
| Business combinations (less cash received) | -22,535 | 0 | 100.0 |
| Figures from the statement (IFRS) of financial position | | | |
| | 31 Dec €k | 31 Dec €k | % |
| Non-current assets | 346,084 | 217,487 | 59.1 |
| Current assets | 498,608 | 508,170 | -1.9 |
| there of cash and equivalents** | 340,193 | 376,204 | -9.6 |
| Issued capital (share capital) | 5,941 | 6,587 | -9.8 |
| Other equity | 468,611 | 492,705 | -4.9 |
| Total equity | 474,552 | 499,292 | -5.0 |
| <i>Equity ratio</i> | <i>56.2%</i> | <i>68.8%</i> | |
| Non-current liabilities | 149,919 | 78,132 | 91.9 |
| Current liabilities | 220,221 | 148,233 | 48.6 |
| Total assets | 844,692 | 725,657 | 16.4 |
| Net debt (-) or net cash (+)** | 249,838 | 312,325 | -20.0 |
| Employees | 3,505 | 2,184 | 60.5 |

* For details of adjustments please see the information on financial position and financial performance in the combined management and Group management report.

** This figures include physical gold stocks.

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Welcome Note from the Executive Management

DEAR SHAREHOLDERS,

In 2019, MBB further increased the Group's diversification through new acquisitions in two key areas. In Friedrich Vorwerk and Bohlen & Doyen we have invested in two leading companies in the field of energy infrastructure, which will benefit from the energy transition in Germany in the years ahead. In ISL, we have acquired a software developer for IT security solutions that perfectly complements our subsidiary DTS. Thanks to these acquisitions, MBB increased its revenue by 17% in the past year to €592 million, and its adjusted EBITDA by 24% to €68 million.

Energy infrastructure is currently one of our most exciting growth markets. As part of its energy transition, Germany has vowed to renounce nuclear power and coal as sources of energy. This means a shift to renewable energies and to gas as a complementary energy source. In turn, this transition means massive investment in Germany's power and gas grids. In particular, new power lines have to be built to transport energy from the north to the south of the country. To reduce resistance from residents to such plans, the new electricity superhighways will be built underground, which increases the investment requirements many times over and is an undertaking unprecedented on this scale anywhere in the world.

In Friedrich Vorwerk, we acquired a leading provider in the field of pipeline and plant engineering for power and gas grids in the summer of last year. Current revenues of more than €100 million qualify Friedrich Vorwerk to benefit significantly from the investment in Germany's power grids. In the years ahead, the managing partner Torben Kleinfeldt and the widow of the company's founder wish to shape the company's growth together with MBB. Just a few months after acquiring Friedrich Vorwerk, we were also able to acquire Bohlen & Doyen – the next leading provider in this market. Together, the two companies are set to generate revenue of more than €200 million in the coming financial year.

In our opinion, the acquisition of these two growth companies has come at precisely the right time. The automotive industry in particular already cooled significantly in 2019. Vehicle production in Germany declined by more than 9%, reaching its lowest level since 1997. This development led to investment restraint, which affected our subsidiary Aumann in particular. Aumann's revenue declined by 11% to €260 million in 2019, and its EBITDA was down by 35% to €21 million. While incoming orders in Aumann's e-mobility segment were up by 5%, this did not compensate for the slump of 60% in its Classic segment.

By contrast, 2019 was another extraordinarily successful year for DTS. Rising demand for IT security products and services allowed revenue at DTS to surge by 26% to €65 million. At the same time, the company improved its profitability and achieved an EBITDA margin of approximately 15% for the first time ever. By acquiring ISL, the company has significantly expanded its expertise in the field of software development, and will further increase the share of revenue from its own IT security products.

The companies Hanke and CT Formpolster, which together make up our new Consumer Goods segment, improved their profitability considerably in the past year. With joint revenue of €85 million and an EBITDA margin of 11%, their performance was outstanding against the backdrop of the general economic trend. The listed company Delignit, which is now part of the Technical Applications segment together with Aumann and OBO, also increased its revenue by 7% to €64 million in the past year thanks to its new recreational vehicles segment. Delignit's EBITDA margin was at the upper end of the forecast range at 7%.

Nevertheless, we must not allow the positive developments of 2019 to blind us as to the major challenges we face in 2020 and beyond. The Covid-19 pandemic we are currently seeing will, in all likelihood, lead to an economic crisis. It is already clear today that a large number of sectors will be hit by massive slumps in demand, supply chain disruptions and production shutdowns. The companies of the MBB Group will also not be spared from the effects of the pandemic.

It is still too early to realistically assess the economic repercussions of Covid-19 at this time. However, there are indications that, within MBB, the companies of the Technical Applications segment in particular will be hit by the effects of the pandemic. Delignit has already announced capacity adjustments extending as far as temporary plant closures. Falling demand and thus capacity adjustments are probable at Aumann and OBO as well.

The effects on the companies of the Consumer Goods segment will likely not be as severe. In particular, Hanke is not expecting a significant drop in demand for tissue products. While CT Formpolster will see a drop-off in demand due to the temporary closure of furniture stores and mattress shops, the effects on online retail, where the company generates a large share of its revenue, are presently expected to be less pronounced. A shutdown of production due to quarantine or illness would naturally have serious consequences for both companies.

The impact of the Covid-19 pandemic on the Service & Infrastructure segment is expected to be minimal. DTS does not currently anticipate a significant reduction in demand for IT security products or services. As a majority of DTS employees can work from home, the operational risk of quarantine is also limited. The energy infrastructure is sufficiently critical that Friedrich Vorwerk and Bohlen & Doyen are also not expecting a dramatic slump in demand. The only risk here is a disruption of the supply chain or quarantine measures.

MBB's financial strength will also be a boon in the Covid-19 crisis. As at 31 December 2019, the MBB Group had liquidity of €340 million and net liquidity of €250 million. The MBB SE holding accounted for €185 million of this net liquidity. The Group's equity ratio is 56%. Our sound financial situation will pay off in two ways: Firstly, up to a certain point, our high liquidity will act as a buffer to absorb operationally challenging periods and to improve our market position relative to those market participants who are less well positioned. Secondly, thanks to our financial independence, we will be able to leverage opportunities to further expand our Group in difficult times.

However, our primary goal now is to protect the health of our approximately 3,750 employees and trainees. They are the ones without whom MBB's success would not be possible, and whose dedication and flexibility are so very important in the current situation as well. Together, even in times such as these, we still want to stand out with top performance and top results, which – to us – in addition to the best possible development of our companies, also means an exemplary attitude towards the common good, constant consideration for families and superior protection of the health of each and every individual.

Without taking the effects of the Covid-19 pandemic into account, at the start of March we saw the potential to increase our revenue to more than €660 million in 2020. In light of the downward trajectory in Aumann's profitability, we had forecast an EBITDA margin of between 8% and 10%. Naturally, given the economic implications of Covid-19, we will now see significantly lower numbers at the end of the year. But until then, we will be working tirelessly to handle the current challenges, and using this time to strengthen our company's foundations for future value growth.

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, 28 May, 26 September and 12 December 2019, which were attended by all members of the Board and Executive Management with the exception of the meeting on 26 September.

At the individual meetings, the Board analysed 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 2019 financial year were the share buyback programme and the subsequent retirement of all treasury shares for the purpose of the capital reduction, and the acquisition of 60% of shares in Friedrich Vorwerk KG (GmbH & Co.) and its subsidiaries, plus the acquisition of all shares in Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH by Friedrich Vorwerk KG (GmbH & Co.). Furthermore, it closely monitored the audit of the consolidated financial statements of MBB SE for the 2017 financial year by the German Financial Reporting Enforcement Panel (FREP).

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. The small number of exceptions are presented and explained in the declaration of compliance in accordance with section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act) submitted with Executive Management dated 4 March 2020. 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 management report and the combined Group management report for the 2019 financial year. The auditor submitted a declaration of independence to the Board in accordance with item 7.2.1 of the German Corporate Governance Code. 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 at 31 December 2019 and the joint 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 at 31 December 2019 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 26 March 2020.

Furthermore, in the past financial year, the Board addressed the equal participation of women and men in management positions. At present, the members of the Board of MBB SE (four members) and its Executive Management (three members including the delegated member of the Board) are all men. This is in line with the target set until 2021. The Board and Executive Management expressly aim to increase the representation of women in management positions, and have agreed to modify the company's recruitment process. However, professional and personal aptitude remains the key criterion in the selection of managers.

The Board sees the many years of service by the Board's members and Executive Management as a great benefit to the company and therefore, for as long as the people in office are still considered qualified and are willing to continue their work, it does not intend to change the composition of these bodies merely on account of the gender ratio. As such, the target for the share of women on the Board and in Executive Management is still 0%.

The Board examined the annual financial statements prepared by the Executive Management, the joint 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 1 April 2020. The auditor comprehensively answered all the Board's questions. The Board received the audit report in good time before the meeting. Following the completion of its examination, the Board did not raise any objections to the annual financial statements, the management report or the consolidated financial statements. The consolidated financial statements were approved by the Board on 1 April 2020, and the annual financial statements of MBB SE have therefore been adopted.

The Board shares the opinion of the Executive Management as expressed in the joint management 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 as its top priority, while also largely preserving the company's economic position.

Berlin, 1 April 2020

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, 2019 was another highly successful year in MBB’s history. As a result of the three company acquisitions in the financial year and the strong organic growth at subsidiaries, consolidated revenue and EBITDA have risen to new records. (Net) liquidity and equity are still at a very high level at the end of 2019 despite the further rise in the basic dividend and an extensive share buyback programme.

The MBB Group reported consolidated revenue of €592.1 million in 2019 after €506.6 million in the previous year. Consolidated earnings before adjustments amount to €26.9 million or €4.44 per share, while adjusted consolidated earnings amount to €17.9 million or €2.95 per share. The goodwill of €14.1 million and transaction costs in connection with a business combination of €0.8 million were adjusted for in the financial year. These figures have also been adjusted for depreciation and amortisation on assets of €6.6 million capitalised in connection with purchase price allocation.

Net cash (cash, current and non-current securities and physical gold less liabilities to banks and lease liabilities) amounts to €249.8 million as at 31 December 2019 (31 December 2018: €312.3 million). The 2019 share buyback programme resulted in a reduction in net cash of €62.0 million. The basic dividend was increased again in the 2019 financial year to €0.69 (€4.1 million in total). There were cash outflows of €22.5 million in total for company acquisitions and, as in the previous year, the Group’s investment in the organic growth of all subsidiaries was undiminished.

The MBB Group’s equity decreased slightly from €499.3 million as at 31 December 2018 to €474.6 million, while total assets rose by 16.4% to €844.7 million. The equity ratio declined accordingly from 68.8% to 56.2%. The reduction in equity is as a result of the share buyback programme, which led to the retirement of treasury shares and a decline in share capital from €6,600,000 to €5,940,751. The rise in total assets is largely due to the three company acquisitions.

Against the backdrop of the highly successful financial year and the high level of net cash and cash equivalents, the Board and Executive Management will again propose increasing the dividend to 70 cents per share at the Annual General Meeting.

Before the Covid-19 epidemic developed into a pandemic with its currently unclear repercussions, MBB’s management had been forecasting revenue of more than €660 million with an adjusted EBITDA margin of between 8% and 10% for the 2020 financial year. MBB feels that its comfortable liquidity resources are sufficient to be well prepared for the consequences of the pandemic compared to other companies.

Unless stated otherwise, all information in this report refers to 31 December 2019 or the financial year from 1 January to 31 December 2019. 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 other linguistic forms. All references to persons apply to all genders unless stated otherwise.

Business and economic conditions

Strategic orientation

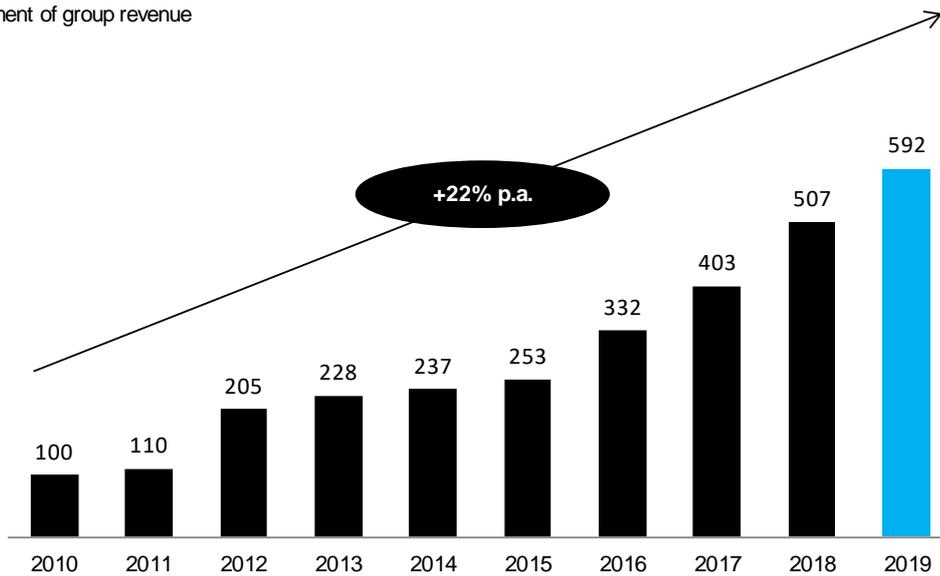
MBB SE is a medium-sized, family-owned company specialising in the acquisition and management of medium-sized industrial companies with considerable technology and engineering expertise. MBB’s outstanding revenue and value growth is based on five factors for success:

Growth

MBB has enjoyed strong growth in revenue and profitability since its formation, with annual growth of 20% since its IPO in 2006. Revenue amounted to €37 million in 2005; a figure of €592 million was achieved in the 2019 financial year. We intend to continue to achieve strong growth in future, both organically and by acquiring companies.

Development of group revenue

€ million



Technology 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 organised in independent units of between around 100 and 1,200 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 fourteen 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.

The market developments in 2019 are set out below to describe the framework for MBB SE's business activities and to allow an assessment of its performance. The current Covid-19 pandemic will have a substantial impact on the ongoing development of the markets, which we have discussed below.

The global economy is believed to have grown by 3.0% in the year under review after 3.6% in the previous year. Overall, the rate of global economic growth has therefore slowed. The reasons for this development are firstly the reduction in world trade and secondly the ailing state of industry. Uncertainty in connection with smouldering trade conflicts weighed on investment by companies all over the world.

Gross domestic product (GDP) in the US grew by 2.3% in 2019, its lowest level since 2016. While private consumer spending is still supporting the economy, investment by companies slumped noticeably.

In the euro area, the weak GDP growth figures of the major economies – Germany, France and Italy – weighed on the end of 2019 in the fourth quarter. The euro economy expanded by just 1.2% year-on-year in 2019 as a whole.

The Chinese economy saw slower growth on the back of a less pronounced expansion in lending and the negative consequences of the lingering trade conflict with the US in 2019. China's economic growth contracted from 6.6% in the previous year to provisionally 6.1% in the year under review.

At 0.6%, the German economy grew by significantly less than the average for the last few years, but was able to avert a recession. While its domestic economy was still very robust in the year under review thanks to rising income and tax relief, export-oriented industry in particular struggled.

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.

Performance varied on the sub-markets relevant to MBB in the year under review. According to figures from the European Automobile Manufacturers' Association (ACEA), car registrations in the EU rose only marginally by 1.2% year-on-year to 15.3 million vehicles in total in 2019 after several years of growth. Out of the five biggest EU markets, car registrations rose most in Germany (up 5.0%). While positive growth rates were reported in France (1.9%) and Italy (0.3%), the number of registrations was down in Spain (by 4.8%) and the UK (by 2.4%). However, it is notable that, according to the German Association of the Automotive Industry (VDA), car production in Germany declined by 9% in 2019. German exports were even down by 13%.

Registration figures on the light vehicle market in the US also declined by 1.4% over 2019 as a whole, and fewer than 17 million vehicles were sold for the first time since 2014. Car registrations in China were down significantly by 9.5% in 2019. Thus, registrations in China decreased for the second year in a row in 2019 after more than two decades of growth. China's slowing economic growth is having a heavy impact on car sales.

However, growth rates for registration figures for electric and hybrid vehicles were well into the double digits in 2019, though the baseline is still relatively low.

According to provisional data from the German Association for Information Technology, Telecommunications and New Media (bitkom), the German IT market has enjoyed another record year. Corporate spending on hardware, software and services for IT security are believed to have risen by approximately 10% to €4.6 billion in 2019.

Exchange rates remained volatile in this heterogeneous growth environment, though not to the same degree as in the same period of the previous year. The USD-EUR exchange rate varied between 1.09 and 1.15 over the course of the year. The euro closed the year around 2% weaker 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 and therefore continue to present considerable challenges for the MBB Group's financial management in 2020. 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, virtually without negative interest, and to a lesser extent in bonds with good credit ratings, physical gold and in equities to a limited extent – but only when they meet the same criteria that MBB SE applies to the acquisition of German SMEs.

Market developments in 2019 can only serve as an indication for further development in the 2020 financial year and beyond to a limited extent. The outbreak of the Covid-19 pandemic is having a substantial impact on our markets. For example, according to estimates by the ifo Institute, a three-month partial shutdown of the German economy would translate into a GDP reduction of 7.2% to 20.6% in 2020. The

Covid-19 pandemic would therefore trigger by far the worst recession in recent history. In view of the threat of production shutdowns, rising short time and growing unemployment, it is difficult to compare the 2019 financial year with forecasts for future development.

Market position

Thanks to its 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 group shareholders, managers, employee representatives, trade unions and banks through to core customers and suppliers. Thanks 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 for German SMEs.

The net liquidity of the MBB Group amounts to €249.8 million as at the end of the reporting period, €184.5 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 means good conditions for growth through acquisitions. 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.

The diversification of its subsidiaries protects MBB from becoming overly dependent on individual sectors. As a result of the acquisitions of Friedrich Vorwerk KG (GmbH & Co.) in July 2019 as well as Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH in December 2019, this diversification was broadened further as the Group entered a new and promising market. 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 are leaders on their respective markets, and they are characterised 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 64% as at 31 December 2019, and safeguards MBB's sustainable development with a medium-sized, entrepreneurial focus.

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. R&D at DTS focuses on the development of new software products for IT security. As at Aumann and DTS, 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 2019 financial year. As these direct subsidiaries of MBB SE themselves each have subsidiaries and sub-sub-subsidiaries, the consolidated group as at 31 December 2019 consisted of MBB SE and a total of 34 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 % |
|--|----------------------------|
| Subsidiaries (fully consolidated) | |
| Aumann AG, Beelen, Germany | 38.00 |
| Aumann Beelen GmbH, Beelen, Germany | 38.00 |
| Aumann Berlin GmbH, Berlin, Germany | 38.00 |
| Aumann Winding and Automation Inc., Clayton, USA | 38.00 |
| Aumann Espelkamp GmbH, Espelkamp, Germany | 38.00 |
| Aumann Immobilien GmbH, Espelkamp, Germany | 38.00 |
| AumannTechnologies (China) Ltd. Changzhou, China | 38.00 |
| Aumann Limbach-Oberfrohna GmbH,, Limbach-Oberfrohna, Germany | 38.00 |
| CT Formpolster GmbH, Löhne, Germany | 100.00 |
| Delignit AG, Blomberg, Germany | 76.08 |
| Blomberger Holzindustrie GmbH , Blomberg, Germany | 76.08 |
| Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany | 76.08 |
| Delignit Immobiliengesellschaft mbH, Blomberg, Germany | 76.08 |
| Delignit North America Inc., Atlanta, USA | 76.08 |
| DHK automotive GmbH, Oberlungwitz, Germany | 76.08 |
| 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 KG (GmbH Co.), 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 |

Segments

The individual segments in which MBB Group companies operate have different focal points 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.

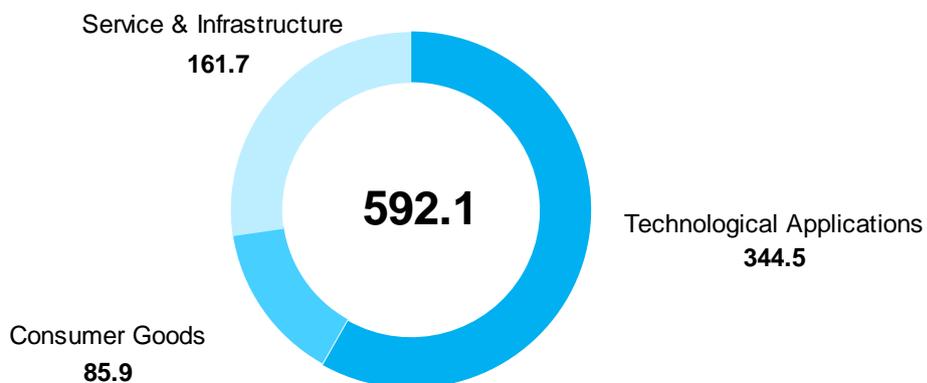
Corporate acquisitions resulted in a reorganisation of the business segments in the 2019 financial year. The Industrial Production segment was renamed Consumer Goods and comprises the companies CT Formpolster and Hanke Tissue. In addition to Aumann and Delignit, the Technological Applications segment now also includes OBO-Werke, which was previously part of the Industrial Production segment. The Trade & Services segment will include DTS and the Vorwerk Group moving ahead, and has been renamed Service & Infrastructure.

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 speciality 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, Limbach-Oberfrohna and Berlin. It has also had 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. There is also a sales and service site in Clayton, USA.

In the field of e-mobility, the Aumann Group is characterised 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 range also includes assembly and logistics solutions for electrical engineering, consumer electronics and specific solutions for other sectors.

In 2019, the Aumann Group's external revenue fell by 10.7% to €259.6 million (previous year: €290.8 million), thereby accounting for 43.8% (previous year: 57.4%) of MBB SE's consolidated revenue. Incoming orders were down significantly year-on-year at €189.5 million (previous year: €290.9 million).

2020 will be a challenging year for Aumann, in which the company will further push the optimisation of its cost structure and vertical integration. In light of the consistently challenging situation in the automotive industry, even before the outbreak of the Covid-19 pandemic, Aumann's management was forecasting revenue for 2020 of between €180 and €200 million with a positive EBITDA margin of not more than 5% before any non-recurring adjustment expenses. The company has not yet published a forecast taking into account the effects of the Covid-19 pandemic, but it has solid capital with net liquidity of €74.0 million as at the end of the financial year.

The **Delignit Group**, which was formed more than 200 years ago, develops and manufactures ecological materials and system solutions primarily based on hardwood. Delignit is a recognised 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 in built-in systems for commercial vehicles, fire-safe building facilities and innovative materials handling technology, among other things. The Delignit material is generally based on beech wood and is lifecycle carbon-neutral, making it ecologically superior to non-regenerative materials such as plastic or steel. Since 2013 Delignit has been strengthened by the addition of DHK automotive GmbH and HTZ Holz Trocknung GmbH, both of which are domiciled in Oberlungwitz. Furthermore, Delignit North America Inc. was founded in autumn 2017. It began its operations for the North American market in autumn 2018.

The Delignit Group increased its external revenue by 6.8%, from €60.3 million in the previous year to €64.4 million in 2019, thereby accounting for 10.9% (previous year: 11.9%) of MBB SE's consolidated revenue. In particular, the renewed growth was thanks to the start of operations in the recreational vehicles segment with the series order for a well-known German manufacturers. As a result of the Covid-19 pandemic, Delignit's management announced at the end of March 2020 that it would be adjusting production capacity in line with demand, by reducing hours and temporarily closing its plants. The company will release a forecast reflecting the effects of this as soon as the impact of the Covid-19 pandemic can be estimated.

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, builders, auto 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 3.5% to the MBB Group's consolidated revenue in the 2019 financial year (previous year: 3.9%). External revenue in 2019 was up slightly year-on-year at €20.5 million (previous year: €20.0 million).

Investment in the Technological Applications segment amounted to €10.1 million in the year under review (previous year: €11.2 million).

We expect the Covid-19 pandemic to have a significant negative impact on the revenue and earnings of the companies in the Technological Applications segment in the 2020 financial year.

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 being acquired by MBB in 2006, Hanke has invested significantly in its machinery and buildings, 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 2019, Hanke contributed €46.9 million (previous year: €47.5 million) or around 7.9% (previous year: 9.4%) to consolidated revenue, marking a slight year-on-year reduction of 1.3%. While profitability was still defined by sharp increases in cellulose prices and energy costs in the previous year, the EBITDA margin was again at an attractive, low double-digit level in the year under review.

CT Formpolster manufactures mattresses and other flexible polyether foam products. Since being acquired 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 had a successful year in terms of revenue and earnings. External revenue increased by 8.0% from €36.2 million in the previous year to €39.1 million in the year under review. CT Formpolster accounted for 6.6% of MBB's consolidated revenue (previous year: 7.1%).

Investment in the Consumer Goods segment amounted to €5.2 million in the year under review (previous year: €4.9 million).

The companies of the Consumer Goods segment were part of MBB even during the last financial crisis. As was the case then, during the forthcoming crisis we anticipate relatively little impact on these companies provided that sales channels (physical and online shops) do not close completely and production does not shut down due to illness or quarantine.

Services & Infrastructure

The Service & Infrastructure segment comprises the companies of the DTS Group, which specialise 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 centre. With sales and service offices in Bensheim, Berlin, Bochum, Bremen, Cologne, Hamburg, Hanover, Munich and Nuremberg, the German 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. ICSmedia GmbH has its own data centre 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, analyse 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 unauthorised 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 efficiency of business networks, which are becoming ever more complex on account of a wide range of different equipment.

Even following strong growth in recent years, the DTS Group improved its revenue performance once again in 2019. Revenue rose by 25.7% from €51.8 million in the previous year to €65.1 million in the year under review. The DTS Group therefore contributed 11.0% to the MBB Group's revenue (previous year: 10.2%). This also entailed a strong surge in profitability.

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 and oil pipeline, power line and gas facility engineering. The company was founded by Friedrich Vorwerk in Tostedt in 1962 and is benefiting from the

growing need for investment in Germany's gas and power grids. According to estimates by the German Federal Network Agency, investments of more than €6 billion will be needed in Germany's gas network in the coming years. Furthermore, the construction of several thousand kilometres of electricity grid is needed on account of the energy transition. As a large share of these lines will have to be underground, grid operators are forecasting investment of more than €60 billion between now and 2030. Friedrich Vorwerk is one of the few companies on the German market with the necessary expertise and experience in major underground pipeline construction projects.

Friedrich Vorwerk acquired all shares in Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH in December 2019. Bohlen & Doyen, like Friedrich Vorwerk, is a leading provider in the field of pipeline, cable and plant engineering for gas and power grids. In particular, Bohlen & Doyen has outstanding expertise in directional boring, which plays a key role in laying pipe for power lines.

Together with Bohlen & Doyen, Vorwerk is planning to increase its growth significantly, and believes that this acquisition will put it in an excellent position to advance the energy transition and benefit from the associated need for multi-billion investment in Germany's gas and power grids.

The Friedrich Vorwerk Group, including the Bohlen & Doyen companies, has delivered a revenue contribution of €96.6 million since its initial consolidation, a year-on-year increase of 16.3%. Its contribution to revenue will increase when it is included for the whole of the 2020 financial year.

Investment in the Service & Infrastructure segment amounted to €6.3 million in the year under review (previous year: €8.8 million).

We consider demand for the Service & Infrastructure segment to be relatively stable even in the event of a significant economic downturn. We therefore expect that the Covid-19 pandemic will have a relatively minor impact on the results of the companies in this segment.

Employees

MBB SE had a total of ten employees at the end of 2019; this figure includes the three members of Executive Management. In addition to Executive Management, the company had one office management employee and six managers for the areas of finance, M&A, operations and IT in 2019.

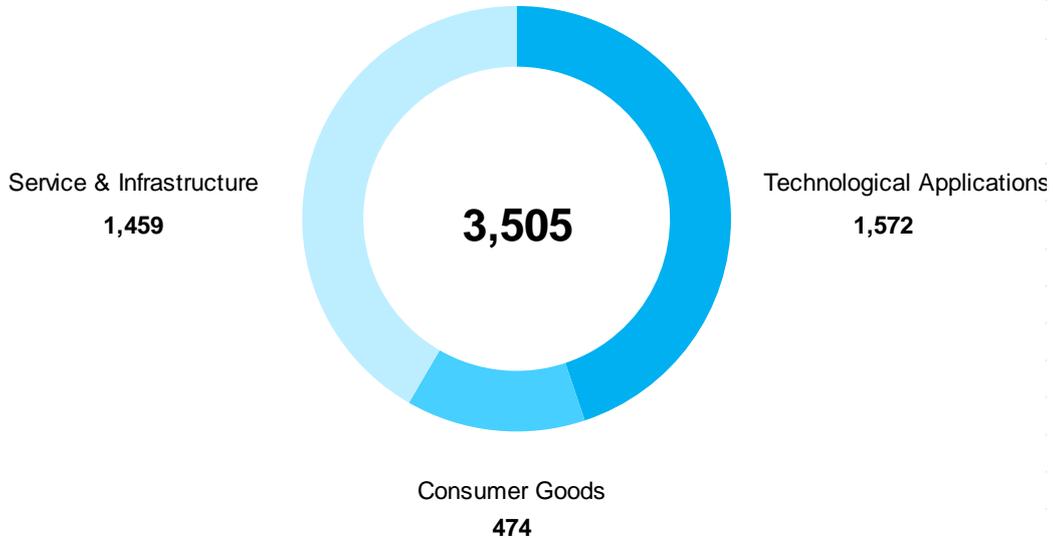
The aim of the management of MBB SE is to ensure the sustainable performance of the MBB Group. The founders Dr Christof Nesemeier and Gert-Maria Freimuth together hold around 64% of the share capital of MBB SE as at 31 December 2019. Appropriate fixed remuneration is supplemented by performance-based variable components. There are no severance or pension agreements.

The MBB Group had an average of 2,743 employees (not including trainees) in the 2019 financial year, compared to an average of 2,137 in the previous year.

As at 31 December 2019, the MBB Group had 3,505 employees (previous year: 2,184) in the following segments:

- Technical Applications: 1,572 employees (previous year: 1,543)
- Consumer Goods: 474 employees (previous year: 439)
- Service & Infrastructure: 1,459 employees (previous year: 202)

Headcount by segment as at 31 Dec 2019



The number of employees by country as at 31 December 2019 (31 December 2018) was as follows:

- 3,124 employees in Germany (previous year: 1,826)
- 308 employees in Poland (previous year: 298)
- 63 employees in China (previous year: 50)
- 9 employees in Greece (previous year: 8)
- 1 employee in Austria (previous year: 2)

The higher headcount is primarily due to the acquisition of the Friedrich Vorwerk Group (including the Bohlen & Doyen companies).

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.

The Group's headcount is expected to be at about the previous year's level in the 2020 financial year, though developments may differ at individual subsidiaries in line with capacity utilisation.

MBB SE's subsidiaries have a history of providing training, and, in total, there are 254 people either in training or on a dual study programme as at 31 December 2019 (previous year: 143). This will ensure a steady supply of junior talent even in times of a growing shortage of qualified employees. Including with a view to its existing employees, the MBB Group is constantly striving to improve the quality of its workforce through training and continuing professional development.

Financial position and financial performance

MBB SE and the MBB Group have enjoyed a successful and profitable 2019 financial year.

The high level of cash and cash equivalents is supporting MBB's 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 €474.5 million in 2019 or the turnaround from net debt of €13.8 million in 2005 to net cash of €249.8 million at the end of 2019 – serves to highlight the sustainable success of our business model and the high quality of our investments. This increase is particularly impressive given the share buyback programme carried out in 2019, which reduced equity and net cash and cash equivalents by €62.0 million. 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 2019 financial year were prepared in accordance with the provisions of the German Commercial Code and the supplementary provisions of the German Stock Corporation Act.

Results of operations

MBB SE generated revenue of €1.7 million in the year under review (previous year: €1.2 million). Revenue essentially resulted from the performance of management services for the subsidiaries.

In addition, MBB SE generated income from affiliates of €10.6 million in the year under review (previous year: €2.6 million).

Other operating income amounts to €2.0 million (previous year: €104.2 million). This essentially includes income from the reversal of provisions and income from the reversal of impairment losses on financial assets. Also, €100.8 million from the sale of shares in Aumann AG was included in this item in the previous year.

This was offset by staff costs (including expenses for purchased services) of €3.5 million (previous year: €1.9 million), which related to the remuneration paid to MBB SE's management and team.

Other operating expenses of €5.3 million (previous year: €1.9 million) were incurred. They essentially comprise expenses for disposals of financial assets, other securities and derivatives of €2.8 million (previous year: €0.5 million), asset management costs of €0.9 million (previous year: €0.2 million), legal and consulting costs of €0.2 million (previous year: €0.2 million) and rental and lease expenses of €0.2 million (previous year: €0.2 million).

Depreciation and amortisation of €1.1 million were incurred in the year under review (previous year: €3.0 million). This essentially relates to write-downs on financial assets.

Income from securities of €5.0 million (previous year: €3.8 million) and interest and similar income of €0.2 million (previous year: €0.3 million) was generated in the 2019 financial year. After interest expenses of €0.0 million (previous year: €0.1 million) and tax expenses of €0.9 million (previous year: €0.2 million), this results in a net profit for the year of €8.7 million (previous year: €105.1 million).

Net assets and financial position

Equity declined from €271.0 million in the previous year to €213.5 million as at 31 December 2019.

The decline is as a result of the share buyback programme carried out in the financial year, which reduced equity by €62.0 million, and the dividend paid to the shareholders of MBB SE. This was offset by the net profit for the year. The equity ratio was 97.5% as at the end of the reporting period (previous year: 97.2%).

Total assets fell from €278.6 million to €219.1 million as at the end of the reporting period. On both the assets and liabilities side, the decline is essentially due to the share buyback programme (€62.0 million).

Including long-term investments, investments classified as current assets and physical gold holdings, MBB SE had cash and cash equivalents of €170.0 million (previous year: €253.2 million) at the end of the financial year. Net cash and cash equivalents also decreased to €170.0 million (previous year: €253.2 million). Unrealised changes in physical gold holdings and securities are not included in this presentation of the financial position and financial performance, hence the amount differs from the cash and cash equivalents reported for the MBB SE holding company of €184.5 million.

A dividend of 69 cents per share or €4.1 million was distributed in the financial year (previous year: 66 cents plus a special dividend of 66 cents per share). The Board and Executive Management will propose a dividend of 70 cents per share for the 2019 financial year at the Annual General Meeting.

MBB Group

Results of operations

The MBB Group generated revenue of €592.1 million in the 2019 financial year (previous year: €506.6 million). The growth of 16.9% essentially resulted from the acquisition of the Friedrich Vorwerk Group and the organic growth of subsidiaries. The Aumann Group contributed significantly less to consolidated revenue in 2019 than in the previous year.

Development of group revenue



Consolidated total operating revenue climbed from €522.2 million in 2018 to €609.8 million in the current financial year. The other operating income of €17.5 million includes own work capitalised (€4.2 million), income from the reversal of provisions (€4.2 million), income from securities (€1.9 million), income from the offsetting of remuneration in kind (€1.2 million), income from measurement at equity (€1.1 million), income from the sale of fixed assets (€1.0 million), insurance and other compensation (€0.8 million), prior-period income (€0.7 million), income from the reversal of write-downs (€0.3 million), exchange rate gains (€0.1 million) and other income (€2.0 million).

The cost of materials amounts to €352.4 million in the year under review (previous year: €322.6 million). The increase is due to the growth in the business areas and the business combinations. The ratio of cost of materials to total operating performance decreased from 63.6% in the previous year to 59.5%.

Adjusted staff costs increased from €117.1 million in the 2018 financial year to €149.8 million in the year under review. This corresponds to a moderate rise in the adjusted staff cost ratio from 23.1% to 25.3%. The increase in staff costs was largely due to the acquisition of the Friedrich Vorwerk Group in July 2019.

Adjusted other operating expenses amount to €40.0 million in the year under review (previous year: €28.1 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 adoption of IFRS 16 resulted in a reduction in rental and leasing expenses of €3.6 million in the financial year.

The MBB Group thus generated adjusted EBITDA of €67.6 million in the 2019 financial year (previous year: €54.5 million), a year-on-year increase of 24.0%. The adjusted EBITDA margin is 11.4% (previous year: 10.8%). EBITDA before adjustments amounts to €81.0 million (previous year: €54.0 million). The badwill of €14.1 million and transaction costs in connection with a business combination of €0.8 million were adjusted for in the financial year.

Development of adjusted group EBITDA



Adjusted depreciation and amortisation of €19.9 million (previous year: €13.2 million) essentially relates to depreciation on property, plant and equipment and amortisation of intangible assets. Additional depreciation of €3.5 million was incurred in the financial year as a result of the application of IFRS 16. These figures have been adjusted for depreciation and amortisation on assets of €6.6 million capitalised in connection with purchase price allocation.

This results in adjusted EBIT of €47.7 million (previous year: €41.3 million) with an adjusted EBIT margin of 8.0% (previous year: 8.2%). EBIT before adjustments amounts to €54.4 million (previous year: €38.6 million).

Development of adjusted group EBIT



The financial result is €-9.7 million after €-1.7 million in the previous year. Net interest income and interest expenses amount to €-2.4 million (previous year: €1.7 million). Furthermore, the financial result changed significantly as against the previous year as a result of the first-time recognition of the non-controlling interests in Friedrich Vorwerk KG (GmbH & Co.).

This gave rise to EBT of €38.0 million (previous year: €39.6 million).

The reported adjusted tax expense totalled €11.9 million in the financial year (previous year: €10.5 million) and essentially related to deferred and current taxes. This item also contains other taxes in the amount of €0.5 million (previous year: €0.4 million). The adjustment in tax expense is consistent with the adjustments described above.

In total, the adjusted consolidated net profit amounts to €26.1 million (previous year: €29.1 million).

Adjusted consolidated net profit comprises the net profit attributable to shareholders of the parent of €17.9 million (previous year: €16.1 million) and the net profit attributable to non-controlling shareholders of €8.2 million (previous year: €13.0 million). The average number of shares outstanding in the period under review was 6,068,186 (previous year: 6,586,775). Adjusted earnings per share amount to €2.95 (previous year: €2.45) or €4.44 (previous year: €2.34) before adjustments.

Calculation of adjusted earnings figures

As described in the section on the capital management 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 2019 €k | 1 Jan - 31 Dec 2018 €k |
|--|--------|------------------------------|------------------------------|
| Revenue | III.1. | 592,059 | 506,590 |
| Increase (+)/decrease (-) in finished goods and work in progress | | 186 | 233 |
| Operating performance | | 592,245 | 506,823 |
| Other operating income | III.2. | 17,521 | 15,403 |
| Badwill | | 14,137 | 0 |
| Total performance | | 623,903 | 522,226 |
| Cost of raw materials and supplies | | -243,198 | -258,586 |
| Cost of purchased services | | -109,191 | -63,949 |
| Cost of materials | | -352,389 | -322,535 |
| Wages and salaries | | -119,477 | -93,468 |
| Social security and pension costs | | -30,336 | -24,129 |
| Staff costs | | -149,813 | -117,597 |
| Other operating expenses | III.3. | -40,734 | -28,100 |
| Adjustments: | | | |
| Badwill | | -14,137 | 0 |
| Non-operating expenses | | 763 | 535 |
| Adjusted earnings before interest, taxes, depreciation, and amortisation (EBITDA) | | 67,593 | 54,529 |
| Amortisation and depreciation expense | II.1. | -26,575 | -15,374 |
| Adjustments: | | | |
| Depreciation and amortisation of assets acquired in a business combination | | 6,643 | 2,152 |
| Adjusted earnings before interest and taxes (EBIT) | | 47,661 | 41,307 |
| Finance revenue | III.4. | 526 | 511 |
| Finance costs | III.5. | -2,915 | -2,239 |
| Earnings attributable to non-controlling interests | | -7,311 | 0 |
| Net finance costs | | -9,700 | -1,728 |
| Adjusted earnings before taxes (EBT) | | 37,961 | 39,579 |
| Income tax expense | III.6. | -9,225 | -9,271 |
| Other taxes | III.6. | -476 | -375 |
| Adjustments: | | | |
| Deferred taxes on adjustments | | -2,157 | -806 |
| Adjusted profit or loss for the period | | 26,103 | 29,127 |
| Non-controlling interests | | -8,174 | -12,985 |
| Adjusted consolidated net profit | | 17,929 | 16,142 |
| Adjusted earnings per share (in €) | III.8. | 2.95 | 2.45 |

Achievement of targets by the Group

| Key figures | Forecast 2019 published February 2019 | Forecast adjustment published July 2019 ¹ | Forecast adjustment published August 2019 ² | Attained 2019 |
|------------------------------------|---|--|--|------------------|
| Revenue (€ million) | > 550 | > 500 | 530 | 592 |
| Adjusted EBITDA (€ million) | > 58 | 44 - 50 | n.a. | 67, 6 |
| Adjusted EBITDA margin (€ million) | n.a. | n.a. | 9 - 11 | 11.4 |

¹ Not including the Vorwerk acquisition

² Not including other business acquisitions in the financial year

Net assets

Equity amounts to €474.6 million as at 31 December 2019 (31 December 2018: €499.3 million). The decline results from the share buyback programme implemented in the 2019 financial year. Based on total consolidated assets of €844.7 million, the equity ratio was 56.2% as at the end of the reporting period (previous year: 68.8%). Even after carrying out the share buyback programme, Executive Management is of the opinion that the MBB Group has an excellent equity base.

Intangible assets amount to €69.9 million as at the end of the reporting period (previous year: €51.4 million). The increase largely results from the acquisitions of ISL and the Friedrich Vorwerk Group. This item essentially consists of goodwill of €44.4 million (previous year: €40.3 million) and concessions, property rights and development costs of €20.8 million (previous year: €10.5 million). Furthermore, an order backlog of €4.4 million (previous year: €0.0 million) was capitalised as at the end of the reporting period in connection with the business combinations. MBB's annual impairment test confirmed the recoverability of all capitalised goodwill.

The increase in property, plant and equipment to €157.8 million (31 December 2018: €98.5 million) essentially results from the acquisition of the Friedrich Vorwerk Group (€40.3 million) and the adoption of IFRS 16 (€15.0 million).

Financial assets increased from €60.7 million in the previous year to €104.0 million as at 31 December 2019. This essentially includes securities and shares in joint ventures accounted for using the equity method.

Inventories amount to €47.1 million as at the end of the reporting period (31 December 2018: €36.5 million).

The significant increase in trade receivables and other current assets, from €154.9 million as at 31 December 2018 to €200.9 million, is due to business combinations and organic growth.

Cash and cash equivalents fell to €243.9 million in the year under review (31 December 2018: €307.5 million), essentially as a result of the share buyback programme and business combinations.

The Group's liabilities to banks and lease liabilities amount to €90.4 million as at 31 December 2019 (31 December 2018: €63.9 million). €15.1 million of this relates to the adoption of IFRS 16.

For the first time, the acquisition of Friedrich Vorwerk Group gave rise to liabilities to non-controlling interests of €28.2 million and liabilities from profit participation rights of €10.0 million as at the end of the reporting period. Material changes as against the previous year resulting from business combinations also relate to advance payments received, which rose from €21.2 million as at 31 December 2018 to €35.4 million as at the end of the reporting period, and provisions with the nature of a liability, which were up from €16.5 million at €35.4 million.

Pension provisions increased to €28.4 million (previous year: €23.5 million) as a result of market developments.

In line with business growth, trade payables rose from €52.6 million as at 31 December 2018 to €56.7 million as at the end of the reporting period.

Net cash (cash, current and non-current securities and physical gold less liabilities to banks and lease liabilities) therefore amounts to €249.8 million as at the end of the reporting period (previous year: €312.3 million). Accordingly, Executive Management is of the opinion that the MBB Group has good funding.

Financial position

The change in cash and cash equivalents amounts to €-63.6 million in the year under review (previous year: €73.7 million) and breaks down as follows:

Net cash from operating activities increased from €24.0 million in the previous year to an outstanding €69.2 million in the year under review. The increase largely results from the acquisition of the Friedrich Vorwerk Group. 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. The adoption of IFRS 16 resulted in an improvement in net cash from operating activities of €3.6 million in the financial year.

Net cash used in investing activities amounts to €-56.2 million (previous year: €-46.2 million) and essentially relates to investments in property, plant and equipment and securities, and to purchase price payments for the acquisition of subsidiaries.

Net cash from financing activities amounts to €-76.7 million (previous year: €95.9 million). This essentially includes the payments in conjunction with the share buyback programme, including the associated costs of €62.1 million, and the payment of the dividend to the shareholders of MBB SE and non-controlling interests of €6.5 million plus proceeds from and payments for the borrowing and repayment of financial 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 2019 financial year as extraordinarily positive. Consolidated revenue, adjusted EBITDA and adjusted earnings per share all set new records in 2019. In addition, key investments were made at all subsidiaries and the share buyback programme was used as a further instrument to increase capital efficiency in addition to the successful company acquisitions.

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, to a smaller extent 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 in the notes to these consolidated financial statements.

Board

The Chairman of the Board receives remuneration of €15,000, the Deputy Chairman receives €7,500 and the other members receive €5,000 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 analysed 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 expenses that more transparently and more sustainably reflects the company's operating earnings power and development. The earnings projections for the 2020 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 company will release a forecast reflecting the effects of the Covid-19 pandemic as soon as its impact can be estimated.

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 was 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.
- Against the backdrop of the energy transition, Friedrich Vorwerk Group's outstanding positioning on the growth market of underground gas and power lines means it has the opportunity to benefit substantially from the development in this field.
- As the Group's companies grow, the appeal of our shares to major global investment companies – and thus the prospects for more attractive ratings – is rising.

- 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.

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

The large number of opportunities described above and the current situation suggest that the MBB Group will enjoy successful development in the medium term. However, the MBB Group is also exposed to the following 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.
- 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.
- Three of the companies within the Group are currently listed – MBB SE, Aumann AG and Delignit AG – which means additional expenses and liability risks specific to the capital market.

Other risks

- 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 uncertainty of Brexit and its potential impact on the development of the economy in Europe is not a significant risk for MBB. UK revenue is of minor significance to the Group.

The overall assessment of the current risk and opportunity situation as at the end of the reporting period reveals no threats to the Group as a going concern. The repercussions of the Covid-19 pandemic for the future of the MBB Group can only be guessed at today.

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 optimisation 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 organise 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.

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 2020. 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 17 March 2019 and complied with this declaration of conformity with the exceptions stated therein. The following declaration updates this declaration of conformity and relates to the German Corporate Governance Code (hereinafter also the "Code") of 7 February 2017.

The Board of MBB SE declares that it has complied and will continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code with the features described below due to the one-tier system used by MBB SE with the following exceptions:

Features of the one-tier system

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 exceptions apply with respect to the legal design of the one-tier system:

- *By way of derogation from item 2.2.1 sentence 1 of the Code, the Board must present the annual financial statements and the consolidated financial statements to the Annual General Meeting, section 48(2) sentence 2 SEAG.*
- *By way of derogation from items 2.3.1 sentence 1 and 3.7(3) of the Code, the Board is responsible for convening the Annual General Meeting, sections 48 and 22(2) SEAG.*
- *The duties of the management board described in items 4.1.1 (management of the company), 4.1.2 in conjunction with 3.2 first half of the sentence (development of the strategic orientation of the company) of the Code are the responsibility of the Board, section 22(1) SEAG.*
- *The responsibilities of the management board described in items 2.3.2 sentence 2 (representative to exercise shareholders' voting rights in accordance with instructions), 3.7(1) (statements in the event of a takeover offer) and (2) (action in the event of a takeover offer), 3.10 (corporate governance report), 4.1.3 (compliance) and 4.1.4 (risk management and controlling) of the Code are the responsibility of the Board, section 22(6) SEAG.*
- *By way of derogation from items 5.4.2 and 5.4.4 of the Code, members of the Board can be appointed to Executive Management if the majority of the Board still does not consist of members of Executive Management, section 40(1) sentence 2 SEAG.*

Departures

- *Item 3.8: D&O insurance: The D&O insurance policy for the non-executive members of the Board does not provide for a deductible. We are confident that our executive bodies and employees exercise their duties with the greatest care and diligence. In light of the relatively low level of fixed remuneration paid to the members of the Board, we do not consider a deductible for the non-executive members of the Board to be appropriate. The D&O insurance for Executive Management provides for a deductible of 10% up to a maximum of 1.5 times their fixed annual remuneration.*
- *Item 4.1.3: Whistleblower system: Given the small number of employees and the company's one-tier hierarchical structure, it does not seem appropriate to us to set up a whistleblower system. In the event of indications of legal violations within the company, employees can directly contact the Compliance Officer in Executive Management or the Board in confidence.*
- *Item 4.2.5: Use of model tables: The company does not use the model tables appended to the Code to disclose the total Executive Management remuneration. The Board considers it possible to present the total remuneration of the Executive Management in a different form that is fully and generally understandable.*
- *Item 5.1.2: Composition of management: When filling positions in the management of MBB SE, the Board complies with the requirements of German stock corporation law by ensuring that candidates have the requisite skills, knowledge and experience for the work of management. By contrast, while the Board expressly welcomes diversity, it considers criteria such as a candidate's gender to be secondary.*
- *Item 5.3: Board committees: The Board has four members; the formation of committees would therefore not increase efficiency. We consider the number of Board members to be adequate in light of the size of the company.*
- *Item 5.4.1: Age limit: An age limit is not specified for the members of the Board. In light of the age of the Board members and their remaining term of office, we do not believe there to be any reason to introduce such a limit. A regular limit of length of membership of the Board is not specified, and we do not believe such a limit to be reasonable on account of the shareholder structure.*
- *Item 7.1.2: Publications: The consolidated financial statements and interim financial reports are published in accordance with the statutory periods and those imposed by Deutsche Börse for the Prime Standard. As an industrial holding company with a focus on majority interests in small and medium-sized industrial companies, MBB SE is required to consolidate a number of individual companies as well as regularly performing first-time consolidation and deconsolidation. As such, compliance with the periods proposed by the German Corporate Governance Code would lead to disproportionate expense for the company.*

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>.

Corporate governance report

Directors' shareholdings

The shareholdings of the members of executive bodies are shown under note 10.1 in II. Notes to the consolidated statement of financial position.

Composition of the Board

The members of the Board must, as a whole, have practical experience in the area of management, industry expertise and business and legal knowledge. The current members of the Board fulfil this objective.

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 programme

On 13 March 2019, the Board of MBB SE resolved to exercise the authorisation granted by the Annual General Meeting on 28 June 2018 to purchase treasury shares. In the period from 18 March 2019 to 2 April 2019, MBB SE purchased 646,024 treasury shares over-the-counter by way of a voluntary public buyback offer to all shareholders at a price of €96.

After being acquired, all treasury shares held by the company (659,249) were retired in a capital reduction. The shares retired also include the 13,225 shares acquired under the 2015 share buyback programme. Following the retirement of the shares and the implementation of the capital reduction, the share capital of MBB SE amounts to €5,940,751 and is divided into 5,940,751 bearer shares, each representing a notional amount of the share capital of €1.

Furthermore, on 18 March 2020 the Board resolved a further share buyback programme based on the authorisation of the 2019 Annual General Meeting. Detailed information on this can be found in the supplementary report.

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 single-entity and consolidated financial statements and reports on the key findings of its audit.

Long-term bonus programme/security-based incentive systems

Details of the long-term bonus programme 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.

Targets for the share of women

When filling positions in the management of MBB SE and the two management levels below Executive Management, the Board complies with the requirements of the German Stock Corporation Act by ensuring that candidates have the skills, knowledge and experience that are required for the work of the management. By contrast, while the Board expressly welcomes diversity, it considers criteria such as a candidate's gender to be secondary. Nonetheless, the Board and Executive Management expressly aim to increase the representation of women in management positions, and have agreed to modify the company's recruitment process.

The Board sees the many years of service by the Board's members and Executive Management as a great benefit to the company and therefore, for as long as the people in office are still considered qualified and are willing to continue their work, it does not intend to change the composition of these bodies merely on account of the gender ratio. As such, the target for the share of women on the Board and in Executive Management is still 0%.

Diversity concept

The composition of the Board and Executive Management is exclusively based on the knowledge, skills and professional experience of the respective candidates. An age limit and a time limit have not been set for members of Executive Management or the Board. Given the age of executive body members and their remaining term of office, we also do not believe there to be any reason to introduce such a limit. A regular limit on the length of membership has not been specified, and we do not believe such a limit to be reasonable given the shareholder structure. While we expressly welcome diversity, we consider criteria such as a candidate's gender to be secondary. It is intended to maintain this practice in future to ensure experience and competence. We are of the opinion that decisions on proposals for the composition of the Board and Executive Management should be made individually in line with the specific respective situation and without creating or publishing a concept.

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 at 31 December 2019 of €5,940,751 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 not hold any treasury shares as at the end of the reporting period.

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 consolidated financial statements under note 11.1 in II. Notes to the consolidated statement of financial position.

Bearer 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 authorised to make amendments to the Articles of Association that relate solely to their wording. In particular, the Board is authorised 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.”

Powers 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, which was entered in the commercial register on 19 August 2016. The Board was thus authorised 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 Annual General Meeting on 28 June 2018 authorised the Board of MBB SE 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 or non-cash contributions (Authorised Capital 2018).

The Annual General Meeting on 28 May 2019 resolved to authorise the Board to purchase and sell treasury shares equivalent to up to 10% of the share capital as at the date of this authorisation, while upholding the principle of equal treatment (section 53a AktG), in the period until 27 May 2024. The authorisation 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 authorisation cannot be used for the purposes of trading in treasury shares.

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 section II.10.1 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 2019 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 for 2019.

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.

Employee concerns

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. We have now been able to increase the number of our employees for ten years in a row. 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 3,505 employees and 254 trainees (including trainees on dual study programmes). Furthermore, as at 31 December 2019 we have 262 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 213 trainees (previous year: 123) and 41 trainees on dual study programmes (previous year: 20). Our fundamental aim is to offer permanent employment to all trainees (including those on dual study programmes) who complete their training with us. This approach yields impressive results: For example, the DTS Group recruits around a third of its employees from former trainees and students who have completed dual study programmes. The ratio of trainees to full-time employees at the DTS Group is around 12%.

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 AG. 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.

At present, 16.3% of the MBB Group's employees are women. The Group's first management level consists entirely of men, while the second management level has 19 women managers.

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.

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 increased from 82 in the previous year to 128 in the year under review, essentially as a result of the business acquisitions in 2019. As in the previous year, the number of fatal work accidents was zero. Our aim is to reduce the number of work accidents.

Environmental concerns

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.

In individual cases, as illustrated by the following example, strategic environmental protection considerations also play a central role: As a production material and energy resource, wood is ecologically unique and is Delignit AG'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 AG 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 CO₂ 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.

The Aumann Group 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 our customers' fleet fuel consumption and CO₂ 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 utilisation 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.

At Hanke, too, measures to reduce energy and water consumption are being continuously devised and implemented. The energy efficiency of our paper machinery was significantly increased by the new energy centre built in 2016, and water consumption per tonne of output has also been reduced substantially. Furthermore, innovative investments in contact drying methods are planned that will significantly reduce energy consumption in the drying process.

The DTS Group, 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.

By providing regular training for employees in all departments, the Friedrich Vorwerk Group 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. Furthermore, the Friedrich Vorwerk Group aims to enhance the economy and efficiency of its vehicle fleet and technical equipment. For example, old vehicles, machinery and equipment are constantly exchanged for newer, more efficient models with lower pollutant and noise emissions.

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. Risks also result from the raw materials used, some of which can be harmful to health in an unprocessed state. We manage this risk with high quality requirements for our suppliers and high quality standards at our subsidiaries.

Social concerns, respecting human rights and combating corruption and bribery

Social concerns: 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. The Irene and Friedrich Vorwerk Foundation, an independent body created by the founders of the Vorwerk Group, deserves a special mention in this regard. The social engagement of the Irene and Friedrich Vorwerk Foundation extends from the promotion of the next generation of young scientists to support for cultural events and aid for the needy. For example, young students at HafenCity University Hamburg were honoured in the field of urban planning at the 18th award ceremony in 2019. Furthermore, there was also funding for scientific projects to build a high-pressure test stand on which young students carry out research and test safety components as part of their master's theses and doctorates. A number of cultural projects of various sizes, such as music festivals, are sponsored. Two annual readings have become a fixed institution over the years and one of the cultural highlights for many guests. Here, too, the members of our society in need are not forgotten. The foundation does not just support individuals and institutions

locally. Its work also extends to more distant regions, such as a school in Kenya where a drinking water project was subsidised in 2019.

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 recognised human rights standards and does not tolerate any form of slavery, forced labour, child labour, 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

| | 2019 | 2018 |
|---|-------|-------|
| Employees | | |
| Number of female executives (first and second level) | 19 | 16 |
| Share of female employees in relation to total employees | 16.3% | 19.1% |
| Share of temporary workers in relation to total employees | 7.5% | 12.4% |
| Number of apprentices | 213 | 123 |
| Number of employees in cooperative study programs | 41 | 20 |
| Reportable work accidents | 128 | 82 |
| Deadly work accidents | 0 | 0 |
| Environment | | |
| Energy intensity in MWh / €m revenue | 293 | 313 |
| Water intensity in m3 / €m revenue | 540 | 423 |
| Waste intensity in t / €m revenue | 5.5 | 3.6 |
| Social | | |
| Charitable donations and sponsoring in €k | 24 | 32 |

Report on expected developments

Before the Covid-19 epidemic developed into a pandemic with its currently unclear repercussions, MBB's management had been forecasting revenue of more than €660 million with an adjusted EBITDA margin of between 8% and 10% for the 2020 financial year. Management explicitly did not take the effects of a worsening pandemic into account as at the time of this forecast. The effects of the Covid-19 pandemic on the 2020 financial year cannot yet be reliably estimated. Management will therefore not release a forecast that reflects the Covid-19 pandemic until reliable projections are available. It is assumed that the figures outlined above will no longer be possible on account of the events described.

Berlin, 26 March 2020

The Executive Management of MBB SE

MBB SE Condensed Annual Financial Statements for 2019

| Income statement (HGB) | 2019 audited €k | 2018 audited €k |
|---|-----------------------|-----------------------|
| Revenue | 1,715 | 1,233 |
| Other operating income | 1,992 | 104,202 |
| Cost of purchased services | 420 | 465 |
| Staff costs | 3,106 | 1,430 |
| Depreciation and amortisation of intangible assets and property, plant and equipment | 82 | 40 |
| Other operating expenses | 5,348 | 1,892 |
| Income from equity investments | 10,609 | 2,528 |
| Income from other securities and loans of financial assets | 4,953 | 3,832 |
| Other interest and similar income | 249 | 287 |
| Write-downs on financial assets | 1,004 | 2,940 |
| Interest and similar expenses | 34 | 67 |
| Income tax expense | 854 | 183 |
| Net profit for the year | 8,670 | 105,065 |
| Profit carried forward from the previous year | 241,697 | 140,731 |
| Income from capital reduction | 659 | 0 |
| Transfer to capital reserve | -659 | 0 |
| Expenses from the withdrawal of shares | -62,032 | 0 |
| Unappropriated surplus | 188,335 | 245,796 |

| Statement of financial position (HGB) | 31 Dec 2019 audited €k | 31 Dec 2018 audited €k |
|---------------------------------------|------------------------------|------------------------------|
| Assets | | |
| Intangible assets | 88 | 98 |
| Property, plant and equipment | 118 | 155 |
| Financial assets | 101,441 | 71,490 |
| Noncurrent assets | 101,647 | 71,743 |
| Receivables and other assets | 11,292 | 5,243 |
| Securities | 1,567 | 3,487 |
| Cash in hand and bank balances | 104,561 | 198,121 |
| Current assets | 117,420 | 206,851 |
| Deferred items | 40 | 44 |
| Total assets | 219,107 | 278,638 |
| Equity and liabilities | €k | T€ |
| Equity | 213,521 | 270,968 |
| Provisions | 2,828 | 6,759 |
| Liabilities | 2,758 | 911 |
| Total Equity and liabilities | 219,107 | 278,638 |

Appropriation of earnings

The HGB net profit for the year of €8,669,770.89 is reported with the profit carryforward of €241,696,562.77 and less the cost of the retirement of shares of €62,031,529.00 as net retained profits. As in previous years, the Executive Management and the Board will propose to the Annual General Meeting the payment of a dividend. This is to amount to €0.70 per entitled share.

IFRS Consolidated Financial Statements for 2019

| IFRS consolidated statement of profit or loss | Notes | 1 Jan - 31 Dec 2019 €k | 1 Jan - 31 Dec 2018 €k |
|---|--------|------------------------------|------------------------------|
| Revenue | III.1. | 592,059 | 506,590 |
| Increase (+)/decrease (-) in finished goods and work in progress | | 186 | 233 |
| Operating performance | | 592,245 | 506,823 |
| Other operating income | III.2. | 17,521 | 15,403 |
| Badwill | | 14,137 | 0 |
| Total performance | | 623,903 | 522,226 |
| Cost of raw materials and supplies | | -243,198 | -258,586 |
| Cost of purchased services | | -109,191 | -63,949 |
| Cost of materials | | -352,389 | -322,535 |
| Wages and salaries | | -119,477 | -93,468 |
| Social security and pension costs | | -30,336 | -24,129 |
| Staff costs | | -149,813 | -117,597 |
| Other operating expenses | III.3. | -40,734 | -28,100 |
| Earnings before interest, taxes, depreciation, and amortisation (EBITDA) | | 80,967 | 53,994 |
| Amortisation and depreciation expense | II.1. | -26,575 | -15,374 |
| Earnings before interest and taxes (EBIT) | | 54,392 | 38,620 |
| Finance revenue | III.4. | 526 | 511 |
| Finance costs | III.5. | -2,915 | -2,239 |
| Earnings attributable to non-controlling interests | | -7,704 | 0 |
| Net finance costs | | -10,093 | -1,728 |
| Earnings before taxes (EBT) | | 44,299 | 36,892 |
| Income tax expense | III.6. | -9,225 | -9,271 |
| Other taxes | III.6. | -476 | -375 |
| Profit or loss for the period | | 34,598 | 27,246 |
| Non-controlling interests | | -7,653 | -11,854 |
| Consolidated net profit | | 26,945 | 15,392 |
| Earnings per share (in €) | III.8. | 4.44 | 2.34 |

| IFRS consolidated statement of other comprehensive income | Notes | 1 Jan - 31 Dec 2019 €k | 1 Jan - 31 Dec 2018 €k |
|---|---------|------------------------------|------------------------------|
| Consolidated net profit | | 26.945 | 15.392 |
| Non-controlling interests | | 7.653 | 11.854 |
| Profit or loss for the period | | 34.598 | 27.246 |
| Items that may be subsequently reclassified to profit and loss | | | |
| Fair value changes bonds and gold | | 895 | -1 |
| Currency translation differences | II.11.4 | 235 | -657 |
| Items that not be subsequently reclassified to profit and loss | | | |
| Fair value changes shares and gold | | 12.701 | -2.304 |
| Pension reserves | II.11.4 | -4.236 | 497 |
| thereof deferred taxes | | 1.272 | -149 |
| Other comprehensive income after taxes | | 10.867 | -2.614 |
| Comprehensive income for the reporting period | | 45.465 | 24.632 |
| there of attributable to: | | | |
| - Shareholders of the parent company | | 38.245 | 13.076 |
| - Non-controlling interests | | 7.220 | 11.556 |

| Statement of financial position Assets (IFRS) | Notes | 31 Dec 2019 audited €k | 31 Dec 2018 audited €k |
|---|--------|------------------------------|------------------------------|
| Non-current assets | | | |
| Concessions, industrial property rights and similar rights | II.3. | 25,278 | 10,526 |
| Goodwill | II.2. | 44,449 | 40,300 |
| Advance payments | | 134 | 549 |
| Intangible assets | | 69,861 | 51,375 |
| Land and buildings including buildings on third-party land | II.4. | 80,021 | 55,508 |
| Technical equipment and machinery | II.4. | 51,176 | 26,307 |
| Other equipment, operating and office equipment | II.4. | 22,138 | 11,317 |
| Advance payments and assets under development | II.4. | 4,514 | 5,351 |
| Property, plant and equipment | | 157,849 | 98,483 |
| Investments in associates | II.5. | 13,214 | 0 |
| Investment securities | II.5. | 89,549 | 59,459 |
| Other loans | II.5. | 1,281 | 1,198 |
| Financial assets | | 104,044 | 60,657 |
| Deferred tax assets | II.10. | 14,330 | 6,972 |
| | | 346,084 | 217,487 |
| Current assets | | | |
| Raw materials and supplies | II.6. | 17,778 | 12,404 |
| Work in progress | II.6. | 7,384 | 6,269 |
| Finished goods and commodities | II.6. | 13,876 | 13,154 |
| Advance payments | | 8,023 | 4,715 |
| Inventories | | 47,061 | 36,542 |
| Trade receivables | II.7. | 73,101 | 39,551 |
| Contract assets | II.8. | 113,042 | 99,622 |
| Other current assets | II.9. | 14,760 | 15,710 |
| Trade receivables and other current assets | | 200,903 | 154,883 |
| Gold | II.5. | 3,570 | 2,879 |
| Securities | II.5. | 3,169 | 6,350 |
| Financial assets | | 6,739 | 9,229 |
| Cash in hand | V. | 84 | 16 |
| Bank balances | V. | 243,821 | 307,500 |
| Cash in hand, bank balances | | 243,905 | 307,516 |
| | | 498,608 | 508,170 |
| Total assets | | 844,692 | 725,657 |

| Statement of financial position Equity and liabilities (IFRS) | Notes | 31 Dec 2019 audited €k | 31 Dec 2018* audited €k |
|--|---------|------------------------------|-------------------------------|
| Equity | | | |
| Issued capital | II.11.1 | 5,941 | 6,587 |
| Capital reserve | II.11.2 | 253,260 | 316,241 |
| Legal reserve | II.11.3 | 61 | 61 |
| Retained earnings | II.11.4 | 82,286 | 50,881 |
| Non-controlling interests | II.11.5 | 133,004 | 125,522 |
| | | 474,552 | 499,292 |
| Non-current liabilities | | | |
| Liabilities to banks | II.13. | 47,297 | 36,554 |
| Liabilities to non-controlling interests | II.13. | 20,686 | 0 |
| Liabilities from participation rights | II.13. | 9,963 | 0 |
| Other liabilities | II.14. | 6,469 | 1,456 |
| Lease liabilities | II.16. | 12,068 | 2,431 |
| Pension provisions | II.12. | 28,387 | 23,511 |
| Other provisions | II.15.1 | 1,195 | 6,400 |
| Deferred tax liabilities | II.10. | 23,854 | 7,780 |
| | | 149,919 | 78,132 |
| Current liabilities | | | |
| Liabilities to banks | II.13. | 22,128 | 22,197 |
| Contract liabilities | II.13. | 35,424 | 21,186 |
| Trade payables | II.13. | 56,707 | 52,565 |
| Liabilities to non-controlling interests | II.13. | 7,540 | 0 |
| Other liabilities | II.14. | 28,962 | 13,405 |
| Lease liabilities | II.16. | 8,863 | 2,697 |
| Provisions with the nature of a liability | II.15.1 | 35,438 | 18,987 |
| Tax provisions | II.15.2 | 7,750 | 2,755 |
| Other provisions | II.15.1 | 17,409 | 14,441 |
| | | 220,221 | 148,233 |
| Total equity and liabilities | | 844,692 | 725,657 |

* Adjusted figures (see note 1.3)

| Consolidated statement of cash flows | 1 Jan - 31 Dec 2019 €k | 1 Jan - 31 Dec 2018 €k |
|---|------------------------------|------------------------------|
| 1. Cash flow from operating activities | | |
| Earnings before interest and taxes (EBIT) | 54,392 | 38,620 |
| Adjustments for non-cash transactions | | |
| Write-downs | 26,575 | 15,374 |
| Increase (+) / decrease (-) in provisions | -3,047 | -6,764 |
| Gains (-) / Losses (+) from disposal of PPE | -737 | -3,564 |
| Other non-cash expenses/income | -19,032 | -8 |
| | 3,759 | 5,038 |
| Change in working capital: | | |
| Increase (-) / decrease (+) in inventories, trade receivables and other assets | 10,077 | -11,908 |
| Decrease (-) / increase (+) in trade payables and other liabilities | 7,097 | -532 |
| | 17,174 | -12,440 |
| Income taxes paid | -6,621 | -7,686 |
| Interest received | 526 | 511 |
| | -6,095 | -7,175 |
| Cash flow from operating activities | 69,230 | 24,043 |
| 2. Cash flow from investing activities | | |
| Investments (-) / divestments (+) intangible assets | -6,425 | -5,410 |
| Investments (-) / divestments (+) property, plant and equipment | -13,733 | -17,671 |
| Investments (-) / divestments (+) financial assets and securities | -13,522 | -23,096 |
| Business combinations (less cash received) | -22,535 | 0 |
| Cash flow from investing activities | -56,215 | -46,177 |
| 3. Cash flow from financing activities | | |
| Proceeds from disposal of share without change of control | 0 | 102,117 |
| Payments from capital reductions | -62,083 | 0 |
| Profit distribution to shareholders | -4,099 | -8,695 |
| Payments to non-controlling interests | -2,394 | -2,234 |
| Proceeds from borrowing financial loans | 27,401 | 18,866 |
| Repayments of financial loans | -27,097 | -10,703 |
| Payments for finance lease | -5,468 | -1,238 |
| Interest payments | -2,911 | -2,239 |
| Cash flow from financing activities | -76,651 | 95,874 |
| Cash and cash equivalents at end of period | | |
| Change in cash and cash equivalents (Subtotal 1-3) | -63,636 | 73,740 |
| Effects of changes in foreign exchange rates (non-cash) | 25 | -40 |
| Cash and cash equivalents at start of reporting period | 307,516 | 233,816 |
| Cash and cash equivalents at end of period | 243,905 | 307,516 |
| Composition of cash and cash equivalents | | |
| Cash in hand | 84 | 16 |
| Bank balances | 243,821 | 307,500 |
| Reconciliation to liquidity reserve on 31 Dec | | |
| | 2019 | 2018 |
| Cash and cash equivalents at end of period | 243,905 | 307,516 |
| Gold | 3,570 | 2,879 |
| Securities | 92,718 | 65,809 |
| Liquidity reserve on 31 Dec | 340,193 | 376,204 |

| Statement of changes in consolidated equity | | | | | | | | | | | | |
|--|----------------|-----------------|---------------|---------------------------------|---------------------|-----------------|----------------|---------------|-------------------------------|---------------------------------|---------------------------|---------------------|
| | Issued capital | Capital reserve | Legal reserve | Currency translation difference | Retained earnings | | | | Generated consolidated equity | Share of shareholders of MBB SE | Non-controlling interests | Consolidated equity |
| | | | | | Fair value reserves | Pension reserve | Other reserves | | | | | |
| | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k | €k | |
| 31 Dec 2017 | 6,587 | 214,333 | 61 | -47 | 2,640 | -2,271 | 0 | 67,736 | 289,039 | 96,018 | 385,057 | |
| Effect in initial application of IFRS 9 | 0 | 0 | 0 | 0 | -353 | 0 | 0 | 314 | -39 | 0 | -39 | |
| Adjustment of previous figures* | 0 | 21,519 | 0 | 0 | 0 | 0 | 0 | -21,519 | 0 | 0 | 0 | |
| 1 Jan 2018 | 6,587 | 235,852 | 61 | -47 | 2,287 | -2,271 | 0 | 46,531 | 289,000 | 96,018 | 385,018 | |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -8,695 | -8,695 | -2,234 | -10,929 | |
| Subtotal | 6,587 | 235,852 | 61 | -47 | 2,287 | -2,271 | 0 | 37,836 | 280,305 | 93,784 | 374,089 | |
| Amounts recognised in other comprehensive income | 0 | 0 | 0 | 0 | -2,157 | 497 | 0 | 0 | -1,660 | -297 | -1,957 | |
| Currency translation difference | 0 | 0 | 0 | -656 | 0 | 0 | 0 | 0 | -656 | -1 | -657 | |
| Consolidated net profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,392 | 15,392 | 11,854 | 27,246 | |
| Total comprehensive income | 0 | 0 | 0 | -656 | -2,157 | 497 | 0 | 15,392 | 13,076 | 11,556 | 24,632 | |
| Placement Aumann shares | 0 | 80,389 | 0 | 0 | 0 | 0 | 0 | 0 | 80,389 | 20,182 | 100,571 | |
| 31 Dec 2018 | 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 recognised 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 | |
| Others | 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 | |

* See note 1.3

Notes to the Consolidated Financial Statements for 2019

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 AOETBQ 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 2019 financial year were approved by the Board of MBB SE on 1 April 2020 and published on 9 April 2020.

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 2019 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 2019 financial year.

| Regulation | Title | Effects |
|------------|---|---------|
| IFRS 16 | Leases | yes |
| IFRS 9 | Amendment: Prepayment Features with Negative Compensation | none |
| IAS 19 | Amendment: Plan Amendment, Curtailment or Settlement | none |
| IAS 28 | Amendment: Long-term Interests in Associates and Joint Ventures | none |
| IFRIC 23 | Uncertainty over Income Tax Treatments | none |
| | Annual Improvements to IFRSs 2015 - 2017 | none |

IFRS 16 Leases (effective date in the EU: 1 January 2019):

The new standard replaces the provisions of IAS 17 Leases and the related interpretations of IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 does away with the classification of leases as operating leases and finance leases for lessees as required in accordance with IAS 17, and replaces it with a uniform accounting model under which lessees are required to recognise a right-of-use asset and a corresponding lease liability for leases with a term of more than twelve months. However, IFRS 16 largely retains the provisions for accounting for leases by lessors in accordance with IAS 17.

The new standard had a material impact on the consolidated statement of financial position as at the adoption date. MBB has a significant number of leases classified as operating leases in accordance with IAS 17, which mainly relate to property, motor vehicles and other technical equipment and machinery.

MBB adopted IFRS 16 as at 1 January 2019, applying the modified retrospective approach without the restatement of the comparative information of 2018 and exercising the expedients described below. The

reclassifications and adjustments in conjunction with the implementation of IFRS 16 are therefore recognised in the opening statement of financial position as at 1 January 2019. MBB has opted not to reassess whether a contract is or contains a lease as at the adoption date. Instead, for leases entered into before the transition date, MBB has applied the assessment in accordance with IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. The definition of a lease in accordance with IFRS 16 has therefore only been applied to contracts entered into or amended on or after 1 January 2019. MBB has introduced a system for managing lease data to ensure that leases are accounted for in accordance with IFRS 16. The amounts paid for software licenses do not fall within the scope of IFRS 16 and are accounted for in accordance with IAS 38.

When adopting IFRS 16, MBB elected to utilise the following practical expedients allowed by the standard:

- leases that had a remaining term of less than twelve months as at 1 January 2019 were typically recognised as short-term leases in accordance with IFRS 16;
- exclusion of initial direct costs from the measurement of the right-of-use asset as at 1 January 2019;
- retrospective determination of the lease term if the lease contains options to extend or terminate the lease; and
- no adjustments as at 1 January 2019 for low-value leases.

Prior to 31 December 2018, in its capacity as a lessee, MBB classified leases as operating or finance leases in accordance with IAS 17. Most of the company's leases are classified as operating leases. The corresponding lease expenses were recognised as an expense on a straight-line basis over the term of the lease. In the transition period, the lease liabilities for leases classified as operating leases in accordance with IAS 17 were recognised at the present value of the outstanding lease payments, discounted at the incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate was 1.21%. Right-of-use assets are initially measured at an amount equal to the amount of the lease liability. For leases previously classified as finance leases, MBB recognised the carrying amount of the lease asset and the lease liability recognised in accordance with IAS 17 as at 31 December 2018 as the carrying amount of the right-of-use asset and the lease liability in accordance with IFRS 16 as at 1 January 2019.

In accordance with IFRS 16, the expenses for leases are shown as straight-line depreciation for right-of-use assets and as interest expenses by recognising interest on lease liabilities using the effective interest method. Fixed payments for operating leases, which were recognised as expenses in accordance with IAS 17, are eliminated under IFRS 16. The right-of-use assets and lease liabilities include leases that were accounted for as finance leases in accordance with IAS 17 until 31 December 2018.

Right-of-use assets of €6.6 million and lease liabilities of €6.6 million were recognised as at 1 January 2019 as part of the transition to IFRS 16. The adoption of IFRS 16 did not result in any adjustments to retained earnings. Based on the other financial obligations from rental and lease agreements as at 31 December 2018, the following table shows the reconciliation to the carrying amount of lease liabilities in the statement of financial position as at 1 January 2019.

| | €k |
|---|---------------|
| Liabilities from operating leases as of 31 December 2018 | 4,101 |
| less: current leases and leases for which the underlying asset is of low value | -500 |
| Adjustments due to different estimates of extension options and other adjustments | 3,104 |
| Gross lease liabilities as of 1 January 2019 | 6,705 |
| Discounting | -58 |
| Discounted lease liabilities as of 1 January 2019 | 6,647 |
| plus: finance lease liabilities as of 31 December 2018 | 5,128 |
| Lease liabilities as of 1 January 2019 | 11,775 |

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 |
|------------|--|-------------|---------------------|
| | Amendment: Interest Rate Benchmark Reform | 01/01/2020 | no material effects |
| IAS 1 | Amendment: Definition of Material | 01/01/2020 | no material effects |
| | Amendments to References to the Conceptual Framework | 01/01/2020 | no material effects |
| IFRS 3 | Amendment: Definition of a Business | 01/01/2020 | no material effects |
| IFRS 17 | Insurance Contracts | 01/01/2021 | no material effects |
| IAS 1 | Amendment: Classification of Liabilities | 01/01/2022 | no material effects |

1.3 Correction of an error in accordance with IAS 8

In its audit of the consolidated financial statements of MBB SE, Berlin, for the 2017 financial year, the German Financial Reporting Enforcement Panel (FREP) found that consolidated earnings before taxes were reported too high by €29.5 million in the consolidated income statements. This was because costs in connection with the share reduction while maintaining a majority interest in accordance with IFRS 10.23 in conjunction with the IPO of its subsidiary Aumann AG, Beelen, in March 2017 had not been recognised as an expense, but rather deducted directly from equity as transaction costs. These costs are essentially for payments to management and employees (€28.0 million) that did not satisfy the requirements of IAS 32.35 and IAS 32.37 for recognition in equity. Other costs of €1.5 million related to the listing of shares already issued in accordance with IAS 32.35 and IAS 32.38. The correction was recognised retrospectively. However, the error did not affect the total amount of equity, liquidity or net liquidity in the 2017 consolidated financial statements or in subsequent consolidated financial statements.

The tables below provide an overview of the effects of the correction:

| IFRS consolidated statement of profit or loss | 1 Jan - | 1 Jan - | Delta |
|---|----------------|---------------|----------------|
| | 31 Dec 2017 | 31 Dec 2017 | |
| | corrected | reported | |
| | €k | €k | €k |
| Cost of purchased services | -77,644 | -63,728 | -13,916 |
| Wages and salaries | -84,575 | -70,484 | -14,091 |
| Other operating expenses | -26,443 | -24,953 | -1,490 |
| Earnings before interest, taxes, depreciation, and amortisation (EBITDA) | 641 | 30,138 | -29,497 |
| Earnings before interest and taxes (EBIT) | -9,787 | 19,710 | -29,497 |
| Earnings before taxes (EBT) | -11,634 | 17,863 | -29,497 |
| Income tax expense | -3,271 | -7,207 | 3,936 |
| Profit or loss for the period | -15,320 | 10,241 | -25,561 |
| Non-controlling interests | -1,543 | -5,585 | 4,042 |
| Consolidated net profit | -16,863 | 4,656 | -21,519 |
| Earnings per share (in €) | -2.56 | 0.71 | -3.27 |

| Statement of financial position | 31 Dec 2017 | 31 Dec 2017 | |
|---------------------------------|----------------|----------------|----------|
| Equity and liabilities (IFRS) | corrected | reported | Delta |
| | €k | €k | €k |
| Equity | | | |
| Issued capital | 6,587 | 6,587 | 0 |
| Capital reserve | 235,852 | 214,333 | 21,519 |
| Legal reserve | 61 | 61 | 0 |
| Retained earnings | 46,539 | 68,058 | -21,519 |
| Non-controlling interests | 96,018 | 96,018 | 0 |
| | 385,057 | 385,057 | 0 |

1.4 Business combinations

ISL

MBB SE acquired 66% of shares in ISL Internet Sicherheitslösungen GmbH, Bochum, through DTS IT AG on 19 February 2019. ISL is a leading German software developer in the area of IT security with a focus on network access control. The main reason for the acquisition is the expansion of business activities on the future market of IT security.

The cost can be attributed to the assets purchased and liabilities assumed, measured at fair value, as follows:

| ISL Internet Sicherheitslösungen GmbH | Carrying amount before PPA | Fair Value according to PPA |
|---|----------------------------|-----------------------------|
| €k | | |
| Assets and liabilities | | |
| Intangible assets | 0 | 8,015 |
| Property, plant and equipment | 52 | 52 |
| Deferred tax assets | 0 | 481 |
| Current assets | 520 | 520 |
| Cash and bank balances | 570 | 570 |
| Provisions and liabilities | 400 | 2,004 |
| Deferred tax liabilities | 0 | 2,405 |
| Identified acquired net assets | 742 | 5,229 |
| Calculation of difference | | |
| Purchase price for acquired shares | | 6,938 |
| Purchase price for acquired working capital | | 100 |
| Contingent consideration agreement | | 562 |
| Total acquisition costs | | 7,600 |
| Non-controlling interests | | 1,778 |
| Identified acquired net assets | | 5,229 |
| Goodwill (+) | | 4,149 |
| Net cash outflow from the acquisition | | 6,468 |

The business combination was implemented using the purchase method. The remeasured equity was valued at €5,229 thousand as at the consolidation date. The receivables acquired in the context of the transaction, which are essentially trade and tax receivables, have a fair value of €520 thousand, which is also the gross value of the receivables. The best estimate at the acquisition date of the contractual cash flows not expected to be collectible is €0 thousand. There were also no contingent assets or liabilities. The incidental costs of the transaction amounted to €45 thousand. Revenue of €2,689 thousand, a profit of €26 thousand and an operating cash flow of €882 thousand from the acquired company have been recognised since the date of initial consolidation. If the company had already been included in consolidation at the start of 2019, revenue of €2,927 thousand and a profit of €44 thousand would have been

included in the consolidated financial statements from this company. The purchase price for the shares acquired and the working capital was €7,038 thousand and was settled entirely in cash.

Contingent consideration was agreed as part of the transaction. The payment relates to ISL's performance in the 2019 financial year. The amount of €562 thousand is the estimated fair value of this obligation as at the acquisition date. Its possible range is between €0 thousand and €562 thousand.

In measuring non-controlling interests, the option was exercised to measure non-controlling interests in proportion to net assets not including goodwill.

The goodwill essentially results from efficiency and synergy gains. The goodwill resulting from the acquisition is not expected to be tax-deductible.

Friedrich Vorwerk Group

On 30 July 2019, MBB SE acquired 60% of the shares in Friedrich Vorwerk KG (GmbH & Co.), Tostedt, and its subsidiaries (referred to hereinafter as "Vorwerk"). Vorwerk is a leading provider in the field of pipeline and plant engineering for gas and power grids. The acquisition was motivated firstly by the further diversification of MBB's portfolio of equity investments and secondly by entering the attractive infrastructure market.

The cost can be attributed to the assets purchased and liabilities assumed, measured at fair value, as follows:

| Friedrich Vorwerk KG (GmbH & Co.) €k | Carrying amount before PPA | Fair Value according to tentatively PPA |
|---|----------------------------|---|
| Assets and liabilities | | |
| Intangible assets | 370 | 8,018 |
| Property, plant and equipment | 27,364 | 40,255 |
| Financial assets | 415 | 10,872 |
| Deferred tax assets | 25 | 2,304 |
| Current assets | 32,222 | 45,657 |
| Cash and bank balances | 4,655 | 4,655 |
| Provisions and liabilities | 55,538 | 57,112 |
| Deferred tax liabilities | 0 | 12,042 |
| Identified acquired net assets | 9,513 | 42,607 |
| Calculation of difference | | |
| Purchase price for acquired shares | | 17,668 |
| Total acquisition costs | | 17,668 |
| Non controlling interests | | 15,945 |
| Identified acquired net assets | | 42,607 |
| Badwill (-) | | -8,994 |
| Net cash outflow from the acquisition | | 13,013 |

The business combination was implemented using the purchase method. The remeasured equity was valued at €42,607 thousand as at the consolidation date. The receivables acquired in the context of the transaction, which are essentially trade and tax receivables, have a fair value of €9,513 thousand, which is also the gross value of the receivables. The best estimate at the acquisition date of the contractual cash flows not expected to be collectible is €0 thousand. There were also no contingent assets or liabilities. The incidental costs of the transaction amounted to €816 thousand. Revenue of €89,881 thousand and a profit of €19,961 thousand from the acquired companies have been recognised since the date of initial consolidation. If the companies had already been included in consolidation at the start of 2019, revenue of €172,611 thousand and a profit of €21,191 thousand (before non-controlling interests) would have been included in the consolidated financial statements from these companies. The purchase price for the shares acquired was €17,668 thousand and was settled entirely in cash.

In measuring non-controlling interests, the option was exercised to measure non-controlling interests in proportion to net assets. The badwill arising of €8,994 thousand is reported under "Badwill". The badwill essentially arose from MBB's advantages compared to other potential buyers. In particular, these are its excellent liquidity situation and high flexibility regarding any seller requirements. Furthermore, MBB's many years of experience and expert employees enable it to analyse and carry out corporate acquisitions within a very short space of time.

The purchase price allocation used for initial consolidation is provisional as, after completing purchase price allocation, new information could still emerge that would lead to subsequent adjustments within a year of acquisition. In particular, changes could arise regarding the measurement of intangible assets, financial assets and deferred taxes.

Bohlen & Doyen

On 10 December 2019, MBB SE acquired all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, through Friedrich Vorwerk KG (GmbH & Co.). The acquisition was motivated by the expansion of business activities in the infrastructure area and the anticipated synergies with the Friedrich Vorwerk Group, which was also acquired in the financial year.

The cost can be attributed to the assets purchased and liabilities assumed, measured at fair value, as follows:

| Bohlen & Doyen Bau GmbH and Bohlen & Doyen Service und Anlagentechnik GmbH €k | Carrying amount be- fore PPA | Fair Value according to tentatively PPA |
|---|---------------------------------|--|
| Assets and liabilities | | |
| Intangible assets | 12,566 | 67 |
| Property, plant and equipment | 7,317 | 12,671 |
| Financial assets | 2,429 | 2,504 |
| Deferred tax assets | 313 | 5,496 |
| Current assets | 18,875 | 18,867 |
| Cash and bank balances | 6,671 | 6,671 |
| Provisions and liabilities | 25,256 | 30,610 |
| Deferred tax liabilities | 3,690 | 5,266 |
| Identified acquired net assets | 19,225 | 10,400 |
| Calculation of difference | | |
| Purchase price for acquired shares | | 5,257 |
| Total acquisition costs | | 5,257 |
| Identified acquired net assets (100%) | | 10,400 |
| Badwill (-) | | -5,143 |
| Net cash inflow from the acquisition | | 1,414 |

The business combination was implemented using the purchase method. The remeasured equity was valued at €10,400 thousand as at the consolidation date. The receivables acquired in the context of the transaction, which are essentially trade receivables, have a fair value of €2,391 thousand, which is also the gross value of the receivables. The best estimate at the acquisition date of the contractual cash flows not expected to be collectible is €0 thousand. There were also no contingent assets or liabilities. The incidental costs of the transaction amounted to €37 thousand. Revenue of €6,672 thousand and a loss of €680 thousand from the acquired companies have been recognised since the date of initial consolidation. If the companies had already been included in consolidation at the start of 2019, revenue of €104,354 thousand and a profit of €8,971 thousand would have been included in the consolidated financial statements from these companies. The purchase price for the shares acquired was €5,257 thousand and was settled entirely in cash.

The badwill arising of €5,143 thousand is reported under "Badwill". The badwill essentially arose from MBB's advantages compared to other potential buyers. In particular, these are its excellent liquidity situation and high flexibility regarding any seller requirements. Specifically, in addition to the original transaction target (Bohlen & Doyen Bau GmbH), MBB was also able to offer a takeover solution for Bohlen & Doyen Service und Anlagentechnik GmbH. Furthermore, MBB's many years of experience and expert employees enable it to analyse and carry out corporate acquisitions within a very short space of time.

The purchase price allocation used for initial consolidation is provisional as, after completing purchase price allocation, new information could still emerge that would lead to subsequent adjustments within a year of acquisition. In particular, changes could arise regarding the measurement of intangible assets, financial assets and deferred taxes.

Overall impact of business combinations

Consolidated earnings include €19,307 thousand from the companies included in the consolidated financial statements for the first time in the financial year. Revenue includes €99,242 thousand from the subsidiaries consolidated for the first time in the financial year. According to projections, if all the business combinations had taken place as at 1 January 2019, consolidated revenue would have increased by €180,651 thousand and consolidated earnings by €10,898 thousand (before non-controlling interests).

The goodwill for the business combinations amounts to €14,137 thousand in total in the 2019 financial year. Goodwill of €4,149 thousand was also recognised from business combinations.

The new companies were included in consolidation for the first time as at the acquisition date or close to it, provided that this had no significant impact compared to consolidation as at the acquisition date.

In addition, the outstanding purchase price liability from the acquisition of Aumann Limbach-Oberfrohn GmbH (formerly: USK Karl Utz Sondermaschinen GmbH) of €4,467 thousand was settled entirely in cash in the financial year.

1.5 Company law changes and structural changes in 2019

eld datentechnik GmbH, Herford, Germany, was merged with DTS Systeme GmbH, Herford, Germany, in the financial year.

ACoN-IT GmbH, Vienna, was renamed DTS Systeme Wien GmbH, Vienna, in the financial year. ICSmedia GmbH, Münster, was renamed DTS Systeme Münster GmbH, Münster, in the financial year.

On 1 November 2019, MBB SE acquired all shares in the shelf companies Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, and Bohlen & Doyen Bau Holding GmbH, Tostedt, through Friedrich Vorwerk KG (GmbH & Co.). These two companies are holding companies and have no operating activities. There was no purchase price allocation for these two subsidiaries as neither of them satisfied the definition of a business in accordance with IFRS 3 as at the acquisition date, and therefore they do not fall within the scope of IFRS 3. The transactions were instead accounted for as acquisitions of assets and liabilities.

2. Consolidated group

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 % |
|--|----------------------------|
| Subsidiaries (fully consolidated) | |
| Aumann AG, Beelen, Germany | 38.00 |
| Aumann Beelen GmbH, Beelen, Germany | 38.00 |
| Aumann Berlin GmbH, Berlin, Germany | 38.00 |
| Aumann Winding and Automation Inc., Clayton, USA | 38.00 |
| Aumann Espelkamp GmbH, Espelkamp, Germany | 38.00 |
| Aumann Immobilien GmbH, Espelkamp, Germany | 38.00 |
| AumannTechnologies (China) Ltd. Changzhou, China | 38.00 |
| Aumann Limbach-Oberfrohna GmbH,, Limbach-Oberfrohna, Germany | 38.00 |
| CT Formpolster GmbH, Löhne, Germany | 100.00 |
| Delignit AG, Blomberg, Germany | 76.08 |
| Blomberger Holzindustrie GmbH , Blomberg, Germany | 76.08 |
| Hausmann Verwaltungsgesellschaft mbH, Blomberg, Germany | 76.08 |
| Delignit Immobiliengesellschaft mbH, Blomberg, Germany | 76.08 |
| Delignit North America Inc., Atlanta, USA | 76.08 |
| DHK automotive GmbH, Oberlungwitz, Germany | 76.08 |
| 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 KG (GmbH Co.), 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 |

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 (Bau-ARGEN) | |
| ARGE Bavaria Loop Nord | 33.33 |
| ARGE Bavaria Loop Süd | 33.33 |
| ARGE Bühneninstandsetzung Wangerooge 2019 | 50.00 |
| ARGE CCP-Projekt Rühlersmoor | 50.00 |
| ARGE Deichbau Wangerooge 1. BA | 27.00 |
| ARGE DOW Ohrensen K28 | 50.00 |
| ARGE EGL 442 | 58.00 |
| ARGE EUGAL Los 7+8 | 37.50 |
| ARGE FGL 910 Katharina | 50.00 |
| ARGE FWT Hafen-City / Peute | 50.00 |
| ARGE GDRM Anlagen Zeelink | 50.00 |
| ARGE Klosterwall | 32.00 |
| 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 B7 1n Wedringen | 50.00 |
| ARGE Nie-Tieke GmbH / EAS Einhaus Anlagenservice GmbH BV Knotensanierung | 30.00 |
| ARGE NWKG K113/K311 | 50.00 |
| ARGE NWKG K301/K603 | 50.00 |
| ARGE Rehabilitierung Südfeld Phase 2 BA 3 und BA 4 | 33.33 |
| ARGE Störag 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 | 50.00 |
| 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 DoWin 6 | 45.60 |
| Dach-ARGE EUGAL Los 5+6 | 53.35 |
| Dach-ARGE Fernwärme Trasse 60 | 30.00 |
| Dach-ARGE Gelsendraht | 50.00 |
| Dach-ARGE Jenfelder Au | 50.00 |
| Dach-ARGE Mantelrohrhausbau | 50.00 |
| Dach-ARGE Neubau B7 1n Wedringen | 50.00 |
| Dach-ARGE Pipelinesanierung Gascade 2019/2020 | 50.00 |
| Dach-ARGE Rohrbau TAV 2018-2020 | 50.00 |
| Dach-ARGE Rückbau Altleitungen NFL LU 2017/2018 | 50.00 |
| Dach-ARGE San. FGL 301 NB Süd und Mitte | 17.60 |
| Dach-ARGE San. FGL 86 JS 2019/2020 | 51.00 |
| Dach-ARGE Sanierung FGL 009 und 209 | 50.00 |
| Dach-ARGE Sanierung FGL 301, LU NB Mitte, JS 2019 | 50.00 |
| Dach-ARGE Sanierung FGL 301, NB West, LU 2018 | 51.24 |
| Dach-ARGE Sanierung HD-Leitung 2 Iserlohn | 64.00 |
| Dach-ARGE Sanierungsarbeiten Pipelinennetz GASCADE 2017-2018 | 50.00 |
| Dach-ARGE Spülbohrung Coca-Cola Los 3 | 65.00 |

| Name and registered office of the company | Ownership interest in % |
|--|-------------------------|
| Dach-ARGE Stadtbeleuchtung | 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 Umliegung Leitung Nr. 6 | 50.00 |
| Dach-ARGE ZEELINK Los 3 - 5 | 25.00 |
| Associates | |
| SKS Straßenbau GmbH, Tostedt, Deutschland | 50.00 |
| Associated companies at amortised cost | |
| S.C. Cildro Plywood Srl., Drobeta Turnu Severin, Romania | 24.00 |
| S.C. Cildro S.A., Drobeta Turnu Severin, Romania | 17.90 |
| S.C. Cildro Service Srl., Drobeta Turnu Severin, Romania | 17.90 |

There are significant non-controlling interests in Aumann AG. MBB's ownership interest amounts to 38.00% as at the end of the reporting period (previous year: 38.00%). Please see note 1.5 g) in the notes to the consolidated financial statements for information on the consolidation of Aumann AG.

The summarised financial information for Aumann AG is shown below. The amounts are shown before intragroup elimination.

| Aumann AG | 31 Dec 2019 | 31 Dec 2018 |
|--|-------------|-------------|
| | €k | €k |
| Non-current assets | 99,120 | 87,206 |
| Current assets | 227,627 | 248,903 |
| Non-current liabilities | 46,877 | 45,419 |
| Current liabilities | 76,705 | 94,762 |
| Net assets | 203,165 | 195,928 |
| | | |
| | 2019 | 2018 |
| | €k | €k |
| Revenue | 259,573 | 290,815 |
| Consolidated net profit | 10,994 | 18,222 |
| Net profit non-controlling interests | 6,817 | 10,958 |
| Dividend paid to non-controlling interests | 1,891 | 1,891 |
| Cash flow from operating activities | -3,737 | 18,216 |
| Cash flow from investing activities | -14,837 | -10,286 |
| Cash flow from financing activities | -8,837 | -8,284 |

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of MBB SE and its subsidiaries as at 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 reporting 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. 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 recognised at fair value and included in the consolidated statement of financial position. If the cost exceeds the fair value of the net assets attributable to the Group, the difference is capitalised 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 recognised 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 Associated companies

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 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.

Associated companies are included in the consolidated financial statements using the equity method. Under this method, the pro rata profits and losses of the associated company 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 recognised in an auxiliary account. For acquisitions of associated companies, the purchase method is applied in the same way. Associated companies 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 amortised cost.

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". Joint ventures not accounted for using the equity method due to immateriality are measured at amortised cost.

Construction working groups are common in Germany in particular. According to a statement by the Institute of Public Auditors in Germany, a typical German construction working group satisfies the requirements for classification as a joint venture. The results of construction working groups are reported pro rata under other operating income. In particular, receivables from and liabilities to working groups include cash receipts and payments and cost allocations, and are reported under trade receivables and trade payables.

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 recognised 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 exchange differences are recognised 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 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 |
| | | |
| | Closing rate 31 Dec 2018 | Average rate 2018 |
| Polish zloty (PLN) | 4.3014 | 4.262 |
| Chinese renminbi (CNY) | 7.8751 | 7.8067 |
| US-Dollar (USD) | 1.1450 | 1.1816 |

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 recognised 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 capitalised 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 recognised at cost less cumulative amortisation and cumulative impairment losses (reported under amortisation). Intangible assets (not including goodwill) are amortised on a straight-line basis over their estimated useful life. The amortisation period and amortisation 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 capitalised and treated as an intangible asset unless it forms an integral part of the associated hardware. Software is amortised on a straight-line basis over a period of up to three years.

Patents are amortised 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 recognised 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 recognised 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 amortised 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 recognised, 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 recognised 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 capitalised 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: 10 to 33 years
- Technical equipment and machinery: 10 to 12 years
- Computer hardware: 3 years
- Other office equipment: 5 to 13 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 derecognised. Any realised 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 recognised 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.

Until 31 December 2018, it was assessed on the basis of the risks and opportunities associated with a leased asset whether its economic ownership was attributable to the lessee (finance leases) or the lessor (operating leases) in accordance with IAS 17.

Payments for operating leases were expensed in the income statement on a straight-line basis over the term of the lease.

Assets recognised under a finance lease were recognised at the lower of the present value of the lease payments or the fair value of the leased asset at the inception of the lease, and subsequently measured less cumulative depreciation, amortisation and impairment. Depreciation and amortisation were recognised on a straight-line basis; the residual values of assets were taken into account accordingly. The payment obligations resulting from future lease instalments were discounted and expensed under lease liabilities.

Since 1 January 2019, as a lessee, the Group has recognised 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 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 recognise right-of-use assets and lease liabilities for low-value (i.e. value of underlying asset €5,000 or less on acquisition) and short-term leases (remaining term of twelve months or less). The lease payments associated with these leases are recognised 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 capitalised 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 recognised in profit or loss.

An adjustment in profit or loss of impairment recognised 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 recognised in the income statement as income. However, the increase in value (or reduction in impairment) of an asset is only recognised to the extent that it does not exceed the carrying amount that would have resulted if no impairment loss had been recognised 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.

1) Financial assets

Initial recognition and measurement

On initial recognition, financial assets are classified as subsequently measured at amortised 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 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 amortised 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 recognised 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 at amortised cost (debt instruments);
- financial assets at fair value through profit or loss through other comprehensive income with the reclassification of cumulative gains and losses (debt instruments);
- financial assets at fair value through profit or loss through other comprehensive income without the reclassification of cumulative gains and losses on derecognition (equity instruments);
- financial assets at fair value through profit or loss;

financial assets at amortised cost (debt instruments);

This is the category most relevant to the Group. The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest rate method and are tested for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or becomes impaired.

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

Financial assets 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 recognised in profit or loss and calculated in the same way as for financial assets measured at amortised cost.

The remaining changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative gain or loss from changes in fair value recognised 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 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 recognised 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 cost of the financial asset. In this case, the gains are recognised 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 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 effective hedging instruments. 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 amortised 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 recognised 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 derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- 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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises 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 recognises 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 recognised in two stages. For financial instruments for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognised 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 recognise 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 recognises 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 issue 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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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 measurement of financial liabilities is dependent on their classification:

Financial liabilities 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 effective hedging instruments.

Gains or losses on liabilities held for trading are recognised 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 amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the EIR amortisation process.

Amortised 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 amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised 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 recognised 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 recognised amounts and there is an intention to settle on a net basis, to realise 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 to hedge exchange rate 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 recognised as financial assets, while derivative financial instruments with a negative fair value are recognised 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 realisable 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. The cost of finished goods and work in progress, in addition to the cost of materials used in construction, labour and pro rata material and production overheads, is taken into account assuming normal capacity utilisation. Appropriate write-downs were recognised 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 recognised 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 recognised 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 recognised 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 recognised in accordance with IAS 37. This is analysed on a case-by-case basis to recognise the amount required to settle the present obligation under the construction contract. In such cases, impairment is recognised up to the amount of the respective contract asset or – if the contract asset is exceeded – a provision for onerous contracts is recognised 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 recognised 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 recognised immediately in profit or loss when they are incurred, the revenue from supplementary work is only recognised after the principal's written acknowledgement has been received or on payment of the supplementary work, if payment is received before written acknowledgement.

Plant engineering revenue (Service & Infrastructure segment)

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

Revenue is recognised 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 with the corresponding changes.

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 recognised 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. Under this method, when the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with this construction contract are recognised by reference to the percentage of completion of the contract activity at the end of the reporting period. 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 recognised 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 recognised 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 recognised up to a maximum of the costs incurred. Contract costs are recognised 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 constructive) 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 recognised as a liability, the refund is recognised as a separate asset provided the receipt of the refund is virtually 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 recognised as interest expense.

Provisions with the nature of a liability are recognised for obligations for which an exchange of services has taken place and the amount of the consideration is established with sufficient certainty. Provisions with the nature of a liability are reported under liabilities.

4.16 Pensions and other post-employment benefits

The pension obligations calculated at the level of the individual subsidiaries are measured in accordance with IAS 19. Payments for defined contribution pension plans are expensed. For defined benefit pension plans, the obligation is recognised 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 recognised to show the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when the customer acquires control of the goods or services.

Sale of goods and products, performance of services

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

Revenue from construction contracts (Technological Applications segment)

Revenue from long-term construction contracts is recognised over a period of time in accordance with IFRS 15. Revenue is recognised 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 recognised over a period of time in accordance with IFRS 15. Revenue is recognised 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 working groups is recognised over a period of time based on the work actually performed as at the end of the reporting period. Anticipated losses later in the construction process are taken into account by corresponding write-downs.

Revenue from plant engineering projects (Service & Infrastructure segment)

Plant engineering revenue is recognised 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 revenue

Interest revenue is recognised 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

Revenue is recognised 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 recognised 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 recognised 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 recognised 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 recognised.

Tax credits that are dependent on investments are recognised 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 utilised. Unrecognised deferred tax assets are tested at the end of each reporting period and recognised to the extent that it has become probable that taxable result in future will allow the realisation 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 realised 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 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 recognised in accordance with IFRS 3.23 if their fair value can be reliably determined.

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

4.20 Government grants

Government grants are recognised as profit or loss on a systematic basis in the periods in which the related expenses are recognised 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 end of the reporting period resulting in a considerable risk that a major adjustment to the carrying amounts of assets and liabilities will be required within the next financial year are explained 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 from defined benefit plans post-employment 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 recognised 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 recognised as provisions.

d) Deferred tax assets

Deferred tax assets are recognised 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 recognised 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 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 recognised directly in equity in other comprehensive income.

g) Consolidation of Aumann AG

In conjunction with the secondary offering of Aumann AG shares in February 2018, MBB SE's ownership interest in Aumann AG was reduced from 49.17% to 38.00%. Despite the reduced shareholding, 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

Changes in intangible assets and property, plant and equipment are shown in the following statement of changes in non-current assets.

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

| | Total cost | Additions in the financial year | Business acquisition | Reclassification | Disposals in the financial year | Exchange differences | Write downs (full amount) | Carrying amount at the end of financial year | Carrying amount at the end of previous year | Write downs in the financial year | Disposals of write downs | Exchange differences |
|---|----------------|---------------------------------|----------------------|------------------|---------------------------------|----------------------|---------------------------|--|---|-----------------------------------|--------------------------|----------------------|
| 31 Dec 2019 | € | € | € | € | € | € | € | € | € | € | € | € |
| 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 | | | | | | | | | | | | |
| 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 |

1.2 Statement of changes in non-current assets of the MBB Group as at 31 December 2018

| | Total cost | Additions in the financial year | Reclassification | Disposals in the financial year | Exchange differences | Write downs (full amount) | Carrying amount at the end of financial year | Carrying amount at the end of previous year | Write downs in the financial year | Disposals of write downs | Exchange differences |
|---|----------------|---------------------------------|------------------|---------------------------------|----------------------|---------------------------|--|---|-----------------------------------|--------------------------|----------------------|
| 31 Dec 2018 | € | € | € | € | € | € | € | € | € | € | € |
| I. Intangible assets | | | | | | | | | | | |
| 1. Concessions, industrial property rights and similar rights | 14,063 | 2,270 | 0 | 136 | -5 | 12,026 | 4,166 | 3,712 | 1816 | 136 | -5 |
| 2. Development Costs | 3,832 | 2,713 | 0 | 0 | 0 | 773 | 5,772 | 3,648 | 589 | 0 | 0 |
| 3. Customer base | 882 | 0 | 0 | 0 | 0 | 294 | 588 | 686 | 98 | 0 | 0 |
| 4. Order backlog | 2,614 | 0 | 0 | 0 | 0 | 2,614 | 0 | 2,091 | 2,091 | 0 | 0 |
| 5. Goodwill | 40,300 | 0 | 0 | 0 | 0 | 0 | 40,300 | 40,300 | 0 | 0 | 0 |
| 6. Advance payments | 122 | 427 | 0 | 0 | 0 | 0 | 549 | 122 | 0 | 0 | 0 |
| | 61,813 | 5,410 | 0 | 136 | -5 | 15,707 | 51,375 | 50,559 | 4,594 | 136 | -5 |
| II. Property, plant | | | | | | | | | | | |
| 1. Land and buildings including buildings on third-party land | 60,116 | 7,554 | 1,277 | 48 | -434 | 12,957 | 55,508 | 49,080 | 1,979 | 0 | -58 |
| 2. Technical equipment and machinery | 62,732 | 488 | 7,778 | 504 | -1,031 | 43,156 | 26,307 | 23,920 | 4,975 | 27 | -604 |
| 3. Other equipment, operating and office equipment | 28,114 | 6,361 | 260 | 115 | -43 | 23,230 | 11,317 | 8,575 | 3,826 | 106 | -30 |
| 4. Advance payments and assets under development | 9,795 | 5,261 | -9,315 | 306 | -84 | 0 | 5,351 | 9,795 | 0 | 0 | 0 |
| | 160,757 | 19,664 | 0 | 1,003 | -1,592 | 79,343 | 98,483 | 91,370 | 10,780 | 133 | -692 |
| Total | 222,570 | 25,074 | 0 | 1,139 | -1,597 | 95,050 | 149,858 | 141,929 | 15,374 | 269 | -697 |

2. Goodwill

The carrying amount of goodwill is €44,449 thousand (previous year: €40,300 thousand). The change as against the previous year of €4,149 thousand exclusively results from the acquisition of ISL Internet Sicherheitslösungen GmbH, Bochum.

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, Aumann Berlin GmbH and Aumann Immobilien GmbH] (€10,058 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 unit is allocated to the Trade & Services segment, and the Hanke Tissue cash-generating unit is allocated to the Consumer Goods segment.

The impairment test as at 31 December 2019 confirmed the recoverability of all capitalised goodwill.

Aumann Limbach-Oberfrohna cash-generating unit

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 8.8% (previous year: 16.6%). Cash flows beyond the detailed planning period are extrapolated using a growth rate of 5.0%. Perpetual annuity is calculated using a long-term growth rate of 1%.

Aumann EBI cash-generating unit

The recoverable amount of the cash-generating unit CGU is also 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 8.7% (previous year: 16.8%). Cash flows beyond the detailed planning period are extrapolated using a growth rate of 5.0%. Perpetual annuity is calculated using a long-term growth rate of 1%.

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 5.0% 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 of €0.0 thousand were recognised for qualifying assets in the year under review (previous year: €34.1 thousand).

The following table provides an overview of the capitalised right-of-use assets in each asset class as at 31 December 2019:

| Right-of-use asset | 31 Dec 2019 €k | 01 Jan 2019 €k |
|---|-------------------|-------------------|
| Land and buildings | 6,698 | 3,916 |
| Technical equipment and machinery | 3,987 | 407 |
| Other equipment, operating and office equipment | 4,329 | 2,324 |
| Total | 15,014 | 6,647 |

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 €11,940 thousand in the 2019 financial year, €9,892.5 thousand of which relates to business combinations.

5. Financial assets

| Financial assets | 31 Dec 2019 €k | 31 Dec 2018 €k |
|-------------------------------------|-------------------|-------------------|
| Securities | 89,549 | 59,459 |
| At-equity financial assets | 13,214 | 0 |
| Others | 1,281 | 1,198 |
| Carrying amount as at 31 Dec | 104,044 | 60,657 |

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

| Securities | 31 Dec 2019 €k | 31 Dec 2018 €k |
|-------------------------------------|-------------------|-------------------|
| Carrying amount as at 31 Dec | 59,459 | 37,621 |
| Additions during the period | 39,090 | 36,391 |
| Disposals during the period | -20,229 | -12,613 |
| Revaluation | 11,229 | -1,940 |
| Carrying amount as at 31 Dec | 89,549 | 59,459 |

| At-equity financial assets | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------|---------------|-------------|
| | €k | €k |
| Carrying amount as at 31 Dec | 0 | 0 |
| Additions to scope of consolidation | 13,376 | 0 |
| Additions during the period | 75 | 0 |
| Proportionate annual results | 1,145 | 0 |
| Dissolution of hidden reserves | -1,382 | 0 |
| Carrying amount as at 31 Dec | 13,214 | 0 |

Working group disclosures

In the Group, construction working groups are classified as joint ventures and their results are reported in the result from equity investments under other operating income. The table below shows the ten biggest working groups in terms of performance for the 2019 financial year.

| Consortium (Arbeitsgemeinschaften) | Ownership interest in % |
|---|-------------------------|
| (BLS) ARGE Bavaria Loop Süd | 33.33 |
| (442) ARGE EGL 442 | 58.00 |
| (E78) ARGE EUGAL Los 7+8 | 37.50 |
| (GAZ) ARGE GDRM Anlagen Zeelink | 50.00 |
| (SER) ARGE Stora Etzel Reha Südfeld II, 2. BA | 50.00 |
| (MCC) ARGE VS Würselen - MCC-I | 45.00 |
| (VWV) ARGE VS Würselen - Vorabmaßnahmen | 50.00 |
| (AZ3) ARGE Zeelink 3+5 | 50.00 |
| (E56) Dach-ARGE EUGAL Los 5+6 | 53.35 |
| (DZ3) Dach-ARGE ZEELINK Los 3 - 5 | 25.00 |

The financial information for these working groups for the 2019 financial year is presented at 100%.

| ARGE | Revenues | Non-current assets | Current assets | thereof liquid assets | Non-current liabilities | Current liabilities |
|------|----------|--------------------|----------------|-----------------------|-------------------------|---------------------|
| | €k | €k | €k | €k | €k | €k |
| E78 | 97,421 | 460 | 171,965 | 12,706 | 0 | 169,456 |
| E56 | 95,487 | 73 | 198,342 | 6,969 | 0 | 198,415 |
| DZ3 | 42,617 | 0 | 56,022 | 2,694 | 0 | 56,025 |
| MCC | 25,748 | 15 | 45,459 | 6,960 | 0 | 43,284 |
| AZ3 | 19,839 | 49 | 36,788 | 4,689 | 0 | 35,913 |
| BLS | 14,045 | 35 | 41,907 | 1,390 | 0 | 37,458 |
| GAZ | 11,400 | 0 | 12,834 | 1,434 | 0 | 12,834 |
| 442 | 7,045 | 29 | 13,067 | 2,202 | 0 | 12,672 |
| VWV | 6,819 | 0 | 14,023 | 1,974 | 0 | 13,773 |
| SER | 6,036 | 0 | 13,592 | 2,899 | 0 | 10,466 |

Disclosures on cumulative losses from associates

Pro rata losses from associates of €160.0 thousand (previous year: n.a.) were not recognised in profit or loss as the carrying amounts of these associates is already €0 thousand.

Financial assets at fair value through other comprehensive income

The financial assets of the MBB Group recognised at fair value through other comprehensive income comprise physical gold reserves and securities. The value of the physical gold reserves was €3,570 thousand (previous year: €2,879 thousand). The increase is due in full to fair value measurement as at 31 December 2019.

Of the securities, shares and bonds recognised at fair value through other comprehensive income totalling €92,718 thousand (previous year: €65,809 thousand), €89,549 thousand (previous year: €59,459 thousand) were reported under non-current assets and €3,169 thousand (previous year: €6,350 thousand) were reported under current assets. No impairment was recognised either in the year under review or in the previous year. Income from securities (essentially dividends) of €1,880 thousand was generated in the financial year, (previous year: €4,945 thousand), which is reported in other operating income.

6. Inventories

| | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------|---------------|---------------|
| | €k | €k |
| Raw materials and supplies | 17,778 | 12,404 |
| Work in progress | 7,384 | 6,269 |
| Finished goods and commodities | 13,876 | 13,154 |
| Advance payments | 8,023 | 4,715 |
| Carrying amount as at 31 Dec | 47,061 | 36,542 |

Impairment losses of €1,448 thousand were recognised on inventories in the period under review (previous year: €774 thousand). Impairment losses on inventories were reversed in the amount of €0 thousand (previous year: €0 thousand).

7. Trade receivables

| | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------|---------------|---------------|
| | €k | €k |
| Trade receivables | 74,136 | 40,453 |
| Less specific valuation allowances | -998 | -880 |
| Less expected credit loss | -37 | -22 |
| Carrying amount as at 31 Dec | 73,101 | 39,551 |

The trade receivables are all due within one year. The trade receivables are written down for impairment as necessary. Indications of impairment include unpaid cash receipts 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 2019 | 31 Dec 2018 |
|---|----------------|---------------|
| | €k | €k |
| Gross contract assets | 357,140 | 157,373 |
| thereon advance payments | -244,098 | -57,751 |
| Contract assets | 113,042 | 99,622 |
| Contract liabilities (incl. advance payments) | 35,424 | 21,186 |

No costs of contract initiation or contract fulfilment were capitalised as separate assets in the financial year.

9. Other current assets

Other assets maturing within one year break down as follows:

| | 31 Dec 2019 | 31 Dec 2018 |
|-------------------------------------|---------------|---------------|
| | €k | €k |
| Tax receivables | 4,405 | 3,689 |
| Receivables related companies | 2,615 | 0 |
| Factoring receivables | 2,225 | 4,817 |
| Prepaid expenses | 1,593 | 1,667 |
| Receivables personnel | 1,119 | 10 |
| Restricted Cash | 0 | 2,000 |
| Other current assets | 2,803 | 3,527 |
| Carrying amount as at 31 Dec | 14,760 | 15,710 |

Tax receivables consist of corporate income tax and trade tax refunds in the amount of €3,435.0 thousand (previous year: €3,222.3 thousand) and input tax refunds of €969.7 thousand (previous year: €467.0 thousand). The receivables from related companies are for receivables from SKS Straßenbau GmbH, Tostedt. Receivables from employees are essentially for employee loans.

10. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as at 31 December 2019 and 31 December 2018.

| | 31 Dec 2019 | 31 Dec 2018 |
|--------------------------|---------------|-------------|
| | €k | €k |
| Deferred tax assets | 22,626 | 14,053 |
| Deferred tax liabilities | -32,150 | -14,487 |
| Total | -9,524 | -434 |

| | 31 Dec 2019 | 31 Dec 2018 |
|------------------------------------|---------------|---------------|
| | €k | €k |
| Temporary differences from: | | |
| Provisions for pensions | 5,352 | 4,075 |
| Intangible assets | 3,569 | 0 |
| Unused tax losses | 3,501 | 4,825 |
| Special economic zone tax benefits | 3,054 | 3,930 |
| Financial assets | 2,409 | 38 |
| Liabilities | 2,245 | 10 |
| Property, plant and equipment | 1,044 | 119 |
| Provisions | 866 | 850 |
| Other current assets | 176 | 189 |
| Securities | 0 | 17 |
| Others | 410 | 0 |
| Deferred tax assets | 22,626 | 14,053 |

| | 31 Dec 2019 | 31 Dec 2018 |
|---------------------------------|---------------|---------------|
| | €k | €k |
| Temporary differences from: | | |
| Receivables | 15,438 | 10,371 |
| Intangible assets | 6,595 | 2,405 |
| Property, plant and equipment | 6,003 | 1,588 |
| Financial assets | 3,815 | 0 |
| Provisions for pensions | 88 | 0 |
| Provisions | 77 | 122 |
| Liabilities | 70 | 0 |
| Inventory | 64 | 0 |
| Other current assets | 0 | 1 |
| Deferred tax liabilities | 32,150 | 14,487 |

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.

After netting deferred tax assets against deferred tax liabilities relating to the same tax authorities, there remain deferred tax assets of €14,330 thousand and deferred tax liabilities of €23,854 thousand.

11. Equity

Please see the “Statement of changes in consolidated equity for 2019” for information on the development of equity.

11.1 Share capital

MBB SE's share capital amounts to €5,940,751 as at 31 December 2019 and is fully paid in. It is divided into 5,940,751 no-par value bearer shares.

In the 2006 financial year, the share capital was increased by €4,838,000 as a result of a capital increase from capital reserves and by another €1,600,000 through the issue of new shares, resulting in a total increase from €162,000 to €6,600,000.

Capital reduction

The Annual General Meeting on 17 June 2013 resolved to authorise the Managing Board to purchase and sell treasury shares corresponding to up to 10% of the share capital on the stock exchange in the period from 18 June 2013 to 16 June 2018. MBB had resolved to utilise this authorisation on 10 March 2015. As part of a share buyback programme, 13,225 treasury shares with a total value of €311,330.86 were purchased on the stock exchange via a bank in the period from 18 March to 7 May 2015. In accordance with section 71b AktG, these shares did not carry voting or dividend rights and served to reduce the number of shares that do carry voting and dividend rights. This authorisation expired on 16 June 2018.

The Annual General Meeting on 28 June 2018 authorised the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as at the authorisation date while upholding the principle of equal treatment (section 53a AktG) in the period until 27 June 2023. The authorisation 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 authorisation cannot be used for the purposes of trading in treasury shares.

On 13 March 2019, the Board of MBB SE resolved to exercise the authorisation granted by the Annual General Meeting on 28 June 2018 to purchase treasury shares. In the period from 18 March 2019 to 2 April 2019, MBB SE purchased 646,024 treasury shares over-the-counter by way of a voluntary public buyback offer to all shareholders at a price of €96.

After being acquired, all treasury shares held by the company (659,249) were retired in a capital reduction. The shares retired also include the 13,225 shares acquired under the 2015 share buyback programme. Following the retirement of the shares and the implementation of the capital reduction, the share capital of MBB SE amounts to €5,940,751 and is divided into 5,940,751 bearer shares, each representing a notional amount of the share capital of €1.

The Annual General Meeting on 28 May 2019 authorised the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as at the authorisation date while upholding the principle of equal treatment (section 53a AktG) in the period until 27 May 2024. The authorisation 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 authorisation cannot be used for the purposes of trading in treasury shares. The authorisation 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 authorisation became effective.

Authorised capital and contingent capital

The Annual General Meeting on 30 June 2015 authorised the Board of MBB SE 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 29 June 2020 by issuing new no-par value bearer shares in exchange for cash or non-cash contributions (Authorised Capital 2015/I). The Annual General Meeting on 28 June 2018 cancelled this resolution and created new Authorised Capital 2018. The Board is authorised 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 (Authorised 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 authorised 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 individual shareholdings of MBB SE are as follows:

| | 31.12.2019 | | 31.12.2018 | |
|---------------------------------------|------------------|----------------|------------------|----------------|
| | Number of shares | % | Number of shares | % |
| MBB Capital Management GmbH | 1,900,613 | 31.993% | 2,139,500 | 32.417% |
| MBB Capital GmbH | 1,900,613 | 31.993% | 2,139,500 | 32.417% |
| Allianz Global Investors Europe GmbH* | 316,701 | 5.331% | 316,701 | 4.799% |
| Anton Breitkopf | 41,112 | 0.692% | 46,279 | 0.701% |
| Dr. Peter Niggemann | 35,534 | 0.598% | 40,000 | 0.606% |
| Treasury shares | 0 | 0.000% | 13,225 | 0.200% |
| Others | 1,746,178 | 29.393% | 1,904,795 | 28.861% |
| Total | 5,940,751 | 100.00% | 6,600,000 | 100.00% |

* In accordance with the voting rights notification dated 4 July 2014.

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.

11.2 Capital reserves

The capital reserves amount to €253,260 thousand (previous year: €316,241 thousand). The capital reserves originally resulted from the premium received by the company from the issue of new shares in 2006. Capital reserves increased by €3.4 million in 2014 as a result of the sale of treasury shares to an institutional investor, and in 2015 capital reserves decreased by €0.3 million as a result of the acquisition of treasury shares.

The capital reserves were increased by €218.4 million as a result of the IPO of Aumann AG on 24 March 2017 and its capital increase on 4 December 2017.

The secondary offering of Aumann shares on 27 February 2018 increased capital reserves by a further €80,389 thousand.

In the period from 18 March 2019 to 2 April 2019, MBB SE purchased 646,024 treasury shares over-the-counter by way of a voluntary public buyback offer to all shareholders at a price of €96. After being acquired, all treasury shares held by the company (659,249) were retired in a capital reduction. The shares retired also include the 13,225 shares acquired under the 2015 share buyback programme. The capital reserves were reduced by €61.4 million as a result of this transaction.

11.3 Legal reserve

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

11.4 Retained earnings

Difference in equity due to currency translation

The difference in equity due to currency translation 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 first-time consolidation on the other.

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 realised.

Reserve for pensions

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

Reserve for generated consolidated equity

This item comprises the gains generated by the Group less distributed profits. A dividend of 69 cents per share (€4.1 million) was paid to the shareholders of MBB SE in the 2019 financial year.

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 and Hanke Tissue Sp. z o.o.

In accordance with IAS 32, the non-controlling interests in Friedrich Vorwerk KG (GmbH & Co.) 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 even if 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 KG (GmbH & Co.), Tostedt. The pension agreements are closed, meaning that no further occupational pension agreements are entered into for new appointments.

| | 31 Dec 2019 | 31 Dec 2018 |
|--|---------------|---------------|
| | €k | €k |
| Pension provisions at beginning of the financial year | 24,062 | 24,552 |
| Addition through company acquisition | 421 | 0 |
| Utilisation | -780 | -772 |
| Addition to provisions (service cost) | 396 | 494 |
| Addition to provisions (interest cost) | 410 | 411 |
| Actuarial gains (-) / losses (+) | 4,399 | -623 |
| Pension provisions at end of the financial year | 28,908 | 24,062 |
| - Plan assets | 521 | 551 |
| Pension provision recognised in the balance sheet | 28,387 | 23,511 |

The following actuarial assumptions were applied:

| | 2019 | 2018 |
|-------------------------|---------------|---------------|
| Actuarial interest rate | 0.55 - 0.80 % | 1.40 - 1.80 % |
| Salary trend | 0.00 - 3.00 % | 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 recognised in profit and loss are as follows:

| | 31 Dec 2019 | 31 Dec 2018 |
|--|-------------|-------------|
| | €k | €k |
| Addition to provisions (service cost) | -396 | -494 |
| Addition to provisions (interest cost) | -410 | -411 |
| Total | -806 | -905 |

The expected pension payments from the pension plans for 2020 amount to €0.8 million.

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

| | Change in assumption | Impact on defined benefit obligation | |
|---------------------|----------------------|--------------------------------------|------------------------|
| | | Increase in assumption | Decrease in assumption |
| Interest rate | 0.5% | - 5.2% | + 5.7% |
| Pension growth rate | 0.5% | + 7.4% | - 6.7% |
| Life expectancy | + 1 year | + 4.0% | - |

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:

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

| | Up to 1 year | More than 1 year and up to 5 years | Over 5 years | Total |
|---|-----------------|--|-----------------|----------------|
| 31 Dec 2018 | €k | €k | €k | €k |
| Liabilities to banks | 22,197 | 31,276 | 5,278 | 58,751 |
| Trade payables | 52,565 | 0 | 0 | 52,565 |
| Provisions with the nature of a liability | 21,186 | 0 | 0 | 21,186 |
| Other liabilities | 18,987 | 0 | 0 | 18,987 |
| Contract liabilities | 13,405 | 1,456 | 0 | 14,861 |
| Leases Liabilities | 2,697 | 2,431 | 0 | 5,128 |
| As at 31 Dec 2018 | 131,037 | 35,163 | 5,278 | 171,478 |

Liabilities to banks have both fixed and floating interest rates of between 0.7% and 5.6% (previous year: 0.7% and 5.6%). The weighted average interest rate for 2019 is 1.99% (previous year: 2.28%).

Land and buildings, technical equipment, machinery, inventories and receivables were pledged as collateral. The carrying amount of the pledged assets was €52,736 thousand (previous year: €41,055 thousand) as at the end of the reporting period, €46.0 million of which relates to property, plant and equipment and €6.7 million of which to inventories.

As at the end of the reporting period, there is profit participation capital of €9,963.2 thousand in total (previous year: €0 thousand) issued by Friedrich Vorwerk KG (GmbH & Co.). 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 Vorwerk Group in the form of floating-rate interest. 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 KG (GmbH & Co.). 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.

In conjunction with the acquisition of 66% of the shares in ISL Internet Sicherheitslösungen GmbH, Bochum, by DTS IT AG, Herford, 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 recognised 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.

14. Other liabilities

Other liabilities break down as follows:

| | 31 Dec 2019 | 31 Dec 2018 |
|------------------------------|---------------|---------------|
| | €k | €k |
| Current | | |
| Value added tax | 11,486 | 2,006 |
| Wages and salaries | 5,922 | 1,448 |
| Consortium (ARGEN) | 2,930 | 0 |
| Wage tax | 1,529 | 1,588 |
| Deferred Liability | 1,360 | 549 |
| Associates | 1,149 | 0 |
| Social security benefits | 1,023 | 281 |
| Earn-out ISL | 563 | 0 |
| Debtors with credit balances | 494 | 1,912 |
| Liability from capital tax | 457 | 165 |
| Commissions | 303 | 586 |
| Bonus | 40 | 43 |
| Consulting and Board | 24 | 204 |
| Purchase price USK | 0 | 4,467 |
| Miscellaneous | 1,682 | 156 |
| | 28,962 | 13,405 |
| Non-current | | |
| Liability NCI put | 4,884 | 0 |
| Investment grant received | 1,112 | 1,180 |
| Deferred Income PPA ISL | 254 | 0 |
| Support funds | 170 | 187 |
| Bonus scheme | 49 | 89 |
| | 6,469 | 1,456 |
| Total | 35,431 | 14,861 |

15. Provisions

15.1 Other provisions

Other non-current provisions, current provisions and provisions with the nature of a liability are composed as follows:

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

The provision for subsequent costs relates to various projects at the Aumann 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 bonus programme for Executive Management is described under VIII.2. Executive body remuneration.

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

15.2 Tax provisions

Tax provisions break down as follows:

| | 31 Dec 2019 | 31 Dec 2018 |
|--------------------------------------|--------------|--------------|
| | €k | €k |
| Corporate income tax | 2,741 | 1,405 |
| Trade income tax | 5,009 | 1,350 |
| Carrying amount as at 31 Dec. | 7,750 | 2,755 |

16. Leases

As a result of the adoption of IFRS 16, MBB recognised lease liabilities of €6,647.4 thousand for leases previously classified as operating leases.

| Lease liabilities | 31 Dec 2019 | 01 Jan 19 |
|---|---------------|--------------|
| | €k | €k |
| Land and buildings | 6,724 | 3,916 |
| Technical equipment and machinery | 3,992 | 407 |
| Other equipment, operating and office equipment | 4,338 | 2,324 |
| Total | 15,054 | 6,647 |

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

| Lease liabilities | 31 Dec 2019 | 31 Dec 2018 |
|-------------------|---------------|--------------|
| | €k | €k |
| Long term | 12,068 | 2,431 |
| Short term | 8,863 | 2,697 |
| Total | 20,931 | 5,128 |

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

| Amounts recognised in the consolidated statement of comprehensive income | 2019 |
|--|--------------|
| | €k |
| Amortisation and depreciation | 4,667 |
| thereof land and buildings | 1,224 |
| thereof technical equipment and machinery | 1,838 |
| thereof other equipment, operating and office equipment | 1,605 |
| Interest expense | 203 |
| Expenses for short-term leases | 3,137 |
| Expenses for low-value leasing objects | 6 |
| Total | 8,013 |

The cash outflows for leases (including payments for short-term and low-value leases) amount to €6,710.0 thousand in total in the 2019 financial year.

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €592.1 million in the 2019 financial year (previous year: €506.6 million). Revenue of €330.7 million (previous year: €285.2 million) relates to contracts with customers recognised 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. Other operating income

| | 2019 | 2018 |
|---|---------------|---------------|
| | €k | €k |
| Income from | | |
| badwill | 14,137 | 0 |
| own work capitalised | 4,153 | 2,950 |
| reversal of provisions | 4,125 | 4,766 |
| securities | 1,880 | 4,945 |
| settlement of benefits in kind | 1,247 | 0 |
| associates | 1,145 | 0 |
| sale of fixed assets | 1,044 | 64 |
| insurance compensation | 795 | 438 |
| other periods | 722 | 150 |
| the reversal of valuation allowances on receivables | 320 | 162 |
| exchange rate gains | 79 | 57 |
| miscellaneous | 2,012 | 1,871 |
| Total | 31,659 | 15,403 |

The results from working groups (associates accounted for using the equity method) relate to the first-time consolidation of the Friedrich Vorwerk in the 2019 financial year. Income from the offsetting of remuneration in kind was reported under staff costs in the previous year.

3. Other operating expenses

| | 2019 | 2018 |
|--|---------------|---------------|
| | €k | €k |
| Maintenance expenses | 8,819 | 6,313 |
| Travel costs/vehicle costs | 5,967 | 3,844 |
| Legal and consulting | 4,067 | 2,018 |
| Other services | 3,165 | 2,490 |
| Rental agreements and leasing | 3,144 | 3,962 |
| Insurance | 1,396 | 1,022 |
| Advertising costs | 1,214 | 1,300 |
| Expenses from securities transactions | 1,685 | 287 |
| Costs for telephone, post and data communication | 907 | 734 |
| Contributions and fees | 705 | 615 |
| Training | 621 | 407 |
| Office supplies | 533 | 407 |
| Personnel cost | 521 | 32 |
| Incidental costs for monetary transactions | 495 | 541 |
| Loss of receivables and bad debt allowances | 472 | 267 |
| Expenses from the disposal of non-current assets | 440 | 19 |
| Previous periods | 316 | 25 |
| Foreign currency losses | 147 | 457 |
| Warranty expenses | 9 | 10 |
| Miscellaneous | 6,111 | 3,350 |
| Total | 40,734 | 28,100 |

4. Finance income

| | 2019 | 2018 |
|--|------------|------------|
| | €k | €k |
| Other interest and similar income | 407 | 315 |
| Interest and similar income from securities transactions | 119 | 196 |
| Total | 526 | 511 |

5. Finance costs

| | 2019 | 2018 |
|-------------------------------------|--------------|--------------|
| | €k | €k |
| Bank interest | 1,366 | 1,292 |
| Bank guarantees commissions | 321 | 439 |
| Interest expense from pension | 410 | 411 |
| Other interest and similar expenses | 818 | 97 |
| Total | 2,915 | 2,239 |

6. Taxes

Details on deferred tax assets and liabilities can be found under I.4.17 b) "Deferred taxes". In recognising deferred taxes, an income tax rate of 30% is applied as the basis for German subsidiaries, while the future local tax rate is applied for foreign subsidiaries. The income tax rate is 19% in Poland and 25% in China.

The reconciliation of income tax expense and the accounting net profit multiplied by the Group's applicable tax rate for the 2019 and 2018 financial years is as follows:

| | 2019 | 2018 |
|----------------------|--------------|--------------|
| | €k | €k |
| Corporate income tax | 4,224 | 4,290 |
| Trade income tax | 4,428 | 2,625 |
| Deferred taxes | 573 | 2,356 |
| Total | 9,225 | 9,271 |

| | 2019 | 2018 |
|--|--------------|--------------|
| | €k | €k |
| Consolidated income before taxes and non-controlling interests | 34,598 | 36,516 |
| Income taxes | 9,225 | 9,271 |
| Current tax rate | 26.7% | 25.4% |

| | 2019 | 2018 |
|--|---------------|---------------|
| | €k | €k |
| Earnings before taxes (EBT) | 44,299 | 36,892 |
| Other taxes | -476 | -375 |
| Applicable (statutory) tax rate | 30.0% | 30.0% |
| Expected tax expense | 13,147 | 10,955 |
| Differences from foreign tax rates and special tax schemes | -94 | 92 |
| Effects from tax-free income | -3,624 | 0 |
| Taxes relating to other periods | 569 | 74 |
| Income from the sale of securities | 0 | -1,038 |
| Effects due to the use or value adjustment of losses carried forward | -638 | -987 |
| Other tax effects | -135 | 175 |
| Current tax expense | 9,225 | 9,271 |

7. Earnings per share

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

| | 2019 | 2018 |
|---|-------------|-------------|
| Result attributable to the holders of shares in the parent company before adjustments (in €) | 26,945,095 | 15,391,568 |
| Weighted average number of shares to calculate the earnings per share | 6,068,186 | 6,586,775 |
| Earnings per share (in €) | 4.44 | 2.34 |

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.

Corporate acquisitions resulted in a reorganisation of the business segments in the 2019 financial year. The Industrial Production segment was renamed Consumer Goods and comprises the companies CT Formpolster and Hanke Tissue. In addition to Aumann and Delignit, the Technological Applications segment now also includes OBO-Werke, which was previously part of the Industrial Production segment. The Trade & Services segment will include DTS and the Vorwerk Group moving ahead, and has been renamed Service & Infrastructure. The prior-year figures are reported according to the new segment structure.

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

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.

Services & Infrastructure

The Service & Infrastructure segment comprises the companies of the DTS Group, which specialise 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.

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.

| 1 Jan - 31 Dec 2019 | Technological Applications €k | Consumer Goods €k | Service & Infrastructure €k | Reconciliation €k | Group €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 |
| Earnings (EBIT) | 18,685 | 5,645 | 22,926 | 7,136 | 54,392 |
| Amortisation and depreciation | 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 | | |

| 1 Jan - 31 Dec 2018 | Technological Applications €k | Consumer Goods €k | Service & Infrastructure €k | Reconciliation €k | Group €k |
|-------------------------------|----------------------------------|----------------------|--------------------------------|----------------------|----------------|
| Revenue from third parties | 371,058 | 83,758 | 51,774 | 0 | 506,590 |
| Other segments | 2 | 142 | 506 | -650 | 0 |
| Total revenue | 371,060 | 83,900 | 52,280 | -650 | 506,590 |
| Earnings (EBIT) | 30,342 | 810 | 2,361 | 5,107 | 38,620 |
| Amortisation and depreciation | 8,225 | 4,030 | 3,075 | 44 | 15,374 |
| Investments | 11,206 | 4,933 | 8,763 | | |
| Segment assets | 266,459 | 52,152 | 19,785 | | |
| Segment liabilities | 121,582 | 14,944 | 8,455 | | |

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, provisions for taxes, 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 consolidated EBIT. In particular, this includes income and expenses from securities and remuneration of holding company personnel.

| Reconciliation of EBIT to net profit for the year | 2019 €k | 2018 €k |
|---|---------------|---------------|
| Total EBIT of the segments | 47,256 | 33,513 |
| Reconciliation to Group EBIT | 7,136 | 5,107 |
| Net finance costs | -10,093 | -1,728 |
| EBT | 44,299 | 36,892 |
| Taxes on income | -9,225 | -9,271 |
| Other taxes | -476 | -375 |
| PAT (profit after tax) | 34,598 | 27,246 |
| Non Controlling Interests | -7,653 | -11,854 |
| Net profit for the period | 26,945 | 15,392 |

| Reconciliation of segment assets to assets | 2019 €k | 2018 €k |
|--|----------------|----------------|
| Technological Applications segment | 278,251 | 266,459 |
| Consumer Goods segment | 52,963 | 52,152 |
| Service & Infrastructure segment | 143,624 | 19,785 |
| Total segment assets | 474,838 | 338,396 |
| Deferred tax assets | 14,330 | 6,972 |
| Current funds | 250,644 | 316,745 |
| Financial assets | 89,549 | 59,459 |
| Other assets | 15,331 | 4,085 |
| Total assets | 844,692 | 725,657 |

| Reconciliation of segment liabilities to equity and liabilities | 2019 €k | 2018 €k |
|---|----------------|----------------|
| Technological Applications segment | 105,382 | 121,582 |
| Consumer Goods segment | 14,272 | 14,944 |
| Service & Infrastructure segment | 114,596 | 8,455 |
| Total segment liabilities | 234,250 | 144,981 |
| Consolidated equity | 474,552 | 499,292 |
| Deferred tax liabilities | 23,854 | 7,780 |
| Tax provision | 7,750 | 2,755 |
| Liabilities to banks | 69,425 | 58,751 |
| Leasing liabilities | 20,931 | 5,128 |
| Other equity and liabilities | 13,930 | 6,970 |
| Total equity and liabilities | 844,692 | 725,657 |

2. Information by region

2.1 Revenue from external customers

| | 2019 €k | 2018 €k |
|----------------------|----------------|----------------|
| Europe | 523,497 | 429,643 |
| China | 34,535 | 31,985 |
| USMCA (former NAFTA) | 20,369 | 34,806 |
| Miscellaneous | 13,658 | 10,156 |
| Total | 592,059 | 506,590 |

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 €274.8 thousand at year-end (previous year: €168.6 thousand).

3. Information on main customers

No single customer contributed more than 10% of consolidated revenue in the 2019 and 2018 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 01 Jan 2018 | 39,814 | 13,511 | 1,671 | 2,191 | |
| Borrowing | 3,900 | 12,773 | 831 | 1,362 | 18,866 |
| Redemption | -6,403 | -4,301 | -41 | -1,197 | -11,942 |
| cash effective cash flow changes | -2,503 | 8,472 | 790 | 165 | 6,924 |
| Changes in exchange rates | -288 | -169 | -26 | -63 | -546 |
| Reclassifications | -469 | 469 | -4 | 4 | 0 |
| Others | 0 | -86 | 0 | 400 | 314 |
| non cash effective cash flow changes | -757 | 214 | -30 | 341 | -232 |
| Balance sheet as of 31 Dec 2018 | 36,554 | 22,197 | 2,431 | 2,697 | |
| First-time application of IFRS 16 | 0 | 0 | 4,361 | 2,287 | 6,648 |
| Balance sheet as of 01 Jan 2019 | 36,554 | 22,197 | 6,792 | 4,984 | |
| Borrowing | 13,596 | 13,805 | 0 | 0 | 27,401 |
| Redemption | -5,643 | -21,454 | -119 | -5,349 | -32,565 |
| cash effective cash flow 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 |
| non cash effective cash flow 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 | |

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 | Carrying amount | Fair Value |
|---|------------------------------------|-----------------|------------|
| Assets | | | |
| Long-term securities | FVTOCI | 87,497 | 87,497 |
| Long-term securities | FVTPL | 2,052 | 2,052 |
| Trade receivables | AC | 73,101 | |
| Other financial assets | AC | 2,615 | |
| Securities (debt instruments) | FVTOCI | 3,169 | 3,169 |
| Cash and cash equivalents | AC | 243,905 | |
| Liabilities | | | |
| Finance liabilities | FLaC | 69,425 | 71,361 |
| Liabilities from participation rights | FLaC | 9,963 | 13,346 |
| Trade liabilities | FLaC | 56,707 | |
| Other financial liabilities | FLaC | 1,149 | |
| Liabilities to non-controlling interests | FLaC | 28,226 | |
| Liabilities from contingent consideration | FVTPL | 563 | 563 |
| Liability from put-option ISL | FVTPL | 4,884 | 4,884 |
| Aggregated according to categorie | | | |
| Assets | AC | 319,621 | |
| | FVTOCI | 90,667 | 90,667 |
| | FVTPL | 2,052 | 2,052 |
| Liabilities | FLaC | 165,470 | |
| | FVTPL | 5,446 | 5,446 |

* FVTPL: fair value through profit or loss; FVTOCI: fair value through other comprehensive income; AC: amortised cost; FLaC: financial liabilities at amortised 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 recognised are approximately the fair values. The fair value of the financial liabilities, liabilities from profit participation rights, liabilities from contingent consideration and liabilities from the ISL put option are recognised at the present value of the expected future cash flows expected. Discounting uses standard market interest rates based on the corresponding maturities and credit ratings.

The fair values as at 31 December 2019 for financial instruments reported at fair value in the statement of financial position were calculated as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|---------|--------------|---------------|
| Long-term securities | 89,549 | | | 89,549 |
| Securities (debt instruments) | 3,169 | | | 3,169 |
| Total | 92,718 | | | 92,718 |
| Liabilities | | | | |
| Liabilities from contingent consideration | | | 563 | 563 |
| Liability from put-option ISL | | | 4,884 | 4,884 |
| Total | | | 5,446 | 5,446 |

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

Both the liabilities from contingent consideration and the liabilities from the ISL put option result from the acquisition of Internet Sicherheitslösungen GmbH, Bochum, and were recognised for the first time in the financial year. Interest expenses of €46 thousand on the ISL put option liability and remeasurement income of €57 thousand were recognised in the financial year.

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 2019. | not applicable |
| Liabilities from contingent consideration | 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'. |
| Liability from put-option ISL | 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 financial 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 €412,339 thousand in the year under review (previous

year: €455,918 thousand). Business relationships are only entered into with partners of good credit standing. 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 recognised 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 optimising 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 2019 | 31 Dec 2018 |
|--------------------------------|-------------|-------------|
| Equity in €k | 474,552 | 499,292 |
| - <i>in % of total capital</i> | 56.2% | 68.8% |
| Liabilities in €k | 370,140 | 226,365 |
| - <i>in % of total capital</i> | 43.8% | 31.2% |
| Current liabilities in €k | 220,221 | 148,233 |
| - <i>in % of total capital</i> | 26.1% | 20.4% |
| Non-current liabilities in €k | 149,919 | 78,132 |
| - <i>in % of total capital</i> | 17.7% | 10.8% |
| Net gearing* | -0.5 | -0.6 |

* Calculated as the ratio of financial liabilities less cash and cash equivalents, securities and physical gold reserves 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 partners of good credit standing.

Assessments from independent rating agencies, other financial information and trading records are used to assess credit, 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). Based on the estimate of exchange rate risks, the Group uses derivative financial instruments,

e.g. currency futures, to a limited extent. The Group's invoices are essentially issued in euro or the respective 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. There is no hedging involving derivatives (e.g. interest rate swaps or interest rate futures). The Group had liabilities with floating interest rates in the amount of €33,345 thousand as at the end of the reporting period. 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 €666.9 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 at 31 December 2019 affect the future liquidity situation of the Group.

| 31 Dec 2019 | Carrying amount | Up to 1 year | More than 1 year and up to 5 years | Over 5 years |
|---|-----------------|---------------|------------------------------------|---------------|
| Type of liability | €k | €k | €k | €k |
| Liabilities to banks | 69,425 | 21,598 | 36,917 | 13,864 |
| Liabilities from participation rights | 9,963 | 360 | 1,478 | 16,348 |
| Trade payables | 56,707 | 56,707 | 0 | 0 |
| Other liabilities | 1,149 | 1,149 | 0 | 0 |
| Liabilities to non-controlling interests | 28,226 | 7,540 | 0 | 20,686 |
| Liabilities from contingent consideration | 563 | 563 | 0 | 0 |
| Liability from put-option ISL | 4,884 | 0 | 5,139 | 0 |
| Lease liabilities | 20,931 | 7,635 | 11,387 | 2,450 |
| 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 required 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

Peter Niggemann, lawyer, Deputy Chairman

Anton Breitkopf, business management graduate, Member

Dr Christof Nesemeier, business graduate, member of the Board and of Executive Management (CEO)

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.

Anton Breitkopf is the Deputy Chairman of the Supervisory Board of DTS IT AG and a member of the Supervisory Board of Delignit AG.

Dr Christof Nesemeier is the Chairman of the Supervisory Board of Delignit AG and a member of the Supervisory Board of Aumann AG.

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)

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

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 is responsible for Mergers & Acquisitions and Investor Relations.

2. Executive body remuneration

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 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.

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 recognised 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.

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 finalisation 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.

Long-term bonus programme (long term incentive plan)

In December 2013 MBB SE introduced a long-term bonus programme based on the share price, against payment for management and free of charge for employees, in order to reinforce its long-term investment nature as a family-owned, medium-sized group listed in the Prime Standard of the Frankfurt Stock Exchange. The business model of MBB SE is largely based on the use of qualified, committed managers. This model is intended to incentivise them to sustainably increase the value of MBB while ensuring that they remain with the company in the long term.

A new tranche was last issued for the current programme in December 2017.

The value of virtual options is calculated for the share price-based bonus programme. 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 programme 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.

Board:

Fixed remuneration for Board members was expensed in the amount of €110,000 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 28 June 2018, the Board agreed consulting contracts for specific individual projects with Gert-Maria Freimuth and Anton Breilkopf. These go beyond the extent of their responsibility as members of the executive bodies. Mr Gert-Maria Freimuth receives a daily rate of €2,000 within an annual budget of €140,000, while Mr Anton Breilkopf receives a daily rate of €1,000 within an annual budget of €100,000. An amount of €138,000 for Mr Gert-Maria Freimuth and €100,000 for Mr Anton Breilkopf was expensed in the 2019 financial year under the terms of these contracts. Furthermore, Mr Anton Breilkopf received remuneration owed under the 2014 long-term bonus plan 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.

| 2019 Remuneration (€k) | Long term bonus programme | | | Supervisory Board remunera- tion ¹⁾ | Consul- ting fees | Total |
|-----------------------------|------------------------------|---------------|------|---|-------------------------|-------|
| | Fixed | Bonus 2019 | 2014 | | | |
| 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 Breilkopf | 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

| 2018 Remuneration (€k) | Bonus | | Long term bonus programme | Supervisory Board remunera- tion ¹⁾ | Consul- ting fees | Total |
|----------------------------------|-------|------|---------------------------------|---|-------------------------|-------|
| | Fixed | 2018 | | | | |
| Executive Management | | | | | | |
| Dr Christof Nesemeier | 450 | 98 | 0 | 29 | 0 | 577 |
| Klaus Seidel | 209 | 53 | 0 | 9 | 0 | 271 |
| Dr Constantin Mang ²⁾ | 90 | 53 | 0 | 0 | 0 | 143 |
| Anton Breitkopf ³⁾ | 95 | 0 | 0 | 10 | 0 | 105 |
| Dr. Gerrit Karalus ³⁾ | 95 | 0 | 0 | 0 | 0 | 95 |
| Board | | | | | | |
| Gert-Maria Freimuth | 33 | 0 | 0 | 38 | 104 | 175 |
| Dr Peter Niggemann | 18 | 0 | 0 | 0 | 0 | 18 |
| Anton Breitkopf ³⁾ | 10 | 0 | 0 | 0 | 37 | 47 |
| Dr Christof Nesemeier | 0 | 0 | 0 | 0 | 0 | 0 |

¹⁾ Remuneration is made by Delignit AG and Aumann AG

²⁾ since 1 July 2018

³⁾ until 30 June 2018

In the 2019 financial year, subsequent variable remuneration of €420.0 thousand was paid to a member of Executive Management who had already left in the 2018 financial year.

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

| Total Options | Option programme | | Total |
|-----------------------|------------------|--------|--------|
| | 2017 | 2015 | |
| Dr Christof Nesemeier | 13,000 | 15,000 | 28,000 |
| Klaus Seidel | 10,000 | 10,000 | 20,000 |
| Dr Constantin Mang | 8,000 | 4,000 | 12,000 |
| Anton Breitkopf | 10,000 | 10,000 | 20,000 |
| Team | 2,000 | 2,000 | 4,000 |

The virtual options from the 2014 option programme were paid out in full in the financial year. The number of outstanding virtual options from this tranche is zero as at the end of the reporting period. The parameters of the individual tranches are as follows:

| | 2017 | 2015 |
|---------------------------|--------|--------|
| Total Options | 43,000 | 41,000 |
| Basic price | 98.34 | 22.82 |
| 90 days average price | 64.27 | 64.27 |
| Knock out price K2 | 67.67 | 88.85 |
| Intrinsic value | 0.00 | 0.77 |
| Closing price 31 Dec 2019 | 71.10 | 71.10 |

The total obligation under the long-term bonus programme amounted to €5,243.4 thousand as at 31 December 2018. This obligation decreased by €3,209.5 thousand in the 2019 financial year. €2,051.6 thousand of this related to the full payment of the 2014 long-term bonus programme and €1,157.9 thousand to the lower 90-day average share price compared to 2018. The provision for the long-term bonus programmes amounts to €2,033.9 thousand as at 31 December 2019 (€1,438.6 thousand of which related to the active members of Executive Management in the year under review).

The provision for the long-term bonus programme for management developed as follows in the year under review:

| Provision Bonus (€k) €k | 31/12/2018 | Addition | Utilisation | Reversal | 31/12/2019 |
|---------------------------------------|------------|----------|-------------|----------|------------|
| Executive Management and Board | | | | | |
| 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 Breilkopf | 1,304 | 0 | 519 | 289 | 496 |

| Provision Bonus (€k) €k | 31/12/2017 | Addition | Utilisation | Reversal | 31/12/2018 |
|-------------------------------|------------|----------|-------------|----------|------------|
| Executive Management | | | | | |
| Dr Christof Nesemeier | 2,291 | 0 | 0 | 336 | 1,955 |
| Klaus Seidel | 1,528 | 0 | 0 | 224 | 1,304 |
| Dr Constantin Mang | 458 | 0 | 0 | 71 | 387 |
| Anton Breilkopf | 1,528 | 0 | 0 | 224 | 1,304 |
| Dr Gerrit Karalus | 1,528 | 0 | 0 | 1,528 | 0 |

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:

| | 2019 | 2018 |
|--|--------------|--------------|
| | €k | €k |
| Salaries and other short-term benefits | 2,700 | 1,431 |
| Share-based payments | 1,921 | 0 |
| Total | 4,621 | 1,431 |

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>. In the 2019 financial year, MBB SE was tendered 487,407 shares in total at a price of €96 each by members of Executive Management and the Board or companies it controls as part of the share buyback programme.

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 Bretkopf are billed to Tolea GmbH, Cologne. Please refer to the information above for the amounts of remuneration.

Please refer to note II.5 (Working group disclosures) for information of working groups.

4. Employees

The number of employees in the 2019 financial year and in the previous year breaks down as follows:

| | 2019 | 2018 |
|-----------------------------|--------------|--------------|
| Average number of employees | Headcount | Headcount |
| Technological Applications | 1,576 | 1,502 |
| Consumer Goods | 460 | 454 |
| Service & Infrastructure | 707 | 181 |
| Total | 2,743 | 2,137 |

| | 31 Dec 2019 | 31 Dec 2018 |
|----------------------------|--------------|--------------|
| As at the reporting date | Headcount | Headcount |
| Technological Applications | 1,572 | 1,543 |
| Consumer Goods | 474 | 439 |
| Service & Infrastructure | 1,459 | 202 |
| Total | 3,505 | 2,184 |

MBB Group has 254 (previous year: 143) trainees as at 31 December 2019 who are not included in the above figures.

5. Auditor's fees

The auditor's fees recognised in the 2019 financial year break down as follows:

| | 2019 |
|-------------------------|------------|
| | €k |
| Audit services | 438 |
| Tax consulting services | 0 |
| Consulting services | 0 |
| Total | 438 |

6. Events after the end of the reporting period

The Covid-19 pandemic has impacted social life all over the world to a degree scarcely imaginable, with unforeseeable consequences for the world economy, business in Germany and MBB's companies. We have attempted to describe the possible risks and consequences where appropriate in the annual report, though we cannot claim to be able to provide a full picture at this time.

On 18 March 2020, MBB resolved to utilise the authorisation granted by the Annual General Meeting on 28 May 2019 to purchase treasury shares in accordance with section 71(1) no. 8 AktG. From 20 March 2020, the company intends to buy back up to 594,075 treasury shares up to a maximum volume of €3.0 million at a price of €55 per share. The share buyback program is to end on 30 June 2020 and the acquired shares are to be used as acquisition currency or for other purposes as resolved by the Annual General Meeting.

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 recognised 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 working groups in which interests are held by companies in which the MBB Group holds investments.

8. Other financial obligations

The Group has a number of leases classified as operating leases in accordance with IAS 17 as at 31 December 2018 that are not recognised in the statement of financial position.

In conjunction with the adoption of IFRS 16 as at 1 January 2019, right-of-use assets and lease liabilities were recognised in the statement of financial position for a majority of these leases, not including short-term leases, leases for low-value assets and variable lease payments.

Off-balance sheet obligations have therefore decreased year-on-year as at 31 December 2019 and are as follows:

| Other financial liabilities | 31 Dec 2019 €k | 31 Dec 2018 €k |
|---|-------------------|-------------------|
| Up to one year | 1,134 | 2,458 |
| More than one year and up to five years | 1,141 | 1,636 |
| Over five years | 95 | 7 |
| Total | 2,370 | 4,101 |

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 2020. It forms part of the 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, 26 March 2020

The Executive Management of MBB SE

Auditor's report

To MBB SE, Berlin

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 the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2019 to 31 December 2019 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 2019 to 31 December 2019, which is combined with the management report of the company. In accordance with the provisions of German law, we have not audited the content of the corporate governance declaration or the consolidated non-financial statement.

In our opinion, based on the findings of our audit:

- the attached consolidated financial statements, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, and give a true and fair view of the net assets and financial position of the Group in accordance with these requirements as at 31 December 2019 and its results of operations for the financial year from 1 January 2019 to 31 December 2019 in accordance with these provisions; and
- as a whole, the attached Group management report provides a suitable view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Our opinion on the Group management report does not extend to the content of the above corporate governance declaration.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements or the Group management report.

Basis for audit opinions

We conducted our audit in accordance with section 317 of the *Handelsgesetzbuch* (HGB – German Commercial Code), the EU Audit Regulation (No. 537/2014) and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW – German Institute of Public Auditors). Our responsibility under these provisions and policies is described further in the section of our audit report entitled "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report". We are independent from the Group companies in accordance with the commercial and professional regulations of European and German law and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10(2)(f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as defined by Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and 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 1 January 2019 to 31 December 2019. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these matters.

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

- Acquisition of shares in the Friedrich Vorwerk Group
- Recognition of contract revenue

Our presentation of these key audit matters is structured as follows:

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

The key audit matters are presented below:

Acquisition of shares in the Friedrich Vorwerk Group

1. In the second half of 2019, MBB SE acquired 60% of the shares in Friedrich Vorwerk KG (GmbH & Co.), Tostedt, and its subsidiaries (referred to hereinafter as "Vorwerk"). On 10 December 2019, MBB SE acquired all shares in Bohlen & Doyen Bau GmbH, Wiesmoor, and Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, through Friedrich Vorwerk KG (GmbH & Co.). Business combinations are accounted for using the acquisition method in accordance with IFRS 3. Given the significant overall impact of the acquisitions on the financial position and financial performance of the Group, and given the complexity of measuring the acquisitions, this was a key issue in our audit.
2. To address this risk, we critically examined the assumptions and estimates by management, and performed audit procedures including the following:
 - We examined the contractual agreements and gained an understanding of the business combination.
 - We assessed the methods for identifying the acquired assets and liabilities.
 - We verified the measurement methods applied in accordance with the requirements of IFRS 3.
 - We established an understanding of the initial data used for measurement and the assumptions made/applied.
 - We verified the mathematical accuracy of the measurement model applied.
 - We verified the amounts in the opening statement of financial position and the first-time consolidation as at the date of initial consolidation on the basis of the purchase price allocation.

Our audit procedures did not give rise to any objections regarding the accounting for the company acquisition.

3. The information provided by the company on the business combination can be found in note I.1.4 to the financial statements.

Recognition of contract revenue

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 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 financial statements.

Other information

The company's officers are responsible for the other information. The other information comprises:

- the Group declaration on corporate governance;
- the consolidated non-financial statement;
- other parts of the annual report, with the exception of the audited consolidated financial statements, the Group management report and our audit opinion;
- the corporate governance report in accordance with item 3.10 of the German Corporate Governance Code; and
- the statement in accordance with section 297(2) sentence 4 HGB on the consolidated financial statements and the statement in accordance with section 315(1) sentence 5 HGB on 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 offer any audit opinion or any other form of audit conclusion on it.

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

- contains material inconsistencies with the consolidated financial statements, the Group management report or our findings from the audit; or
- is otherwise materially misrepresented.

Responsibility of the company's officers and the Board for the consolidated financial statements and the Group management report

The company's officers are responsible for the preparation of the consolidated financial statements that, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with 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. Furthermore, the company's officers are responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from – intentional or unintentional – material misstatement.

In preparing the consolidated financial statements, the company's officers are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters in connection the continuation of business activities, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate or discontinue the Group, or there is no realistic alternative.

Moreover, the company's officers are responsible for the preparation of the Group management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately

presents the risks and opportunities of future development. Also, the company's officers are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a Group management report in accordance with the applicable German legal requirements to provide sufficient suitable evidence for the statements in the Group management report.

The Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

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

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misstatement and whether the Group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the consolidated financial statements and the Group management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with section 317 HGB, the EU Audit Regulation and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal a material misstatement. Misstatements can result from violations or inaccuracies, and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions that users make on the basis of these consolidated financial statements and the Group management report.

We exercise due discretion and maintain a critical approach. Furthermore:

- We identify and assess the risks of – intentional or unintentional – material misstatements in the consolidated financial statements and the Group management report, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements are not detected is greater for violations than for inaccuracies, as violations can include fraud, falsification, intentional omissions, misrepresentation or the invalidation of internal controls;
- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the systems relevant to the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems;
- We assess the appropriateness of the accounting policies applied by the company's officers and the reasonableness of the estimates and related disclosures by the company's officers;
- We draw conclusions about the appropriateness of the going concern principle applied by the company's officers and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the consolidated financial statements and the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances can lead to the Group being unable to continue its business activities;
- We assess the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, in accordance with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, give a true and fair view of the net assets, financial position and results of operations of the Group;
- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for designing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- We assess that the Group management report is consistent with the consolidated financial statements and the law, and the view of the position of the Group that it provides;
- We perform audit procedures on the forward-looking statements made in the Group management report by the company's officers. In particular, on the basis of sufficient and suitable audit evidence, we analyse the significant assumptions on which the forward-looking statements are based, and assess whether the forward-looking statements have been properly derived from these assumptions. We do not issue a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a considerable yet unavoidable risk that future events will deviate materially from the forward-looking statements.

Among other things, we discuss with those responsible for overseeing the audit the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We declare to those responsible for overseeing the audit that we complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence, and the precautions taken against this.

Of the matters we discussed with those responsible for overseeing the audit, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and that are therefore the key audit matters. We describe these matters in our audit opinion, unless the public disclosure of such matters is prevented by law or other legal provisions.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Other disclosures in accordance with Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 28 May 2019. We were engaged by the Board on 5 February 2020. As the auditor of the consolidated financial statements, we have audited the consolidated financial statements as at 31 December 2019 and the Group management report for the 2019 financial year that had to be prepared and audited. We have served as the auditor of MBB SE's consolidated financial statements since the 2017 financial year.

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, 26 March 2020

RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

| | |
|-------------------|-------------------|
| Grote | Geller |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

Financial calendar

Quarterly Report Q1/2020

22 May 2020

Annual General Meeting 2020

Under the current circumstances, the date for the Annual General Meeting cannot yet be determined.

Half-year financial report 2020

21 August 2020

Quarterly Report Q3/2020

13 November 2020

End of 2020 financial year

31 December 2020

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